Management's Discussion and Analysis and Consolidated Financial Statements of the

Greater Toronto Airports Authority

March 31, 2005

(unaudited)

GREATER TORONTO AIRPORTS AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE QUARTER ENDED MARCH 31, 2005
Dated May 6, 2005

Forward-looking Statements

This Management's Discussion and Analysis ("MD&A") contains certain statements about the Greater Toronto Airports Authority ("GTAA") and its future expectations. Words such as "anticipate", "intend", "may", "plan", "believe", "expect", "estimate" and similar expressions are intended to identify such forward-looking statements. The GTAA cautions readers not to place undue reliance on the forward-looking statements since they involve future risks and uncertainties, and the actual results may be quite different from those expressed or implied in the statements. Some of the risks and uncertainties that could affect the GTAA's future results include the levels of aviation activity, air carrier instability, aviation liability insurance, construction risk, geopolitical unrest, terrorist attacks, war, health epidemics, labour negotiations, capital market and economic conditions, changes in laws, adverse regulatory developments or proceedings, future lawsuits and other risks detailed from time to time in our publicly filed disclosure documents. The forward-looking statements contained in this MD&A represent the GTAA's expectations as of May 6, 2005 and are subject to change after this date. Except as required by applicable law, the GTAA disclaims any intention or obligation to update or revise any forward-looking statements included in this document whether as a result of new information, future events or for any other reason.

This quarterly report of the Greater Toronto Airports Authority ("GTAA") should be read in conjunction with its Consolidated Financial Statements for the quarter ended March 31, 2005. In addition, this report should be read in conjunction with the Consolidated Financial Statements and Notes, Management's Discussion and Analysis, and the Annual Information Form for the year ended December 31, 2004. These documents provide additional information on certain matters discussed in this report. Financial information for the GTAA is available on SEDAR at www.sedar.com and on the GTAA website at www.gtaa.com.

Corporate Profile

The GTAA was incorporated in March 1993 as a corporation without share capital, and recognized as a Canadian Airport Authority by the federal government in November 1994. The GTAA is responsible for the operation, management and development of Toronto Pearson International Airport (the "Airport" or "Toronto Pearson") as set out in its ground lease with the federal government (the "Ground Lease"). The GTAA is authorized to operate airports within the Greater Toronto Area ("GTA") on a commercial basis, to set fees for their use and to develop and improve the airport facilities. The priorities for the GTAA are to operate a safe and secure airport, and to ensure that the facilities will provide the necessary services, amenities and capacity for the GTA's current and future requirements for air travel.

Operating Activity

Various events through 2001 to 2003, such as terrorist attacks and SARS, caused passenger activity at the Airport to decline. During 2004, the long-term trend of positive growth was restored with a significant increase in passenger activity over 2003 levels. This positive trend continued into the first quarter of 2005, with approximately 7.1 million passengers moving through the Airport as compared to 6.5 million in the first quarter of 2004. This represents a year-over-year increase of approximately 10.5%. The following table summarizes the passenger activity for the first quarter of 2005 and 2004:

(in thousands)	2005	2004	% increase
Domestic	2,876	2,624	9.6%
Transborder	2,248	2,024	11.1%
International	2,007	1,807	11.1%
Total	7,131	6,455	10.5%

In addition to passengers, another component of operating activity that impacts revenue is Maximum Take-off Weight ("MTOW") which is determined by the number of aircraft movements and the type of aircraft. For the three months ended March 31, 2005, MTOW was 4.9% higher than the same period in 2004, at 3.1 million tonnes.

When comparing the first quarters for each of 2004 and 2005, there were two events which had an impact on the operating activity for the respective periods. Commencing in April 2004, WestJet Airlines Inc. ("WestJet") expanded its operations at Toronto, and then further expanded its activities by adding transborder flights in the fall of 2004. This resulted in increased activity for the first quarter of 2005 as compared to 2004. On March 11, 2005, Jetsgo Corporation ("Jetsgo") announced that it was ceasing operations immediately and filed for protection under the Companies' Creditors Arrangement Act ("CCAA"). Since this occurred during the busy March break period, many passengers were not able to secure alternate arrangements, which resulted in some reduction in overall activity for the latter weeks of March 2005, as compared to potential passenger volumes that could have been achieved in that period based on the positive trend seen in the first part of the year.

On April 19, 2005, Canada and China signed a new bilateral aviation agreement that will provide for additional flights between the two countries. It is expected that this will provide opportunities for additional flights at the Airport in the future.

RESULTS OF OPERATIONS

The GTAA sets its aeronautical rates and charges annually to cover the projected operating costs on a break-even cash basis for each year. To calculate the rates and charges for the subsequent year, certain projections are developed for passenger activity, air traffic, non-aeronautical revenue and operating costs. This will include debt service (interest and principal) for those assets which are operational, but does not include non-cash items such as amortization. Capital costs, including interest for projects under construction, are funded through debt and are not included in the calculation of the aeronautical rates and charges until the assets become operational. The GTAA implemented new rates for landing fees and general terminal charges commencing January 1, 2005.

Revenue

Revenue is received from aeronautical charges (landing fees and general terminal charges), airport improvement fees ("AIF") and non-aeronautical sources such as car parking and ground transportation, concessions, rentals and other sources as described below. Since aeronautical fees are charged on the basis of MTOW and seats for an arriving aircraft, and AIF is per passenger, the primary drivers for revenue are passenger activity and aircraft movements. The following chart summarizes the revenue for the three month period ended March 31, 2005 and 2004:

(in thousands)	2005	2004
Landing fees	$ 97,898	$ 79,700
General terminal charges	39,235	35,004
Airport improvement fees, net	40,411	30,682
Car parking and ground transportation	22,730	20,642
Concessions and rentals	28,070	24,539
Other	2,228	2,398
	$ 230,572	$ 192,965

For the first three months of 2005, aeronautical revenue totaled $137.1 million as compared to $114.7 million for the same period in 2004. This increase is due to the increase in traffic at the Airport and the increased aeronautical rates implemented in 2005. Included in the rate base for 2005 is a full year of debt service for the portion of the Airport Development Program ("ADP") that became operational in April 2004, as compared to a partial year in 2004.

AIF revenue earned, which is net of the commission paid to the airlines, increased from $30.7 million to $40.4 million for the first quarter of 2004 and 2005 respectively. This increase is the result of increased passenger volumes and different AIF rates in the two periods. In the first quarter of 2004, the AIF rate was $12 for an originating passenger and $8 for a connecting passenger. Due to an increase in rates implemented on November 1, 2004, the rates for the first quarter of 2005 were $15 for an originating passenger and $8 for a connecting passenger. The GTAA has executed AIF agreements with each of the airlines operating at the Airport in which the GTAA has committed that primarily all of the AIF revenue will be used for capital programs, including the associated debt service (principal and interest). It is recognized that the capital expenditures covered by the AIF revenue may not be made in the same period in which the AIF is earned or received. AIF revenue earned and collected, but not utilized in any given period is set aside in the AIF Reserve Fund for future capital or debt service payments.

The GTAA also receives revenue from car parking, ground transportation, concessions and space and property rental. In the three months ended March 31, 2005 car parking and ground transportation revenue was $22.7 million as compared to $20.6 million for the same period of 2004, reflecting the increase in overall activity at the Airport. For concessions and rentals, revenue was $28.1 million and $24.5 million for the three months ended March 31, 2005 and 2004 respectively. This increase reflects the additional rental revenue from new Terminal 1 and the impact of increasing passenger volumes on overall retail sales.

Other revenue includes interest on reserve funds and investments, which fluctuate depending on the timing of debt issues and the resultant investments. The GTAA issued Medium Term Notes (MTNs") in February 2005, as described in the section on Liquidity and Capital Resources.

Operating Expenses

The operating expenses include the costs to operate and maintain the Airport, interest and financing costs and amortization. It is important to note that in the financial statements, expenses are reported on an accrual basis and are not entirely consistent with certain expenses used in the calculation of the aeronautical fees. Specifically, amortization is not included in the calculation of the landing fee, and while the principal component of debt service is included in the landing fee it is not recorded as an operating expense. In the first quarter of 2005, amortization was greater than the principal collected. The following chart summarizes the total operating expenses for the three months ended March 31, 2005 and 2004:

(in thousands)	2005	2004
Ground rent	$ 36,106	$ 35,707
Goods and services	68,432	48,946
Salaries, wages and benefits	25,472	26,133
Real property taxes and PILT	5,479	6,045
	135,489	116,831
Interest and financing costs	84,111	42,698
Amortization of capital assets	51,126	27,301
	$ 270,726	$ 186,830

Ground rent payments, which are unique to Canadian airports, are calculated according to the Ground Lease and are based on passenger levels and inflation. Ground rent was $36.1 million for the first quarter of 2005 and $35.7 for the same period of 2004. In July 2003, the Minister of Transport announced a 24 month rent deferral program which had the effect of reducing the ground rent paid by $5.3 million for the first quarter of each of 2004 and 2005. However, since this is a deferral and the payments will be due to the federal government over a 10 year period commencing in January 2006, the full amount of the expense is recorded in each period. There is an offsetting liability recorded on the balance sheet which will be reduced when the deferred payments commence.

Goods and services, or the general operating expenses for the Airport, were $48.9 million for the three months ended March 31, 2004 as compared to $68.4 million for the same period in 2005. The increase in expenses between these two periods is partially attributable to the opening of the new Terminal 1 and the implementation of new systems. Specific systems that affected these expenses include elevators and escalators, HVAC and other building systems, baggage handling and other common use passenger processing systems, and the costs associated with the general cleaning and maintenance of the larger facility. There were increased fuel and utility costs and snow removal costs due to the increased size of the aircraft maneuvering surfaces and roadways at the Airport and the more severe winter conditions of 2005. Costs also increased due to a reduction in security expenses recovered from the federal government and a provision for bad debt related to Jetsgo. At the time of filing under CCAA, Jetsgo owed the GTAA approximately $5.4 million (including GST), which included $2.5 million in AIF and $2.9 million in aeronautical and other charges. Included in the goods and services for the first quarter of 2005 is a provision of $2.5 million for the potential lost revenue from Jestgo.

Salaries, wages and benefits were relatively stable for the two comparative periods at $26.1 million and $25.5 million for 2004 and 2005 respectively.

The GTAA has an exemption from the payment of real property taxes under the *Assessment Act (Ontario)*, and instead pays payments-in-lieu of taxes (“PILT”) to each of the Cities of Toronto and Mississauga as prescribed by an Ontario regulation. The PILT amount is based on passenger volumes in a prior year and therefore the reduction from $6.0 million in 2004 to $5.5 million in 2005 reflects the lower annual passenger volumes for 2003 compared to 2002.

The changes in interest and financing costs and amortization of capital assets results from new Terminal 1 and the ancillary facilities of the Airport Development Program (“ADP”) becoming operational on April 6, 2004. With the additional interest expense for the ADP, interest and financing costs were $84.1 million for the quarter ended March 31, 2005, as compared to $42.7 million for the same period in 2004. Similarly, amortization increased from $27.3 million for the first three months of 2004 to $51.1 million for the same period in 2005.

Net Operating Results

The revenue and expenses outlined in the previous sections generate the following net operating results for the periods ended March 31, 2005 and 2004:

(in thousands)	2005	2004
Revenue	$ 230,572	$192,965
Operating expenses	135,489	116,831
Revenue over expenses [1]	95,083	76,134
Interest and financing costs	84,111	42,698
Amortization of capital assets	51,126	27,301
Revenue over/(under) expenses	$ (40,154)	$ 6,135

Note 1: Revenue over expenses before interest and financing costs and amortization of capital assets

The differences in the revenue, operating expenses, interest and financing costs and amortization for the respective periods have been summarized previously. Revenue over expenses before interest and financing costs and amortization increased from $76.1 million during the first three months of 2004 to $95.1 million during the same period in 2005. In both periods, the GTAA continued to more than cover the expenses relating to interest and financing costs. However, as expected with the opening of the new Terminal 1 in April 2004, the GTAA did not cover the amortization in 2005, resulting in revenue under expenses of $40.2 million.

The GTAA's operating results include certain non-cash items which are recorded in the financial statements, but are not included in the rate setting base for calculating the landing fees and general terminal charges each year. Specifically, these include the deferral of ground rent payments of $5.3 million for each quarter ended March 31, 2004 and 2005, and amortization of $51.1 million and $27.3 million for the first three months of 2005 and 2004, respectively. In accordance with the rate setting approach, the GTAA expects that revenue and reserve funds will continue to be sufficient to cover operating expenses and interest and financing costs, including notional principal. In common with many major infrastructure developments, the GTAA's net revenues may not cover amortization for a period of several years, resulting in total expenses exceeding revenues.

AIRPORT DEVELOPMENT PROGRAM AND CAPITAL PROJECTS

The ADP was planned in 1997 as a coordinated program to redevelop the Airport, including the construction of a new terminal, infield facilities, airside improvements and utilities infrastructure. The overall concept was a staged program that would enable construction to be undertaken while the Airport continued to operate. In addition, the ADP was demand driven, which has provided the GTAA some flexibility on the timing of certain components. The total budget for the program is $4.5 billion, and as at March 31, 2005 the ADP was 81% complete, including the initial opening of new Terminal 1 in April 2004. Although still a significant project, the ADP is nearing completion.

During the first quarter of 2005, progress continued on the apron removal and reconstruction around old Terminal 1, the steel erection for Pier F was completed, the Pier F hammerhead steel erection was 90% complete and work continued on the mechanical, electrical and masonry work for Pier F. The project is on schedule to open gates on the east side of Pier E in late 2005, and Pier F and its hammerhead in early 2007. Also under construction as part of the ADP is the Automated People Mover which will connect the GTAA's remote parking areas to Terminals 3 and 1. It is expected that this system will be available to the public in mid-2006.

In addition to the ADP, the GTAA has ongoing capital programs which include the redevelopment and upgrades to certain areas in Terminal 3, the construction of a natural gas powered co-generation facility and other ongoing capital improvements. During the first three months of 2005, $52.1 million was spent on these projects.

On September 13, 2004, the Ontario Ministry of Energy issued the Request for Proposals (RFP) for 2,500 megawatts (MW) of new clean electricity generation, demand response, and demand-side management projects (the "2,500 MW RFP"). The GTAA submitted a proposal in response to this and has been awarded a contract pursuant to the 2,500 MW RFP program. The purpose of this program is to encourage the construction of new generating capacity in Ontario to meet the shortfall that is projected to develop over the next several years. Subject to meeting availability tests, the Province of Ontario through the Ontario Power Authority will provide payments to the GTAA calculated on certain costs deemed to be incurred by the GTAA in operating the co-generation facility, including the cost of natural gas, and the price of electricity. A portion of excess net revenues deemed to be earned by the GTAA, as determined by the calculation, will be returned to the Province. As a result of being selected under the 2,500 MW RFP the financial risk of operating the co-generation facility has been reduced while the GTAA continues to benefit from a secure source of electricity to meet its needs.

ASSETS AND LIABILITIES

At March 31, 2005 total assets were $6.8 billion as compared to $6.5 billion at the end of December 2004. The increase in the first quarter includes $130.1 million of cash and cash equivalents, $83.0 million in reserve and other funds and approximately $99.0 million in capital assets and work in progress. The increases in the reserve funds include the monthly funding of interest payments, increases in the Debt Service Reserve Fund for the MTNs issued in February 2005, and contributions to the Operating and Maintenance Reserve Fund, Airport Improvement Fee Reserve Fund, the Notional Principal Fund and the Debt Service Coverage Fund.

Total liabilities at March 31, 2005 were $7.0 billion as compared to $6.6 billion at December 31, 2004. In February 2005, the GTAA issued $350 million of MTNs of which $17.5 million was set aside in the Debt Service Reserve Fund. In addition, consistent with the treatment of the ground rent deferral discussed previously, the liability for ground rent increased by $5.3 million. Long-term debt for the same period increased from $5.7 billion to $6.0 billion with the issue of MTNs in February.

The net deficiency reported on the balance sheet is a combination of the reserve funds that have been funded through operating revenue and the accumulated revenue over or under expenses. To the extent that the net revenue after operating expenses and interest and financing costs has not been sufficient to cover amortization, the GTAA has recorded revenue under expenses which has resulted in a negative net asset position of $151.3 million as at March 31, 2005. The rate setting approach is based on a mortgage-type principal component being included in the landing fee which is lower in earlier years and higher in later years. The reporting of amortization for the larger assets at the Airport is on a declining balance, which is higher in the early years and lower in future years. This differential contributes to the GTAA's current negative net asset position. However, the underlying financial stability and security for the GTAA debt relies on the long term economic potential for the Airport and on the reserve funds which total $866.3 million at March 31, 2005.

LIQUIDITY AND CAPITAL RESOURCES

The GTAA is a non-share corporation, and therefore funding is through operating revenues, AIF revenue, reserve funds, the debt capital markets and its syndicated bank credit facility. The aeronautical rates are set each year to cover the projected operating costs, including debt service and reserve requirements, taking into account the projected air traffic and passenger activity and other revenue sources. Consistent with this residual rate setting approach, the GTAA uses funds generated from all sources within the Airport to cover operating expenses, debt payments, capital requirements, reserve funds and other activities within its mandate.

One issue that impacts the GTAA's ability to access the capital markets is its credit rating. In June 2004, Standard & Poor's confirmed its "A-" rating, but placed the GTAA on negative outlook. On April 18, 2005, Standard & Poor's announced that the outlook for the GTAA had returned to stable. This is expected to have a positive influence on the overall ability of the GTAA to access the capital markets.

In February 2005, the GTAA issued 10-year MTNs in the amount of $350 million, with an interest rate of 5.0%. The proceeds were used to fund the reserve requirements and repay the syndicated bank facility, with the excess proceeds being invested in short-term investment grade corporate debt instruments. As at March 31, 2005, approximately $147.0 million was held in cash or cash equivalents. These investments will be used to fund the ADP and other capital projects over the next several months. The GTAA has an issue of Floating Rate Notes in the amount of $600 million, which matures on May 20, 2005. The GTAA expects to refinance this issue on or prior to maturity.

The GTAA has two bank credit facilities with a syndicate of banks totaling $550 million which include a 364-day revolving facility and a 3-year revolving term facility. As at

March 31, 2005 there was a $1 million letter of credit outstanding on the 364-day facility. These facilities will be used to fund ongoing operations where expenses may exceed revenue due to the timing of expenses and receipts, and to fund capital expenses on a periodic basis. This provides the GTAA with flexibility on the timing and size of issue when accessing the capital markets. Both credit facilities mature in November 2005 and the GTAA will be requesting renewal of both of the facilities in amounts to be determined.

Total reserve funds at the end of March 2005 were $866.3 million, an increase of $83.0 million since December 31, 2004. All of the reserve funds are cash funded and invested, and depending on the nature of the fund, may be held by the Trustee for specific purposes, or held by the GTAA in accordance with its own policies.

The objective of the GTAA's investment and cash management strategy is to ensure that the cash requirements for operations, capital programs and other demands are met, and to maximize the flexibility in accessing capital markets as may be required. The GTAA monitors its cash flow requirements accordingly. Given the current cash investments, available credit facility, reserves and projected operating revenues and costs, the GTAA does not anticipate any funding shortfalls during 2005. However, there may be events outside of the control of the GTAA that could negatively impact its liquidity.

SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

The accounting policies of the GTAA are set out in Note 4 of the Consolidated Financial Statements and Notes as of December 31, 2004 and 2003, and Note 1 of the unaudited Consolidated Financial Statements as at March 31, 2005. There have been no changes in accounting policies since January 1, 2005.

RISKS AND UNCERTAINTIES

The GTAA will continue to face certain risks which are beyond its control, and may or may not have a significant impact on its financial condition. For example, the decision of Jetsgo to cease operations did immediately impact the overall activity, but to date has not had a material impact on the financial results. The longer term impact is unknown and will depend on the ability of other air carriers to increase their capacity in response to passenger demand. The overall demand for air travel is subject to external influences such as general economic conditions, government regulation and financial uncertainty in the aviation industry, each of which may impact the GTAA's financial results.

In addition, the GTAA continues to face risks associated with the construction associated with the ADP and other capital projects. During the first quarter of 2005, the ADP has continued to progress according to schedule and within 2% of budget. Access to the capital markets to fund the development is dependent on many factors outside the control of the GTAA. The debt issue of February 2005 was very well received, oversubscribed and demonstrates continued support at this time.

Other risks and uncertainties are discussed in Management's Discussion and Analysis for the year ended December 31, 2004.

CONCLUSION

The first three months of 2005 have been very positive with continued recovery in passenger activity, good construction progress on the ADP and co-generation project, and no significant events which could have unsettled the industry, although there was some impact on the GTAA with Jestgo ceasing operations. With the successful opening of a new terminal and other enhanced facilities, recognized high standards for safety and security, and an overall commitment to fiscal responsibility, the GTAA has established a solid framework to serve the current and future commercial aviation needs of the GTA.

Consolidated Financial Statements of

GREATER TORONTO AIRPORTS AUTHORITY

March 31, 2005

(unaudited)

GREATER TORONTO AIRPORTS AUTHORITY
CONSOLIDATED BALANCE SHEETS

(unaudited) (in thousands)	**March 31 2005**	December 31 2004
ASSETS		
Current		
Cash and cash equivalents	**$ 146,954**	$ 16,859
Accounts receivable	**93,540**	70,539
Prepaid expenses	**6,627**	2,738
Inventory	**4,940**	4,720
	252,061	94,856
Reserve and other funds (Note 2)	**866,346**	783,376
Deferred charges (Note 3)	**55,999**	53,422
Capital assets (Note 4)	**4,786,092**	4,818,721
Work in progress (Note 5)	**842,011**	710,392
Prepaid pension asset	**7,030**	7,030
	$ 6,809,539	$ 6,467,797
LIABILITIES		
Current		
Accounts payable and accrued liabilities	**$ 272,133**	$ 247,461
Security deposits and deferred credits	**20,910**	18,425
Deferred gain on interest rate swaps (Note 13)	**1,069**	1,069
Current portion of long-term debt (Note 6)	**609,303**	609,473
	903,415	876,428
Deferred gain on interest rate swaps (Note 13)	**13,239**	13,506
Deferred ground rent (Note 14)	**36,307**	31,050
Long-term debt (Note 6)	**6,007,894**	5,657,975
	6,960,855	6,578,959
NET DEFICIENCY (Note 7)		
Externally restricted	**84,145**	69,607
Internally restricted	**242,525**	209,955
Unrestricted	**(477,986)**	(390,724)
	(151,316)	(111,162)
	$ 6,809,539	$ 6,467,797

GREATER TORONTO AIRPORTS AUTHORITY
CONSOLIDATED STATEMENTS OF OPERATIONS

For the three-month periods ended March 31

(unaudited) (in thousands)	**2005**	2004
REVENUES		
Landing fees	**$ 97,898**	$ 79,700
General terminal charges	**39,235**	35,004
Airport improvement fees, net	**40,411**	30,682
Car parking and ground transportation	**22,730**	20,642
Concessions	**15,479**	13,515
Rentals	**12,591**	11,024
Other	**2,228**	2,398
	230,572	192,965
OPERATING EXPENSES		
Ground rent	**36,106**	35,707
Goods and services	**68,432**	48,946
Salaries, wages and benefits	**25,472**	26,133
Real property taxes and payments-in-lieu of real property taxes (Note 10)	**5,479**	6,045
	135,489	116,831
Revenues over expenses before interest and financing costs and amortization	**95,083**	76,134
Interest and financing costs (Note 8)	**84,111**	42,698
Amortization of capital assets	**51,126**	27,301
Revenues (under) over expenses	**$ (40,154)**	$ 6,135

GREATER TORONTO AIRPORTS AUTHORITY
CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS (DEFICIENCY)

Three-month period ended March 31, 2005 (unaudited) (in thousands)	**Balance, Beginning of Period**	**Revenues Under Expenses**	**Transfers / Allocations**	**Use of Funds**	**Balance, End of Period**
Externally Restricted					
Operating and maintenance reserve	**$ 50,806**	**$ -**	**$ 7,165**	**$ -**	**$ 57,971**
Renewal and replacement reserve	**3,000**	**-**	**-**	**-**	**3,000**
Debt service fund - principal	**15,801**	**-**	**7,373**	**-**	**23,174**
	69,607	**-**	**14,538**	**-**	**84,145**
Internally Restricted					
Airport improvement fees collected, net	**99,452**	**-**	**38,195**	**(30,375)**	**107,272**
Notional principal of long-term debt	**88,100**	**-**	**23,973**	**(7,373)**	**104,700**
Debt service coverage requirement	**22,403**	**-**	**8,150**	**-**	**30,553**
	209,955	**-**	**70,318**	**(37,748)**	**242,525**
Restricted net assets	**279,562**	**-**	**84,856**	**(37,748)**	**326,670**
Unrestricted net assets	**(390,724)**	**(40,154)**	**(47,108)**	**-**	**(477,986)**
Total net assets (deficiency)	**$ (111,162)**	**$ (40,154)**	**$ 37,748**	**$ (37,748)**	**$ (151,316)**

Three-month period ended March 31, 2004 (unaudited) (in thousands)	Balance, Beginning of Period	Revenues Over Expenses	Transfers / Allocations	Use of Funds	Balance, End of Period
Externally Restricted					
Operating and maintenance reserve	$ 50,806	$ -	$ -	$ -	$ 50,806
Renewal and replacement reserve	3,000	-	-	-	3,000
Debt service fund - principal	3,294	-	1,977	-	5,271
	57,100	-	1,977	-	59,077
Internally Restricted					
Airport improvement fees collected, net	104,475	-	26,905	(28,975)	102,405
Notional principal of long-term debt	22,350	-	23,327	(1,977)	43,700
Debt service coverage requirement	16,553	-	5,850	-	22,403
	143,378	-	56,082	(30,952)	168,508
Restricted net assets	200,478	-	58,059	(30,952)	227,585
Unrestricted net assets	(199,304)	6,135	(27,107)	-	(220,276)
Total net assets	$ 1,174	$ 6,135	$ 30,952	$ (30,952)	$ 7,309

GREATER TORONTO AIRPORTS AUTHORITY
CONSOLIDATED STATEMENTS OF CASH FLOWS

For the three-month periods ended March 31 (unaudited) (in thousands)	**2005**	2004
CASH FLOWS FROM OPERATING ACTIVITIES		
Revenues (under) over expenses	**$ (40,154)**	$ 6,135
Items not affecting cash		
Amortization of capital assets	**51,126**	27,301
Amortization of deferred gain on interest rate swaps	**(267)**	(267)
Gain on disposal of capital assets	**-**	(310)
Realized gain on interest rate swaps	**-**	(2,437)
Amortization of deferred charges (Note 3)	**1,383**	1,788
Changes in non-cash working capital		
Increase in accounts receivable	**(23,001)**	(16,744)
Increase in prepaid expenses	**(3,889)**	(3,912)
Increase in inventory	**(220)**	(344)
Increase in deferred ground rent	**5,257**	5,256
Increase in accounts payable and accrued liabilities	**24,672**	9,539
Increase (decrease) in security deposits and deferred credits	**2,485**	(2,713)
	17,392	23,292
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of capital assets	**(465)**	(1,636)
Proceeds on disposal of capital assets	**-**	6,646
Work in progress	**(149,651)**	(168,284)
	(150,116)	(163,274)
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance of medium term notes (Note 6)	**350,000**	600,000
Credit facility (Note 6)	**-**	(145,000)
Repayment of long-term debt	**(251)**	(502)
Termination of interest rate swaps	**-**	18,082
Reserve and other funds	**(82,970)**	(95,944)
Deferred charges (Note 3)	**(3,960)**	(8,413)
	262,819	368,223
NET CASH INFLOW	**130,095**	228,241
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	**16,859**	38,125
CASH AND CASH EQUIVALENTS, END OF PERIOD	**$ 146,954**	$ 266,366

1. BASIS OF PRESENTATION

These interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles and follow the same accounting policies and methods of computation as the statements in the 2004 annual report. As these interim consolidated financial statements do not include all information required for annual consolidated financial statements, these notes should be read in conjunction with the notes to the 2004 consolidated financial statements published in the 2004 annual report of the Greater Toronto Airports Authority ("GTAA").

2. RESERVE AND OTHER FUNDS

The Debt Service Fund and Debt Service Reserve Fund (the "Trust Funds") and Operations, Capital and Financing Funds invested in cash and qualified short-term investments are as follows:

(in thousands)	**March 31 2005**	December 31 2004
Debt Service Fund		
Interest	**$ 94,849**	$ 79,527
Principal	**23,174**	15,801
	118,023	95,328
Debt Service Reserve Fund		
Revenue Bonds		
Series 1997-2 due December 3, 2007	**35,409**	35,170
Series 1997-3 due December 3, 2027	**37,252**	37,004
Series 1999-1 due July 30, 2029	**40,586**	40,320
Medium Term Notes		
Series 2000-1 due June 12, 2030	**39,101**	38,828
Series 2000-2 due July 19, 2010	**40,136**	39,817
Series 2001-1 due June 4, 2031	**35,474**	35,248
Series 2002-1 due January 30, 2012	**31,451**	31,260
Series 2002-2 due December 13, 2012	**29,930**	29,748
Series 2002-3 due October 15, 2032	**38,751**	38,474
Series 2003-1 due June 2, 2008	**19,598**	19,469
Series 2003-2 due May 20, 2005	**22,650**	22,461
Series 2004-1 due February 2, 2034	**39,048**	38,782
Series 2004-2 due February 4, 2009	**11,407**	11,335
Series 2005-1 due June 1, 2015	**17,620**	-
	438,413	417,916
Bank indebtedness secured by Series 1997 - A Bond	**6,414**	6,371
	444,827	424,287
Operations, Capital and Financing Funds		
Operating and Maintenance Reserve Fund	**57,971**	50,806
Renewal and Replacement Reserve Fund	**3,000**	3,000
Airport Improvement Fee Reserve Fund	**107,272**	99,452
Notional Principal Fund	**104,700**	88,100
Debt Service Coverage Fund	**30,553**	22,403
	303,496	263,761
	$ 866,346	$ 783,376

3. DEFERRED CHARGES

(in thousands)	**March 31, 2005**		
	Cost	**Accumulated Amortization**	**Net Book Value**
Bond issue costs	**$ 45,700**	**$ 14,888**	**$ 30,812**
Deferred hedge loss on bond	**17,953**	**6,759**	**11,194**
Bond discount costs	**17,036**	**3,043**	**13,993**
	$ 80,689	**$ 24,690**	**$ 55,999**

(in thousands)	December 31, 2004		
	Cost	Accumulated Amortization	Net Book Value
Bond issue costs	$ 44,131	$ 13,963	$ 30,168
Deferred loss on commodity swap	196	-	196
Deferred hedge loss on bond	17,953	6,528	11,425
Bond discount costs	14,449	2,816	11,633
	$ 76,729	$ 23,307	$ 53,422

The aggregate amortization expense in respect of deferred charges for the three-month period ended March 31, 2005 was $1.4 million (March 31, 2004 - $1.8 million) and is included in interest and financing costs. Additions to deferred charges during the three-month period ending March 31, 2005 totaled $4.0 million (March 31, 2004 - $7.2 million).

4. CAPITAL ASSETS

Capital assets are comprised of:

(in thousands)	March 31, 2005		
	Cost	**Accumulated Amortization**	**Net Book Value**
Terminal assets			
Buildings and support facilities, parking structures, pedestrian bridges and approach systems and apron works	**$ 4,024,740**	**$ (255,739)**	**$ 3,769,001**
Baggage handling systems	**167,049**	**(18,970)**	**148,079**
	4,191,789	**(274,709)**	**3,917,080**
Airside assets			
Improvements to leased land	**24,000**	**(3,333)**	**20,667**
Runways and taxiways	**313,618**	**(21,449)**	**292,169**
Deicing facilities	**29,902**	**(4,077)**	**25,825**
	367,520	**(28,859)**	**338,661**
Other assets			
Utilities and stormwater management facilities	**220,253**	**(17,941)**	**202,312**
Operating assets	**542,447**	**(217,364)**	**325,083**
Capital leases	**10,008**	**(7,052)**	**2,956**
	772,708	**(242,357)**	**530,351**
	$ 5,332,017	**$ (545,925)**	**$ 4,786,092**

(in thousands)	December 31, 2004		
	Cost	Accumulated Amortization	Net Book Value
Terminal assets			
Buildings and support facilities, parking structures, pedestrian bridges and approach systems and apron works	$ 4,016,151	$ (227,738)	$ 3,788,413
Baggage handling systems	165,588	(17,244)	148,344
	4,181,739	(244,982)	3,936,757
Airside assets			
Improvements to leased land	24,000	(3,233)	20,767
Runways and taxiways	311,958	(19,624)	292,334
Deicing facilities	29,902	(3,915)	25,987
	365,860	(26,772)	339,088
Other assets			
Utilities and stormwater management facilities	219,800	(16,635)	203,165
Operating assets	536,154	(199,737)	336,417
Capital leases	9,967	(6,673)	3,294
	765,921	(223,045)	542,876
	$ 5,313,520	$ (494,799)	$ 4,818,721

Rent credits of $189.2 million, received prior to December 31, 2000, have been applied to the costs of airside assets.

5. WORK IN PROGRESS

(in thousands)	Beginning of Period	Additions/ Adjustments	Transfers to Capital Assets	End of Period
Airside Development Project	$ 67	$ 112	$ -	**$ 179**
Terminal Development Project	525,519	96,807	(15,680)	**606,646**
Infield Development Project	242	(242)	-	**-**
Utilities and Area Support Facilities	815	845	-	**1,660**
	526,643	97,522	(15,680)	**608,485**
Restoration Projects	55,692	(82)	(2,352)	**53,258**
Cogeneration Plant	88,518	35,409	-	**123,927**
T3 Redevelopment	39,539	16,802	-	**56,341**
	$ 710,392	$ 149,651	$ (18,032)	**$ 842,011**

As at March 31, 2005, Work in progress included capitalized interest and financing costs in the amount of $94.9 million (December 31, 2004 - $89.7 million).

6. LONG-TERM DEBT

As at March 31, 2005 the long-term debt outstanding is comprised of:

(in thousands) Series	Coupon Rate	Maturity Date	March 31 2005	December 31 2004
	(Note 12)			
Revenue Bonds, *See below*				
1997-2	5.95%	December 3, 2007	**$ 375,000**	$ 375,000
1997-3	6.45%	December 3, 2027	**375,000**	375,000
1999-1	6.45%	July 30, 2029	**492,094**	492,094
Medium Term Notes				
2000-1	7.05%	June 12, 2030	**550,000**	550,000
2000-2	6.70%	July 19, 2010	**600,000**	600,000
2001-1	7.10%	June 4, 2031	**500,000**	500,000
2002-1	6.25%	January 30, 2012	**500,000**	500,000
2002-2	6.25%	December 13, 2012	**475,000**	475,000
2002-3	6.98%	October 15, 2032	**550,000**	550,000
2003-1	5.17%	June 2, 2008	**375,000**	375,000
2003-2, *See below*	floating	May 20, 2005	**600,000**	600,000
2004-1	6.47%	February 2, 2034	**600,000**	600,000
2004-2	4.45%	February 4, 2009	**250,000**	250,000
2005-1	5.00%	June 1, 2015	**350,000**	-
			6,592,094	6,242,094
Capital leases, *See below*			**1,103**	1,354
Province of Ontario				
Interest-free, payable in five equal annual instalments commencing 2011			**24,000**	24,000
			6,617,197	6,267,448
Less current portion			**609,303**	609,473
			$ 6,007,894	$ 5,657,975

Interest arising from these debt instruments amounted to $97.8 million (March 31, 2004 - $88.5 million).

For Series 2003-2 the interest rate is adjusted quarterly at the 3-month Bankers' Acceptance rate plus 55 basis points. During 2005, interest rates ranged from 3.16% to 3.30% (2004 – 2.64% to 3.36%).

With the exception of Series 1999-1 revenue bonds, principal on each series of revenue bonds and medium term notes is payable on the maturity date. Series 1999-1 are amortizing revenue bonds repayable in scheduled annual installments of principal, payable on July 30 of each year. The installments commenced July 30, 2004 and will continue until the maturity date.

6. LONG-TERM DEBT (continued)

Revenue Bonds and Medium Term Notes

The GTAA has the following Revenue Bonds and Medium Term Notes outstanding:

Series	Settlement Date	Principal Amount (in thousands)	Interest Payable Commencement Date
Revenue Bonds			
1997-2	December 2, 1997	$ 375,000	June 3, 1998
1997-3	December 2, 1997	$ 375,000	June 3, 1998
1999-1	July 20, 1999	$ 492,094	January 30, 2000
Medium Term Notes			
2000-1	June 12, 2000	$ 250,000	December 12, 2000
2000-2	July 17, 2000	$ 325,000	January 19, 2001
2000-2 reopen	January 9, 2001	$ 275,000	January 19, 2001
2000-1 reopen	January 16, 2001	$ 300,000	December 12, 2000
2001-1	June 4, 2001	$ 500,000	December 4, 2001
2002-1	January 28, 2002	$ 500,000	July 30, 2002
2002-2	June 13, 2002	$ 475,000	December 13, 2002
2002-3	October 15, 2002	$ 285,000	April 15, 2003
2002-3 reopen	November 22, 2002	$ 265,000	April 15, 2003
2003-1	May l3, 2003	$ 375,000	December 2, 2003
2003-2	May 20, 2003	$ 400,000	August 20, 2003
2003-2 reopen	December 11, 2003	$ 200,000	February 20, 2004
2004-1	February 2, 2004	$ 350,000	August 2, 2004
2004-2	February 4, 2004	$ 250,000	August 4, 2004
2004-1 reopen	September 2, 2004	$ 250,000	August 2, 2004
2005-1	February 8, 2005	$ 350,000	June 1, 2005

With the exception of Series 2003-2, interest is payable semi-annually from the Interest Payable Commencement Date, based on fixed rates. Series 2003-2 interest is payable quarterly from the Interest Payable Commencement Date, based on floating rates. With the exception of Series 2003-1 and Series 2003-2 medium term notes, which are not redeemable, the notes are redeemable in whole or in part at the option of the GTAA at any time at a redemption price based on yields over Government of Canada bonds with similar terms to maturity.

6. LONG-TERM DEBT (continued)

Credit Facility

The GTAA maintains a Credit Facility with a syndicate of six Canadian banks. The Credit Facility is secured by a $550 million pledge bond issued pursuant to the Trust Indenture. Indebtedness under the Credit Facility ranks *pari passu* with other indebtedness issued under the Trust Indenture. Under this Credit Facility, the GTAA is provided with a 364-day revolving operating facility in an amount up to $250 million due November 22, 2005 and a revolving term facility in an amount up to $300 million due November 28, 2005. At March 31, 2005, no amount was drawn on either Credit Facility (December 31, 2004 - nil). As at March 31, 2005 a letter of credit for $1 million was outstanding against the 364-day revolving operating facility (see Note 12, Commitments and Contingent Liabilities). Indebtedness under the Credit Facility bears interest at rates that vary with the lenders' prime rate, bankers' acceptance rates and LIBOR, as appropriate. Interest rates during the three-month period ranged from 2.95% to 4.25% (2004 – 2.25% to 5.00%).

Capital Leases

The GTAA has undertaken to lease certain operating equipment. Effective interest rates of the capital leases range from 0.65% to 5.6% (2004 – 0.59% - 3.19%).

Principal Repayments

Principal payments scheduled for each of the next five 12-month periods ending March 31 are as follows:

(in thousands)	
2006	$ 609,303
2007	9,157
2008	384,555
2009	635,152
2010	10,807
Thereafter	4,968,223
	$ 6,617,197

During the period, the GTAA incurred interest costs, on a cash basis, of $81.7 million (March 31, 2004 - $57.5 million).

7. NET ASSETS (DEFICIENCY)

The GTAA has established within its net assets, funds for operational requirements and debt-related obligations. The net assets consist of three components: externally restricted, internally restricted and unrestricted.

Externally Restricted Net Assets

A portion of net assets has been allocated for operational purposes pursuant to the Operating and Maintenance Reserve Fund and Renewal and Replacement Reserve Fund (see Note 2, Reserve and Other Funds) set out in the Trust Indenture.

Internally Restricted Net Assets

A portion of net assets that has been collected in revenue has been allocated for capital projects and financing purposes through the debt-related obligations of notional principal and debt service coverage requirements (see Note 2, Reserve and Other Funds). In conjunction with the airport improvement fee agreement with the airlines, a portion of the fee that has been collected has been allocated to a reserve fund. The internally restricted net assets are held in separate investment accounts by the GTAA and will be disbursed in accordance with its policies or commitments for these funds.

Unrestricted Net Assets (Deficiency)

Unrestricted net assets are the cumulative revenue over expenses, including amortization, which exceeds reserve fund cash commitments. An unrestricted net deficiency represents cumulative revenue under expenses, including amortization, which remains after reserve fund cash commitments have been made.

8. INTEREST AND FINANCING COSTS

Interest and financing costs for long-term debt and bank facilities, net of interest earned on the Debt Service Reserve Fund and capitalized interest for the three-month periods ended March 31, 2005 and 2004 are comprised of the following:

(in thousands)	**2005**	2004
Interest and financing costs incurred	**$ 98,822**	$ 86,974
Less:		
Interest earned on the Debt Service Reserve Fund	**(3,339)**	(4,587)
Capitalized Interest	**(11,372)**	(39,689)
	$ 84,111	$ 42,698

9. EMPLOYEE BENEFITS

Other Employee Future Benefits

Each employee is provided with paid-up life insurance at the time of retirement, the cost of which is recorded in the period in which the insurance is acquired. The estimated accumulated benefit obligation for this expected payment has not been recorded, as it is not considered to be a material amount.

10. TAXATION

The GTAA, and its wholly-owned subsidiary, are exempt from federal and provincial income tax, federal large corporations tax and Ontario capital tax.

The GTAA is exempt from real property tax under the Assessment Act (Ontario). However, the GTAA is required to pay each of the Cities of Toronto and Mississauga an amount determined by the Minister of Finance of Ontario, as a payment-in-lieu of real property taxes.

11. RELATED PARTY TRANSACTIONS

Directors' fees for the three-month period ended March 31, 2005 were $115,500 (March 31, 2004 - $120,950).

12. COMMITMENTS AND CONTINGENT LIABILITIES

Capital Commitments

In connection with the operation and development of the Airport, the GTAA had capital commitments outstanding at March 31, 2005 of approximately $363.3 million (December 31, 2004 - $384.5 million).

Letters of Credit

A letter of credit was outstanding at March 31, 2005 for $1 million (see Note 6, Long-Term Debt). The letter of credit was subsequently returned and cancelled on April 25, 2005.

Boeing Lands

In July 2001, the GTAA and Boeing Toronto, Ltd. ("Boeing") signed an agreement, amended in June 2002, under which Boeing agreed to sell to the GTAA 45.73 hectares of land adjoining the Airport property for a total of $30 million. These lands will be transferred to the GTAA in stages. It is anticipated that the first parcel will be conveyed in late 2005, following completion of the environmental remediation of the first parcel by Boeing. The remaining lands will be conveyed from time to time thereafter over a maximum period of 20 years. Deposits totaling $8 million have been made, of which $3.3 million will be credited to the purchase price for the first parcel and $4.7 million to the purchase price for the second parcel.

12. COMMITMENTS AND CONTINGENT LIABILITIES (continued)

Insurance

The Government of Canada has issued an Order in Council providing full indemnity to the Canadian aviation industry for any coverage that was lost due to the cancellation of war and terrorism insurance. The Order in Council has been approved for 2005. Official declarations of its status occur every 90 days to account for the potential of change in the insurance industry. As part of the original Order in Council of September 2001 the GTAA was required to purchase a $50 million primary layer of war and terrorist coverage from the commercial markets. This coverage is in place for 2005.

Litigation

Canada 3000

In 2001 the GTAA, together with other Canadian Airport Authorities ("CAAs"), applied to the Ontario Superior Court of Justice for an order under the Airport Transfer (Miscellaneous Matters) Act to permit the GTAA and the other CAAs to seize and detain aircraft operated by Canada 3000 in respect of outstanding fees, charges and airport improvement fees owed by Canada 3000 and its affiliates who filed for bankruptcy protection on November 11, 2001. The GTAA is owed approximately $12.8 million which was fully reserved in prior years. In a decision released May 7, 2002, the Ontario court held that the GTAA and the other CAAs were not entitled to seize and detain aircraft leased by Canada 3000 and its affiliates. The GTAA and the other CAAs appealed this decision to the Ontario Court of Appeal. In a decision dated January 20, 2004, the Ontario Court of Appeal upheld the lower court's decision by a majority. The GTAA and the other CAAs have filed an application for leave to appeal the Court of Appeal decision to the Supreme Court of Canada. The GTAA is awaiting the decision of the Supreme Court on the application for leave of appeal.

Jetsgo Corporation

On March 11, 2005 Jetsgo Corporation ("Jetsgo") ceased all operations and was granted protection from its creditors by the Quebec Superior Court under the Companies' Creditors Arrangement Act. The GTAA has filed a claim for $5.4 million, including G.S.T., for amounts due at the time the operations ceased and including airport improvement fees of $2.5 million. Given the preliminary status and uncertain outcome of Jetsgo's filing, the GTAA has taken a provision for $2.5 million against outstanding amounts.

13. FINANCIAL INSTRUMENTS

Fair Value of Financial Instruments

Reserve funds, accounts receivable, accounts payable and accrued liabilities and security deposits are reflected in the financial statements at carrying values which approximate fair values because of the short-term maturities of these instruments.

Fair value represents the amount that would be exchanged in an arm's length transaction between willing parties who are under no compulsion to act and is best evidenced by a quoted market price, if one exists. The GTAA's fair values are management's estimates and are generally determined using market conditions at a specific point in time and may not reflect future fair values. The determinations are subjective in nature, involving uncertainties and the exercise of significant judgment.

Set out below is a comparison of the amounts that would be reported if long-term debts were reported at fair values:

(in thousands)	**March 31, 2005**		December 31, 2004	
	Book Value	**Fair Value**	Book Value	Fair Value
Long-term debt	**$ 6,617,197**	**$ 7,098,506**	$ 6,267,448	$ 6,750,517

Derivative Financial Instruments

As of March 30, 2004, the GTAA liquidated all interest rate swap contracts resulting in a payment to the GTAA of $18.1 million. The unrealized deferred gain of $15.6 million as of December 31, 2003 was recorded as a deferred gain on interest rate swaps on January 1, 2004 when the interest rate swaps were dedesignated from their original hedging relationship. The unrealized deferred gain of $15.6 million is being amortized into interest and financing costs over the remaining term of the various interest rate swap contracts. As of March 31, 2005, $14.3 million of this deferred gain remains unamortized.

In addition, the GTAA entered into a multi-interval commodity swap in July 2002 to fix the price on a portion of its electricity consumption. From November 2002 to expiry of the contract (February 2005) the GTAA paid a fixed price per MWh and received a floating price based on the Hourly Ontario Energy Price ("HOEP").

13. FINANCIAL INSTRUMENTS (continued)

Interest Rate Risk

The GTAA's exposure to interest rate risk relates to its floating rate indebtedness (see Note 6, Long-Term Debt). The impact of a 1% change in interest rates applied to the average floating rate indebtedness outstanding during the three-month period would have amounted to approximately $1.5 million (March 31, 2004 - $1.6 million). The Debt Service Reserve Fund for indebtedness (see Note 2, Reserve and Other Funds) is adjusted annually on December 2 based on the prevailing bankers' acceptance rate.

The impact of a 1% change in the interest rate on the Reserve Funds would amount to approximately $2.3 million (March 31, 2004 - $2.2 million).

Credit Risk

The GTAA derives a substantial portion of its operating revenues from air carriers through landing fees and general terminal charges. Passenger activity at the airport is approximately 75% origin and destination traffic, and although there is a concentration of service with one air carrier, the GTAA believes that any change in the airline industry will not have a significant long-term impact on revenue or operations.

The GTAA is subject to credit risk through its accounts receivable. The GTAA performs ongoing credit valuations of these balances and maintains valuation allowances for potential credit loss.

14. GROUND RENT AGREEMENT

In July 2003 the Government of Canada announced a program to allow for a deferral of ground rent payments, for a two-year period commencing July 1, 2003. The deferral during this period is $41.6 million and for the three-months ended March 31, 2005, $5.3 million of this deferral was expensed (March 31, 2004 - $5.3 million). For each of the 10 years following January 1, 2006, the GTAA's annual ground rent payment will be increased by approximately $4.2 million per year.