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

Greater Toronto Airports Authority

September 30, 2005

(unaudited)

GREATER TORONTO AIRPORTS AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE QUARTER ENDED SEPTEMBER 30, 2005
Dated November 8, 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 at the date of this report 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 report of the Greater Toronto Airports Authority ("GTAA") should be read in conjunction with its Consolidated Financial Statements for the quarter ended September 30, 2005. In addition, the reader is directed to the Consolidated Financial Statements and Management's Discussion and Analysis for the year ended December 31, 2004, each of the two previous quarters of 2005 and the Annual Information Form for the year ended December 31, 2004. These documents provide additional information on certain matters which may or may not be discussed in this report. Financial information for the GTAA is available on SEDAR at www.sedar.com and on the GTAA's 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 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 facilities. Currently, 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 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 air travel requirements. In addition, the GTAA has been asked by the federal government to conduct certain studies to determine the need and viability of a regional reliever airport on lands held by the federal government in Pickering.

Operating Activity

During the first nine months of 2005, 23.0 million passengers moved through the Airport, as compared to 21.7 million for the same period in 2004, representing an increase of 6.0%. In the third quarter itself, the relative increase was slightly lower than for the earlier part of the year, as set out in the following chart. The primary factor affecting passenger levels was the severe weather experienced during parts of August which resulted in several days with delayed or cancelled flights and some passengers electing not to reschedule their flights.

In addition, on August 2, 2005, Air France flight 358 overshot Runway 24L and all flight activity was suspended for approximately 5.5 hours while emergency crews responded to the situation. The cause of the incident is still under investigation by the Transportation Safety Board and its report is not expected for some time. The investigation and subsequent repairs to the area and runway lighting resulted in Runway 24L/06R being closed for operations until August 12, 2005. There was no significant operational impact during this period. The following table summarizes passenger activity, by sector, for the three and nine month periods ended September 30, 2005:

	Three months			Nine months		
(in thousands)	2005	2004	% change	2005	2004	% change
Domestic	3,689	3,728	-1.0	9,874	9,506	3.9
Transborder	2,251	2,201	2.3	6,713	6,289	6.7
International	2,442	2,275	7.3	6,439	5,926	8.7
Total	8,382	8,204	2.2	23,026	21,721	6.0

In addition to passengers, the measure of operating activity which impacts aeronautical revenue is the total maximum take off weight ("MTOW") of aircraft operating at the Airport, which is determined by the number of aircraft movements and type of aircraft. For the nine and three months ended September 30, 2005, MTOW was 2.4% and 0.4% higher, respectively, than the same periods of 2004.

RESULTS OF OPERATIONS

The GTAA sets its aeronautical charges annually to cover the projected operating costs, after taking into consideration all non-aeronautical revenue, on a break-even cash basis for each year. To calculate the aeronautical charges for the next year, projections are developed for factors such as passenger activity, air traffic, non-aeronautical revenue and operating costs. For this purpose, operating costs include the actual costs to operate the Airport, ground rent and other payments to governments, and debt service (interest and principal) for those assets which are operational but excludes 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 debt service component of aeronautical charges.

Revenues

Revenues are 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 and rentals, and other sources described below. Landing fees are based on MTOW, general terminal charges are based on the number of seats in an aircraft, AIF is charged per passenger and parking and other activities depend on passenger levels. Consequently, the primary drivers for revenue are aircraft movements and passenger activity. The following chart summarizes the revenue for the three and nine month periods ended September 30, 2005 and 2004:

	Three Months		Nine months	
(in thousands)	2005	2004	2005	2004
Landing Fees	$ 110,946	$ 93,223	$ 308,778	$ 255,042
General terminal charges	42,119	39,288	119,939	109,683
AIF, net	50,686	40,391	134,816	104,626
Car parking & ground transportation	26,279	23,523	72,395	66,157
Concessions & rental	28,878	31,827	82,766	81,826
Other	1,571	1,729	5,807	6,228
	$260,479	$ 229,981	$ 724,501	$623,562

For the first nine months of 2005, aeronautical revenues increased by $64.0 million to $428.7 million from $364.7 million for the same period in 2004. The comparable increase in aeronautical revenue for the three month period ended September 30 was $20.6 million. This change reflects increased rates to recover debt service and operating costs primarily associated with the new Terminal 1, as well as higher activity levels. In the third quarter, there was some negative impact from the severe weather in August resulting in cancelled flights. In addition, load factors are currently very high and therefore, aircraft movements did not increase as much as passenger volumes, resulting in slightly lower revenue increases.

AIF revenue, net of the commission paid to the air carriers for collecting the AIF on the ticket, was $134.8 million for the first nine months of 2005, as compared to $104.6 million for the same period in 2004. For the three months ended September 30, 2005 and 2004, the AIF revenue was $50.7 million and $40.4 million, respectively. These increases reflect the continued growth in passenger volumes in each period, combined with an AIF rate change in 2004. The AIF for an originating passenger had been $12 until November 1, 2004, when it was increased to $15. The AIF for a connecting passenger remained at $8 throughout all periods. As set out in the AIF agreements with each of the air carriers, the GTAA has committed to use primarily all of the AIF revenue for capital programs, including the associated debt service (interest and principal). Capital expenditures and the use of AIF revenues do not have to occur in the same period. Any AIF revenue collected and not utilized in a given period is set aside in the AIF Reserve Fund for future capital or debt service payments.

Passenger activity directly impacts the revenues received from car parking and ground transportation. Accordingly, revenues from parking and ground transportation for the nine months ended September 30, 2005 increased to $72.4 million from $66.2 million for the same period in 2004. A similar trend is demonstrated for the three month periods ended September 30, 2005 and 2004, where revenues from parking and ground transportation were $26.3 million and $23.5 million, respectively.

Concession and rental revenues increased slightly during the nine month period ended September 30, from $81.8 million in 2004 to $82.8 million in 2005. The decline of $2.9 million for the three month period ended September 30, 2005 compared to the same period in 2004 is primarily the result of revenues earned for new leases in Terminal 1 in the second quarter of 2004 being recorded in the third quarter of 2004.

Other revenues include interest on reserve funds and investments, which will fluctuate depending on cash balances and investments, and the timing of debt issues and capital expenditures. During the third quarter of 2005, the GTAA had utilized its available cash from debt issues and was drawing on the syndicated credit facility. In comparison, during the same period in 2004 the GTAA still had cash available from debt issues completed earlier in that year.

Expenses

Total expenses include the costs to operate and maintain the Airport, together with interest and financing costs and amortization. The expenses reported in the financial statements are not entirely consistent with certain expenses used to set the aeronautical charges. Specifically, amortization is not a cash item and therefore is not included in the calculation of the landing fee. However, the principal component of debt service is included in the landing fee, but is not recorded as an operating expense.

The following summarizes the total expenses for the three and nine month periods ended September 30, 2005 and 2004:

	Three Months		Nine Months	
(in thousands)	2005	2004	2005	2004
Ground rent	$ 36,106	$ 35,707	$ 108,318	$ 107,122
Goods and services	58,006	68,456	186,362	169,964
Salaries, wages and benefits	24,319	22,433	73,843	72,150
Real property taxes and PILT	5,706	6,045	16,886	18,136
	124,137	132,641	385,409	367,372
Interest and financing costs	82,289	79,653	250,422	189,183
Amortization of capital assets	52,019	46,550	155,495	126,414
	$ 258,445	$ 258,844	$ 791,326	$ 682,969

Ground rent payments, which are unique to each Canadian airport, are calculated according to the Ground Lease, based on passenger levels and annual inflation. In July 2003, the Minister of Transport announced a 24-month ground rent deferral program which had the effect of reducing the ground rent paid by $5.3 million in each quarter of 2004 and the first two quarters of 2005. However, since the GTAA has an obligation to repay the deferred amount over ten years commencing January 1, 2006, the full expense has been recorded for each period with an offsetting liability recorded on the balance sheet. Ground rent expense for the first nine months of 2005 and 2004 was $108.3 million and $107.1 million, respectively. Similarly, the ground rent expense for the three months ended September 30, 2005 and 2004 was $36.1 million and $35.7 million, respectively. The difference is due to the annual inflation adjustment.

In May 2005, the federal government announced a proposed new regime for calculating ground rent payable by Canadian airports, based on current year revenue rather than on passengers, commencing in 2011. The new rent regime would be phased in over five years with rent based on current payments and the projected 2010 payment. If implemented, the proposed regime would have minimal benefit to the GTAA in the short term, but would add complexity to its residual rate setting approach. The participation rent payments required under the existing Ground Lease would be replaced by the new formula. The GTAA is actively lobbying government officials and others to effect certain changes to the proposed regime.

Goods and services, which are the operating costs for the Airport, were $186.4 million for the first nine months of 2005 as compared to $170.0 million for the same period of 2004. The increase in expenses is primarily attributable to the larger area of new Terminal 1, new systems, and a provision for bad debt expense relating to Jetsgo Corporation ceasing operations in March 2005. In the third quarter of 2005, operating expenses were $58.0 million as compared to $68.5 million for the same period of 2004. This significant reduction in the quarter is not a sustainable trend, but reflects some transitional costs related to Terminal 1 and a provision for air carrier bad debt in 2004, together with some cost savings in 2005.

Salaries, wages and benefits continue to show slight increases for the respective three and nine month comparative periods which reflect solvency payments required for the pension plan.

The GTAA pays to each of the Cities of Toronto and Mississauga an amount prescribed by an Ontario provincial government regulation based on a prior year level of passenger activity, as payments-in-lieu of taxes ("PILT"). The reduction for the first nine months of 2005 to $16.9 million as compared to $18.1 million for the same period of 2004 reflects the lower annual passenger numbers for the underlying prior year used in the calculation. The year over year reduction of $0.3 million in the third quarter is for the same reason.

The year over year changes in interest and financing costs and amortization reflect the impact of new Terminal 1 and the ancillary facilities of the Airport Development Program ("ADP") becoming operational on April 6, 2004. As a result of the lower capitalized interest and additional interest expense associated with these new facilities, interest and financing costs for the nine months ended September 30, 2005 were $250.4 million as compared to $189.2 million for the same period in 2004. The smaller $2.6 million increase for the three months ended September 30, 2005 compared to the same period in 2004, is the result of additional debt as essentially the same facilities were being operated during each quarter. Similarly, amortization increased from $126.4 million to $155.5 million for the periods ended September 30, 2004 and 2005, respectively.

Net Operating Results

The GTAA's net operating results for the three and nine month periods ended September 30, 2005 and 2004, based on the revenues and expenses set out in the previous sections, are as follows:

	Three Months		Nine Months	
(in thousands)	2005	2004	2005	2004
Revenues	$ 260,479	$ 229,981	$ 724,501	$ 623,562
Operating expenses	124,137	132,641	385,409	367,372
Revenues over expenses[1]	136,342	97,340	339,092	256,190
Interest and financing costs	82,289	79,653	250,422	189,183
Amortization of capital assets	52,019	46,550	155,495	126,414
Revenues over/(under) expenses	$ 2,034	$ (28,863)	$ (66,825)	$ (59,407)

Note 1: Revenues over expenses before interest and financing costs and amortization.

The components of revenues, operating expenses, interest and financing costs and amortization for the respective periods were discussed previously. Revenues over expenses, before interest and financing costs and amortization, increased to $339.1 million for the nine months ended September 30, 2005, as compared to $256.2 million for the same period in 2004. Similarly for the three month periods ended September 30, 2005 and 2004, revenues over expenses, before interest and financing costs and amortization, were $136.3 million and $97.3 million, respectively.

For all periods, except the third quarter of 2005, the GTAA reported revenues under expenses after deducting interest and financing costs and amortization. Although this is a very positive result in the third quarter of 2005, the GTAA does not expect this to be sustained for the immediate future as new facilities continue to become operational. Further, in each reported period, the GTAA's revenues were more than sufficient to cover operating expenses and interest and financing costs. As noted previously, amortization is not included when setting aeronautical charges and at the present time, amortization is greater than the principal component of the landing fee.

In addition to amortization, the other non-cash item recorded in the financial statements, but not in the calculation of the landing fees, is the deferred ground rent payment of $10.5 million and $15.7 million for the nine months ended September 30, 2005 and 2004, respectively. In accordance with its rate setting approach, the GTAA expects that revenues and reserve funds will continue to be sufficient to cover operating expenses, and interest and financing costs, including notional principal. Consistent with many infrastructure developments, the GTAA's net revenues may not be sufficient to cover amortization for a period of several years which will result in total cash and non-cash expenses exceeding revenues. Although the third quarter of 2005 deviated from this expectation, it is not expected that revenues over expenses after non-cash items will be sustained in the near to medium term.

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 with flexibility on the timing of certain components. The total budget for the program is $4.5 billion, and as at September 30, 2005 the ADP was 87.0% complete, including the initial opening of new Terminal 1 in April 2004. Although still a significant construction project, the ADP is nearing completion.

During the third quarter of 2005, apron installation between Piers E & F of Terminal 1 was completed. Curtain (exterior) walls and the roof of Pier F were also completed and work continued on the mechanical, electrical and interior components. The baggage system, and elevator and escalator equipment installations are well advanced. The project is on schedule and 9 gates (with 10 passenger boarding bridges) on the east side of Pier E and on the liner between Piers E and F opened on November 1, 2005. Pier F remains on schedule to commence operations in the first quarter of 2007.

The automated people mover, which connects GTAA operated off-airport parking to Terminals 1 and 3, is scheduled to become operational in the first quarter of 2006. Two trains have been installed on the guideway and the testing and commissioning phase is well underway. Station exterior finishes are nearing completion, and interior architectural finishes are well advanced, as are the mechanical and electrical systems.

In addition to the ADP, the GTAA has ongoing capital programs which include expansion and redevelopment of Terminal 3 and the construction of a natural gas powered co-generation facility. It is expected that the expanded Terminal 3 processing areas and baggage systems will be operational in the second quarter of 2006, for the east processing area, and at the end of 2006, for the west processing area. Testing of the co-generation facility is underway and operations are expected to commence in December of 2005. During the first nine months of 2005, capital costs of $152.3 million were incurred for these projects.

ASSETS AND LIABILITIES

Total assets at September 30, 2005 were $6.9 billion as compared to $6.5 billion at December 31, 2004. The increase includes $119.8 million in reserve funds and $415.1 million in work in progress, offset by reductions in cash balances and amortization of capital assets. The increase in the reserve funds is the result of Debt Service Reserve Funds for new issues, offset by the release of the Debt Service Reserve Funds for the repayment of the Series 2003-2 issue that matured in May 2005, together with monthly funding of the Airport Improvement Fee Reserve Fund and the Notional Principal Fund.

Total liabilities at September 30, 2005 were $7.1 billion as compared to $6.6 billion at December 31, 2004. This increase is due to the additional $236.0 million in bank indebtedness and $251.1 million in long term debt (current and long term portions). In February 2005, the GTAA issued Series 2005-1 $350 million of medium term notes (“MTNs”). In May 2005, the maturing $600 million Series 2003-2 MTNs were partially refinanced with a new issue of $510 million Series 2005-2 MTNs together with $22.3 million of the Debt Service Reserve Funds, $21.1 million from the Debt Service Principal Fund and the remainder from cash on hand.

Subsequent to the end of the quarter ended September 30, 2005, the GTAA issued $350 million of Series 2005-3 MTNs, at a coupon of 4.70%, which will mature on February 15, 2016. The net proceeds from this issue were used to repay the outstanding bank indebtedness and fund certain reserve funds, with the balance invested for subsequent capital expenses.

The net deficiency reported on the balance sheet is a combination of the reserve funds which have been funded through operating revenue and cumulative revenues over or under expenses. Since revenues after operating expenses and interest and financing costs have not been sufficient to cover amortization for several operating periods, the GTAA has recorded revenue under expenses. This has resulted in a cumulative negative net asset position of $178.0 million as at September 30, 2005. The calculation of the aeronautical charges uses a 30-year amortization to calculate the principal component included in the landing fee which is lower in the early years and increases over time. The amortization of significant GTAA assets is reported on a declining balance basis, which is higher in the early years of the asset's life and decreases over time. This differential contributes to the GTAA's current negative net asset position. However, the underlying financial stability and security for the GTAA's debt relies on both the long term economic potential for the Airport and on the reserve funds, which totalled $903.2 million at September 30, 2005.

LIQUIDITY AND CAPITAL RESOURCES

The GTAA is a non-share corporation, and therefore its funding is through operating revenues, AIF revenue, reserve funds, the debt capital markets and its syndicated bank credit facility. As noted previously, aeronautical charges 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 approach, any funds generated are used to cover operating costs, capital costs and other activities within the mandate of the GTAA.

Subsequent to the quarter ended September 30, 2005, the GTAA issued a new Shelf Prospectus qualifying up to $2.5 billion of debt issuance for capital expenditures, reserve funds, debt refinancing and other approved uses through the 25 month period covered by the Shelf Prospectus. On October 26, 2005 the GTAA completed a new issue of 4.70% 10-year Series 2005-3 MTNs in the amount of $350 million under the new Shelf Prospectus. The net proceeds were used to repay the outstanding bank indebtedness and fund the reserve requirements, with the excess proceeds invested in short-term investment grade corporate debt instruments until required to fund the ADP and other capital projects.

As at September 30, 2005, the GTAA had two bank credit facilities with a syndicate of banks totaling $550 million which included a 364-day revolving facility and a 3-year revolving term facility. Both of these facilities mature in November 2005. The GTAA has negotiated a new credit facility with the same banking syndicate. The new facility will be for $550 million and will have a term of three years, which can be extended annually for an additional year with the lenders' consent. The new credit facility will be used to fund capital or operating expenses as required. This provides flexibility on the timing for accessing the capital markets.

Total reserve funds at the end of September 2005 were $903.2 million, an increase of $119.8 million from December 31, 2004, of which $39.1 million was in the most recent three month period. The increase in reserve funds in the last three months was primarily in the AIF Reserve Fund and the Notional Principal Reserve Fund. All of the reserve funds are cash funded and invested. Depending on the nature of the fund, it 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 the capital markets as may be required. The GTAA monitors its cash flow requirements accordingly. Given the recent issue of MTNs, the new credit facility, reserves and the projected operating revenues and costs, the GTAA does not anticipate any funding shortfalls in the near term. 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 September 30, 2005. There have been no changes in accounting policies since January 1, 2005.

RISKS AND UNCERTAINTIES

The GTAA will continue to face certain risks beyond its control which may or may not have a significant impact on its financial condition. The overall demand for air travel is subject to external influences such as general economic conditions, government regulation, terrorist attacks, health epidemics and the financial uncertainty in the aviation industry, any of which may impact the GTAA's financial results.

Subsequent to the Air France incident on August 2, 2005, the GTAA, together with other parties, was named as a defendant in a class action lawsuit commenced by certain passengers. The GTAA's insurers are defending this action and it is the opinion of the GTAA that this is an insurable event. Consequently, it is expected that the GTAA's financial exposure will be limited to its insurance deductibles.

In addition, the GTAA continues to face risks associated with the remaining construction for the ADP and other capital projects. During the third quarter of 2005, the ADP has continued to progress according to schedule and is within 2.0% of budget. The GTAA has continued to be successful with its capital funding program, however access to the capital markets to fund the development is dependent on many factors outside the control of the GTAA.

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

CONCLUSION

The first nine months of 2005 have been very positive with continued recovery in passenger activity, positive construction progress on the ADP and the co-generation project, and no significant events to unsettle the aviation industry. With 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

September 30, 2005

(unaudited)

GREATER TORONTO AIRPORTS AUTHORITY
CONSOLIDATED BALANCE SHEETS

(unaudited) (in thousands)	**September 30 2005**	December 31 2004
ASSETS		
Current		
Cash and cash equivalents	**$ 196**	$ 16,859
Accounts receivable	**77,268**	70,539
Prepaid expenses	**5,192**	2,738
Inventory	**5,437**	4,720
	88,093	94,856
Reserve and other funds (Note 2)	**903,217**	783,376
Deferred charges (Note 3)	**55,519**	53,422
Capital assets (Note 4)	**4,716,685**	4,818,721
Work in progress (Note 5)	**1,125,491**	710,392
Prepaid pension asset	**7,030**	7,030
	$ 6,896,035	$ 6,467,797
LIABILITIES		
Current		
Bank indebtedness (Note 6)	**$ 236,000**	$ -
Accounts payable and accrued liabilities	**246,113**	247,461
Security deposits and deferred credits	**18,029**	18,425
Deferred gain on interest rate swaps (Note 13)	**1,069**	1,069
Deferred ground rent (Note 14)	**3,117**	-
Current portion of long-term debt (Note 6)	**9,714**	609,473
	514,042	876,428
Deferred gain on interest rate swaps (Note 13)	**12,705**	13,506
Deferred ground rent (Note 14)	**38,447**	31,050
Long-term debt (Note 6)	**6,508,828**	5,657,975
	7,074,022	6,578,959
NET DEFICIENCY (Note 7)		
Externally restricted	**62,464**	69,607
Internally restricted	**314,623**	209,955
Unrestricted	**(555,074)**	(390,724)
	(177,987)	(111,162)
	$ 6,896,035	$ 6,467,797

GREATER TORONTO AIRPORTS AUTHORITY
CONSOLIDATED STATEMENTS OF OPERATIONS

(unaudited) (in thousands)	Three Months Ended September 30 **2005**	2004	Nine Months Ended September 30 **2005**	2004
REVENUES				
Landing fees	**$ 110,946**	$ 93,223	**$ 308,778**	$ 255,042
General terminal charges	**42,119**	39,288	**119,939**	109,683
Airport improvement fees, net	**50,686**	40,391	**134,816**	104,626
Car parking and ground transportation	**26,279**	23,523	**72,395**	66,157
Concessions	**15,993**	16,040	**44,066**	43,976
Rentals	**12,885**	15,787	**38,700**	37,850
Other	**1,571**	1,729	**5,807**	6,228
	260,479	229,981	**724,501**	623,562
OPERATING EXPENSES				
Ground rent	**36,106**	35,707	**108,318**	107,122
Goods and services	**58,006**	68,456	**186,362**	169,964
Salaries, wages and benefits	**24,319**	22,433	**73,843**	72,150
Real property taxes and payments-in-lieu of real property taxes (Note 10)	**5,706**	6,045	**16,886**	18,136
	124,137	132,641	**385,409**	367,372
Revenues over expenses before interest and financing costs and amortization	**136,342**	97,340	**339,092**	256,190
Interest and financing costs (Note 8)	**82,289**	79,653	**250,422**	189,183
Amortization of capital assets	**52,019**	46,550	**155,495**	126,414
Revenues over (under) expenses	**$ 2,034**	$ (28,863)	**$ (66,825)**	$ (59,407)

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

Nine-month period ended September 30, 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	-	15,208	(29,516)	1,493
	69,607	-	22,373	(29,516)	62,464
Internally Restricted					
Airport improvement fees collected, net	99,452	-	129,683	(91,125)	138,010
Notional principal of long-term debt	88,100	-	65,008	(15,208)	137,900
Debt service coverage requirement	22,403	-	16,310	-	38,713
	209,955	-	211,001	(106,333)	314,623
Restricted net assets	279,562	-	233,374	(135,849)	377,087
Unrestricted net deficiency	(390,724)	(66,825)	(97,525)	-	(555,074)
Total net deficiency	$ (111,162)	$ (66,825)	$ 135,849	$ (135,849)	$ (177,987)

Nine-month period ended September 30, 2004 (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	$ -	$ -	$ -	$ 50,806
Renewal and replacement reserve	3,000	-	-	-	3,000
Debt service fund - principal	3,294	-	6,015	(7,906)	1,403
	57,100	-	6,015	(7,906)	55,209
Internally Restricted					
Airport improvement fees collected, net	104,475	-	100,009	(120,625)	83,859
Notional principal of long-term debt	22,350	-	56,965	(6,015)	73,300
Debt service coverage requirement	16,553	-	5,850	-	22,403
	143,378	-	162,824	(126,640)	179,562
Restricted net assets	200,478	-	168,839	(134,546)	234,771
Unrestricted net deficiency	(199,304)	(59,407)	(34,293)	-	(293,004)
Total net assets (deficiency)	$ 1,174	$ (59,407)	$ 134,546	$ (134,546)	$ (58,233)

GREATER TORONTO AIRPORTS AUTHORITY
CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited) (in thousands)	Three Months Ended September 30 2005	Three Months Ended September 30 2004	Nine Months Ended September 30 2005	Nine Months Ended September 30 2004
CASH FLOWS FROM OPERATING ACTIVITIES				
Revenues over (under) expenses	**$ 2,034**	$ (28,863)	**$ (66,825)**	$ (59,407)
Items not affecting cash				
Amortization of capital assets	**52,019**	46,550	**155,495**	126,414
Amortization of deferred gain on interest rate swaps	**(267)**	(267)	**(801)**	(802)
Loss on disposal of capital assets	**-**	1,750	**5**	1,440
Realized gain on interest rate swaps	**-**	-	**-**	(2,437)
Amortization of deferred charges (Note 3)	**1,436**	1,594	**4,307**	5,053
Changes in non-cash working capital				
Decrease (increase) in accounts receivable	**14,632**	(4,993)	**(6,729)**	(8,845)
Decrease (increase) in prepaid expenses	**12**	1,409	**(2,454)**	(1,849)
Increase in inventory	**(116)**	(144)	**(717)**	(1,361)
Increase (decrease) in accounts payable and accrued liabilities	**15,310**	27,819	**(1,350)**	(1,873)
(Decrease) increase in security deposits and deferred credits	**(562)**	1,947	**(396)**	(2,485)
Increase in deferred ground rent	**-**	5,257	**10,514**	15,770
	84,498	52,059	**91,049**	69,618
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisition of capital assets	**(599)**	-	**(2,502)**	(1,860)
Proceeds on disposal of capital assets	**-**	-	**-**	6,648
Work in progress	**(149,270)**	(141,210)	**(466,056)**	(480,476)
	(149,869)	(141,210)	**(468,558)**	(475,688)
CASH FLOWS FROM FINANCING ACTIVITIES				
Issuance of medium term notes (Note 6)	**-**	250,000	**860,000**	850,000
Repayment of credit facility	**-**	-	**(15,000)**	(145,000)
Credit facility (Note 6)	**121,000**	-	**251,000**	-
Repayment of long-term debt	**(8,417)**	(8,196)	**(608,909)**	(9,023)
Termination of interest rate swaps	**-**	-	**-**	18,082
Bank indebtedness	**(7,215)**	-	**-**	-
Reserve and other funds	**(39,079)**	(35,901)	**(119,841)**	(116,755)
Deferred charges (Note 3)	**(722)**	(4,597)	**(6,404)**	(13,015)
	65,567	201,306	**360,846**	584,289
NET CASH INFLOW (OUTFLOW)	**196**	112,155	**(16,663)**	178,219
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	**-**	104,189	**16,859**	38,125
CASH AND CASH EQUIVALENTS, END OF PERIOD	**$ 196**	$ 216,344	**$ 196**	$ 216,344

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)	**September 30 2005**	December 31 2004
Debt Service Fund		
Interest	**$ 93,505**	$ 79,527
Principal	**1,493**	15,801
	94,998	95,328
Debt Service Reserve Fund		
Revenue Bonds		
Series 1997-2 due December 3, 2007	**35,094**	35,170
Series 1997-3 due December 3, 2027	**36,987**	37,004
Series 1999-1 due July 30, 2029	**40,204**	40,320
Medium Term Notes		
Series 2000-1 due June 12, 2030	**38,777**	38,828
Series 2000-2 due July 19, 2010	**39,696**	39,817
Series 2001-1 due June 4, 2031	**35,155**	35,248
Series 2002-1 due January 30, 2012	**31,212**	31,260
Series 2002-2 due December 13, 2012	**29,702**	29,748
Series 2002-3 due October 15, 2032	**38,395**	38,474
Series 2003-2 due May 20, 2005	**-**	22,461
Series 2003-1 due June 2, 2008	**19,437**	19,469
Series 2004-1 due February 2, 2034	**38,701**	38,782
Series 2004-2 due February 4, 2009	**11,323**	11,335
Series 2005-1 due June 1, 2015	**17,519**	-
Series 2005-2 due May 18, 2007	**14,440**	-
	426,642	417,916
Bank indebtedness secured by Series 1997 - A Bond	**5,983**	6,371
	432,625	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	**138,010**	99,452
Notional Principal Fund	**137,900**	88,100
Debt Service Coverage Fund	**38,713**	22,403
	375,594	263,761
	$ 903,217	$ 783,376

3. DEFERRED CHARGES

(in thousands)	September 30, 2005		
	Cost	**Accumulated Amortization**	**Net Book Value**
Bond issue costs	**$ 47,702**	**$ 16,857**	**$ 30,845**
Deferred hedge loss on bond and deferred finance charges	**18,395**	**7,219**	**11,176**
Bond discount costs	**17,036**	**3,538**	**13,498**
	$ 83,133	**$ 27,614**	**$ 55,519**

(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 and deferred finance charges	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 nine-month period ended September 30, 2005 was $4.3 million (September 30, 2004 - $5.1 million). For the three months ending September 30, 2005 the aggregate amortization expense was $1.4 million (September 30, 2004 - $1.6 million). Additions to deferred charges during the nine-month period ended September 30, 2005 totaled $6.4 million (September 30, 2004 - $13.0 million).

4. CAPITAL ASSETS

Capital assets are comprised of:

(in thousands)	September 30, 2005		
	Cost	**Accumulated Amortization**	**Net Book Value**
Terminal assets			
Buildings and support facilities, parking structures, pedestrian bridges and approach systems and apron works	**$ 4,048,193**	**$ (311,194)**	**$ 3,736,999**
Baggage handling systems	**165,314**	**(22,195)**	**143,119**
	4,213,507	**(333,389)**	**3,880,118**
Airside assets			
Improvements to leased land	**24,000**	**(3,533)**	**20,467**
Runways and taxiways	**313,809**	**(25,116)**	**288,693**
Deicing facilities	**29,906**	**(4,401)**	**25,505**
	367,715	**(33,050)**	**334,665**
Other assets			
Utilities and stormwater management facilities	**219,929**	**(20,460)**	**199,469**
Operating assets	**555,785**	**(255,612)**	**300,173**
Capital leases	**10,043**	**(7,783)**	**2,260**
	785,757	**(283,855)**	**501,902**
	$ 5,366,979	**$ (650,294)**	**$ 4,716,685**

(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 cost of airside assets.

5. WORK IN PROGRESS

(in thousands)	Beginning of Period (December 31, 2004)	Additions/ Adjustments	Transfers to Capital Assets	End of Period
Airside Development Project	$ 67	$ 344	$ (326)	$ 85
Terminal Development Project	525,519	312,199	(37,691)	800,027
Infield Development Project	242	(598)	375	19
Utilities and Area Support Facilities	815	1,795	(188)	2,422
	526,643	313,740	(37,830)	802,553
Restoration Projects	55,692	25,743	(9,704)	71,731
Cogeneration Plant	88,518	69,504	(168)	157,854
T3 Redevelopment	39,539	57,069	(3,255)	93,353
	$ 710,392	$ 466,056	$ (50,957)	$ 1,125,491

As at September 30, 2005, Work in progress included capitalized interest and financing costs in the amount of $117.4 million (December 31, 2004 - $89.7 million).

6. LONG-TERM DEBT

As at September 30, 2005 the long-term debt outstanding is comprised of:

(in thousands) Series	Coupon Rate (Note 12)	Maturity Date	September 30 2005	December 31 2004
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	**483,678**	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
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**	-
2005-2, *See below*	floating	May 18, 2007	**510,000**	-
			6,493,678	6,242,094
Capital leases, *See below*			**864**	1,354
Province of Ontario				
Interest-free, payable in five equal annual instalments commencing 2011			**24,000**	24,000
			6,518,542	6,267,448
Less current portion			**9,714**	609,473
			$ 6,508,828	$ 5,657,975

Interest arising from these debt instruments for the nine-month period ended September 30, 2005 amounted to $294.8 million (September 30, 2004 - $272.8 million).

For Series 2003-2 and Series 2005-2 the interest rates are based on the 3-month Bankers' Acceptance rate plus 55 basis points and 18 basis points respectively, adjusted quarterly. For Series 2003-2 interest rates during the period January 1, 2005 to May 18, 2005 ranged from 3.16% to 3.30% (2004 – 2.86% to 3.36%). For Series 2005-2 interest rates ranged from 2.80% to 3.00% (2004 – n/a) during the period from May 18, 2005 to September 30, 2005.

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	483,678	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 13, 2003	375,000	December 2, 2003
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
2005-2	May 20, 2005	510,000	August 18, 2005

With the exception of Series 2005-2, interest is payable semi-annually from the Interest Payable Commencement Date, based on fixed rates. For Series 2005-2, interest is payable quarterly from the Interest Payable Commencement Date, based on floating rates. With the exception of Series 2003-1 and Series 2005-2 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. This Credit Facility was amended in November 2005 (see Note 15, Subsequent Events).

At September 30, 2005, $236 million was drawn on the revolving term facility (December 31, 2004 - nil) and is included in bank indebtedness. As at September 30, 2005 a letter of credit for $9.0 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 nine-month period ended September 30, 2005 ranged from 2.55% to 4.50% (2004 – 2.6% to 4.5%).

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%.

Principal Repayments

Principal payments scheduled for each of the next five 12-month periods ending September 30 are as follows:

(in thousands)	
2006	$ 9,714
2007	519,636
2008	760,162
2009	260,807
2010	611,504
Thereafter	4,356,719
	$ 6,518,542

During the nine-month period ended September 30, 2005, the GTAA incurred interest costs, on a cash basis, of $277.8 million (September 30, 2004 - $237.4 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) in accordance with the terms of 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 and nine-month periods ended September 30, 2005 and 2004 are comprised of the following:

	Three Months Ended September 30		Nine Months Ended September 30	
(in thousands)	**2005**	2004	**2005**	2004
Interest and financing costs incurred	**$ 100,472**	$ 93,240	**$ 299,550**	$ 272,511
Less:				
Interest earned on the Debt Service Reserve Fund	**(3,308)**	(2,568)	**(10,211)**	(9,549)
Capitalized Interest	**(14,875)**	(11,019)	**(38,917)**	(73,779)
	$ 82,289	$ 79,653	**$ 250,422**	$ 189,183

9. EMPLOYEE BENEFITS

Other Employee Future Benefits

Some employees are 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 nine-month period ended September 30, 2005 were $449,850 (September 30, 2004 - $367,650). For the three-month period ended September 30, 2005 Directors' fees were $159,500 (September 30, 2004 - $131,200).

12. COMMITMENTS AND CONTINGENT LIABILITIES

Capital Commitments

In connection with the operation and development of the Airport, the GTAA had capital commitments outstanding at September 30, 2005 of approximately $275.0 million (December 31, 2004 - $384.5 million).

Letters of Credit

A letter of credit for $9.0 million was outstanding at September 30, 2005 (see Note 6, Long-Term Debt), relating to certain contracts entered into by the GTAA. The letter of credit expires April 11, 2006.

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 early 2007, 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 for 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.

Contingent Liabilities

The GTAA is subject to legal proceedings and claims, from time to time, which arise in the normal course of business. Where appropriate, the GTAA has taken provisions or reserves while it actively pursues its position. Where it is the opinion of management that the ultimate outcome of these matters will not have a material effect upon the GTAA's financial position, results of operations or cash flows, no reserves have been recorded.

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 filed an application for, and subsequently obtained, leave to appeal the Court of Appeal decision to the Supreme Court of Canada.

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 $5.7 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 $3.9 million against outstanding amounts.

12. COMMITMENTS AND CONTINGENT LIABILITIES (continued)

Air France

Subsequent to the Air France incident on August 2, 2005, the GTAA, together with other parties, was named as a defendant in a class action lawsuit commenced by certain passengers. The GTAA's insurers are defending this action. It is the opinion of management that this is an insurable event and that the GTAA's financial exposure is therefore limited to its insurance deductibles.

13. FINANCIAL INSTRUMENTS

Fair Value of Financial Instruments

Reserve fund investments, 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)	**September 30, 2005**		December 31, 2004	
	Book Value	**Fair Value**	Book Value	Fair Value
Long-term debt	**$ 6,518,542**	**$ 7,311,246**	$ 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 September 30, 2005, $13.8 million of this deferred gain remains unamortized (December 31, 2004 - $14.6 million).

13. FINANCIAL INSTRUMENTS (continued)

Interest Rate Risk

The GTAA has exposure to interest rate risk relating 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 nine-month period would have amounted to approximately $4.1 million (September 30, 2004 - $4.1 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 $6.7 million (September 30, 2004 - $6.1 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 payment deferral during this two-year period is $41.6 million and for the nine-months ended September 30, 2005, $10.5 million of this payment deferral was expensed (September 30, 2004 - $15.8 million). For the ten-year period commencing January 1, 2006, the GTAA's ground rent payment will be increased by approximately $4.2 million annually. Payments scheduled for the 12-month period ending September 30, 2006 have been classified as short term.

15. SUBSEQUENT EVENTS

Short Form Base Shelf Prospectus

In October 2005, the GTAA filed a Short Form Base Shelf Prospectus ("the Prospectus") with the securities regulatory authorities in each of the provinces of Canada. The Prospectus has been filed under the Corporation's Capital Markets Program and allows the GTAA to offer up to $2.5 billion of medium term notes during the 25 month period commencing October 2005.

Medium Term Notes

In October 2005, the GTAA issued Series 2005-3 Medium Term Notes in the amount of $350 million. Series 2005-3 has a term of 10 years and bears interest at 4.70%. Interest is payable semi-annually commencing February 15, 2006. The Series 2005-3 Medium Term 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 a similar term to maturity.

15. SUBSEQUENT EVENTS (continued)

Credit Facility

In November 2005, the GTAA's existing Credit Facility was amended to provide a $500 million facility for general corporate purposes and capital expenditures, and a $50 million facility for interest rate and foreign exchange hedging activities. The new facility, due November 22, 2008, will have a term of three years, which can be extended annually for an additional year with the lenders' consent. The Credit Facility is secured by a $550 million pledge bond issued pursuant to the Trust Indenture. Indebtedness under the Credit Facility will rank *pari passu* with other indebtedness issued under the Trust Indenture and will bear interest at rates that vary with the lenders' prime rate, bankers' acceptance rates and LIBOR, as appropriate.