Management's Discussion and Analysis and Financial Statements of the

Greater Toronto Airports Authority

September 30, 2009

GREATER TORONTO AIRPORTS AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE QUARTER ENDED SEPTEMBER 30, 2009
Dated November 10, 2009

Forward-looking Information

This Management's Discussion and Analysis ("MD&A") contains certain forward-looking information. This forward-looking information is based on a variety of assumptions and is subject to risks and uncertainties. Please refer to the section titled "Caution Regarding Forward-Looking Information" contained at the end of this MD&A for a discussion of such risks and uncertainties and the material factors and assumptions related to the forward-looking information.

This report discusses the financial and operating results of the Greater Toronto Airports Authority ("GTAA") for the quarter ended September 30, 2009 and should be read in conjunction with the Financial Statements of the GTAA for the same period. In addition, the reader is directed to the Consolidated Financial Statements and MD&A for the year ended December 31, 2008 and the Annual Information Form for the year ended December 31, 2008. These documents provide additional information on certain matters which may or may not be discussed in this report. Additional information relating to the GTAA, including the Annual Information Form, the Financial Statements and the MD&A referred to above, is available on SEDAR at www.sedar.com. The GTAA's Financial Statements and MD&A are also available on its 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 south-central Ontario region, including the Greater Toronto Area, on a commercial basis, to set fees for their use and to develop and improve the facilities. In accordance with this mandate, the GTAA currently manages and operates Toronto Pearson International Airport (the "Airport" or "Toronto Pearson").

The responsibilities of the GTAA for the operation, management and development of Toronto Pearson are set out in the ground lease with the federal government which was executed in December 1996 (the "Ground Lease"). The Ground Lease has a term of 60 years, with one renewal term of 20 years. The GTAA's priorities are to operate a safe, secure and efficient Airport and to ensure that the facilities provide the necessary services, amenities, and capacity for current and future air travel requirements for the region.

Recent Events

Certain events transpired subsequent to the end of the third quarter of 2009 which had an impact on the GTAA's operations or financial results or which may impact future results.

On October 1, 2009 the GTAA announced new aeronautical fees. Effective January 1, 2010 both landing fees and general terminal charges will be reduced by 10% from 2009 levels.

On October 7, 2009 the GTAA issued $300 million, 10-year Medium Term Notes ("MTNs"). The issue is a re-opening of the Series 2009-1 MTNs originally issued on May 20, 2009. The Notes carry a fixed rate coupon of 5.96% and mature on November 20, 2019. The yield on the new issue was 4.672%. Proceeds of the offering will be used to fund capital expenditures, debt repayments and to fund required reserve funds.

On November 6, 2009 the GTAA successfully negotiated an extension to its $550 million syndicated bank credit facility. The credit facility, which previously had a maturity date of November 22, 2010, will now mature on November 22, 2012.

Operating Activity

During the first nine months of 2009, 23.3 million passengers were processed through the Airport, as compared to 25.0 million for the same period in 2008, representing a decrease of 6.9%. As has been the trend for several years, the strongest passenger segment continues to be the international sector where there was a decrease in passenger traffic of 2.9% in the first three quarters of 2009 when compared to 2008. The domestic and transborder sectors experienced declines of 8.0% and 9.6%, respectively, during the same comparable periods. In the three-month period ended September 30, 2009 passenger traffic decreased 5.1% when compared to the same period in 2008. During this quarter domestic passenger traffic decreased by 5.8%, transborder traffic decreased by 5.9% and international traffic decreased by 3.3% respectively when compared to the same quarter in 2008. The following table summarizes passenger activity by sector for the three- and nine-month periods ended September 30, 2009 and 2008.

	Three Months			Nine Months		
(in thousands)	2009	2008	% change	2009	2008	% change
Domestic	3,737	3,966	(5.8%)	9,747	10,652	(8.5%)
Transborder	2,042	2,171	(5.9%)	6,101	6,745	(9.5%)
International	2,662	2,754	(3.3%)	7,435	7,613	(2.3%)
Total	8,441	8,891	(5.1%)	23,283	25,010	(6.9%)

For all of 2009, the GTAA expects total passenger traffic to decrease by 6.5% when compared to 2008. In 2008 passenger traffic was growing throughout the first half of the year and only began to decline in the third quarter. This decline accelerated in the fourth quarter of 2008 and has continued in 2009. As a result of this trending, the year-over-year change in passenger traffic has begun to moderate in the second half of 2009, despite continued declines in activity.

Flight activity is measured by aircraft movements. The type and size of aircraft using the Airport determines the total maximum take-off weight ("MTOW") and the total number of seats. These measures are used to calculate airline charges for each flight. Total movements in the first nine months of 2009 decreased by 5.9%, from 328,961 movements in the first nine months of 2008 to 309,425 movements in the first nine months of 2009. In the third quarter of 2009, total movements decreased from 114,051 to 106,851, or 6.3%, as compared to the same 2008 period.

For the nine months ended September 30, 2009, MTOW was 9.8 million tonnes as compared to 10.5 million tonnes for the same period in 2008, a decrease of 6.5%. For the three months ended September 30, MTOW was 3.5 million tonnes and 3.7 million tonnes for the respective 2009 and 2008 periods, a 6.2% reduction.

In the first three quarters of 2009, 15.2 million arrived seats were recorded as compared to 16.2 million in the same period in 2008, a 5.7% decrease. In the third quarter of 2009, arrived seats were 6.3% lower than in the same period in 2008 with 5.3 million seats recorded in the 2009 period compared to 5.7 million in 2008.

The decline in Airport activity can be attributed to the worldwide economic decline which began in 2008. On February 13, 2009, the GTAA announced a comprehensive four-point plan to mitigate the effects of this decline in Airport activity. The plan includes cost reduction measures, the postponement of certain capital projects, an increase to the Airport Improvement Fee ("AIF") and the implementation of an air service rebate program that offers rebates on landing fees to air carriers who introduce new routes to the Airport or increase their aircraft capacity on existing routes serving the Airport. The landing fee rebate allows for a 50% and a 25% reduction in landing fees in the first and second years, respectively, for certain new air service at the Airport.

During the past several years airlines have been adjusting their fleet mixes and flight schedules in order to improve their financial performance, resulting in airline load factors, or the ratio of passengers to seats, increasing. Reduced air travel demand as a result of the slowing economy has caused many airlines to reduce capacity through reduced schedules and changes in aircraft type utilized on certain routes. This is expected to help maintain airline load factors despite the slowing in demand but will have a negative effect on MTOW and arrived seats. It is expected that air carriers will continue to engage in these capacity management techniques for the foreseeable future.

The GTAA expects 2010 passenger traffic at Toronto Pearson to grow by 0.5% when compared to 2009.

The GTAA reviews and updates measures of Airport operating activity on an ongoing basis. Changes to these measures, although generally not material, do occur. For the most current operating activity statistics, please consult GTAA.com.

RESULTS OF OPERATIONS

Rate Setting

In reviewing the financial results, it is important to note that the GTAA is a non-share capital corporation. Accordingly, the GTAA's financial model is based on the premise that all funds, whether generated through revenue or debt, will be used for Airport operations, ancillary aviation-related activities, construction, repairs and maintenance, debt payments, reserve funds, and other activities within the GTAA's mandate.

The objective of the GTAA's annual aeronautical rate setting approach is to break even on a modified cash basis after including projected operating costs and reserve and debt requirements as set out in the Master Trust Indenture governing the GTAA's indebtedness. To calculate the rates and charges for a given year, projections are developed for measures of Airport operating activity such as passengers, MTOW and arrived seats, non-aeronautical revenue and operating costs. Operating costs used in the rate setting calculation include those reflected on the financial statements of the GTAA with the exception of certain non-cash items such as amortization of property and equipment. 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. However, a notional amortization of debt, based on a 30-year amortization period, which is not included in the operating results, is included in the rate setting calculation. This amortization of outstanding debt is reserved and used for future debt repayments.

The GTAA implemented new rates for landing fees and general terminal charges commencing January 1, 2009 which were $0.15 per 1,000 tonnes of MTOW, or .4%, and $0.05 per arrived seat, or .6%, lower than the respective 2008 rates. Also effective January 1, 2009, the GTAA implemented a program, which sets the landing fee for all-cargo flights 25% below the landing fee for passenger flights. Additionally, the GTAA has established a landing fee rebate program for air carriers that offer net new services at Toronto Pearson. Both the new cargo pricing and the landing fee rebate programs have generated significant interest from air carriers and have contributed to the generation of new activity at the Airport.

Commencing January 1, 2010 the landing fee will be reduced by $3.39 per tonne or 10.0% when compared to the 2009 landing fee. Also effective January 1, 2010 the general terminal charge will be reduced by 10.2% or $.76 per seat for domestic arrivals and $.95 per seat for non-domestic arrivals when compared to the 2009 level.

The GTAA's continuing commitment to increase non-aeronautical revenues and manage operating expenses is reflected in the reductions in aeronautical rates and charges which began in 2008 and continue into 2010.

Revenues

Revenues are derived from aeronautical charges (landing fees and general terminal charges), AIF, and non-aeronautical sources such as car parking and ground transportation, concessions, rentals, electricity sales and other revenues from the GTAA's Cogeneration Plant and other sources. The primary drivers for aeronautical revenue are aircraft movements, since landing fees are based on the MTOW and general terminal charges are based on the number of seats of an arriving aircraft. The AIF is charged per passenger and a significant portion of non-aeronautical revenues is highly correlated to passenger activity. The following table summarizes the revenue for the three- and nine-month periods ended September 30, 2009 and 2008.

	Three Months		Nine Months	
(in thousands)	2009	2008	2009	2008
Landing fees	$112,136	$122,632	$318,504	$344,624
General terminal charges	45,274	49,358	130,668	139,491
AIF, net	75,536	68,891	193,418	195,325
Car parking & ground transportation	29,750	32,697	87,611	96,297
Concessions & rentals	31,748	34,856	98,271	102,726
Other	2,581	7,039	14,121	17,965
	$297,025	$315,473	$842,593	$896,428

For the first nine months of 2009, aeronautical revenue totaled $449.2 million, down $34.9 million from the same period in 2008. For the three months ended September 30, 2009, aeronautical revenues decreased by $14.6 million compared to the same period in 2008. These decreases reflect both the decrease in activity and the lower aeronautical rates in the 2009 periods.

AIF revenue earned, net of the commission paid to the air carriers, for the nine months ended September 30, 2009 was $193.4 million as compared to $195.3 million for the same period in 2008. AIF revenue earned during the third quarter of 2009 was $75.5 million as compared to $68.9 million for the comparable 2008 period. The GTAA increased the AIF for originating passengers from $20 to $25 effective June 1, 2009. The AIF for connecting passengers remained unchanged at $8. The effect of this increase is muted in the first nine months of the year due to the timing of its introduction. However, the increase did partially offset the decrease in AIF revenue caused by the year-over-year decline in passenger activity. As set out in the AIF agreements with each of the air carriers, the GTAA has committed to using primarily all of the AIF revenue for capital programs, including the associated debt service (interest and principal). Capital expenditures paid for by AIF revenue may not necessarily occur in the same period as the AIF revenue is received. 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.

The decrease in revenue from car parking and ground transportation from $96.3 million to $87.6 million for the nine months ended September 30, 2008 and 2009, respectively, reflects the decrease in passenger volumes. For the third quarter of 2009, car parking and ground transportation revenue totaled $29.8 million compared to $32.7 million for the same period in 2008. Concession and rental revenues decreased from $102.7 million to $98.3 million for the nine months ended September 30, 2008 and 2009, respectively, primarily as a result of decreased passenger activity and the expiry of a tenant improvement recovery provision included in a certain lease. For the three month period ended September 30, concession and rental revenue decreased from $34.9 million to $31.7 million for the 2008 and 2009 periods, respectively, with the decline attributable to the reasons discussed above.

Other revenues, which are primarily composed of revenues from the Cogeneration Plant, consulting services and natural gas sales totaled $14.1 million in the first three quarters of 2009 as compared to $18.0 million in the comparable period in 2008 due to fluctuations in the price of natural gas and electricity and hence Cogeneration Plant operations. For the three month period ended September 30, 2009 and 2008, other revenues totaled $2.6 million and $7.0 million respectively.

Operating Expenses

Operating expenses include the costs to operate and maintain the Airport, interest and financing costs, and amortization of property and equipment. The following table summarizes the total operating expenses for the three- and nine-month periods ended September 30, 2009 and 2008.

	Three Months		Nine Months	
(in thousands)	2009	2008	2009	2008
Ground rent	$ 35,154	$ 35,515	$105,462	$106,545
Goods and services	46,021	63,282	160,469	206,526
Salaries, wages and benefits	28,570	25,332	83,414	80,078
Real property taxes and PILT	6,260	5,964	18,781	17,893
	116,005	130,093	368,126	411,042
Interest and financing costs	101,025	107,772	301,890	322,846
Amortization of property and equipment	50,292	52,522	151,270	157,058
	$267,322	$290,387	$821,286	$890,946

Ground rent payments are calculated according to the Ground Lease. Pursuant to the Ground Lease amendment entered into on February 11, 2008, ground rent payments for 2008 and 2009 are fixed at $141.5 million and $138.7 million, respectively. Thereafter, ground rent payable will be calculated as a percentage of the GTAA's revenues as defined under the Ground Lease. Under Canadian generally accepted accounting principles, the ground rent expense for each of 2008 and 2009 is recorded as the average of the fixed payments for the two years.

As a result, ground rent expense in the first nine months of 2009 is essentially unchanged from the same 2008 period: $105.5 million and $106.5 million respectively. For the three months ended September 30, ground rent expense was $35.2 million and $35.5 million for the 2009 and 2008 periods, respectively. In all quarters actual ground rent payments made to the federal government include a $1.0 million payment of ground rent that had been deferred by the federal government in the 2003 to 2005 period. This payment is not recorded as an expense in the statement of operations as it has been recorded in a previous period.

Expenditures for goods and services were $160.5 million for the nine months ended September 30, 2009 as compared to $206.5 million for the same period in 2008. The decrease in goods and services expenses between these periods is attributable to reduced building and equipment maintenance expense as service levels and contract terms have been adjusted, reduced natural gas expense due to lower utilization of the Cogeneration Plant, a gain in the value of a derivatives contract with the Ontario Power Authority and a reduction in contracted services due to the restructuring of the wheelchair and surrey service provided to passengers with mobility impairments. In addition, there were fewer severe winter weather events in 2009 as compared the first nine months of 2008. For the three-month period ended September 30, 2009, goods and services expense was $46.0 million as compared to $63.3 million for the same period in 2008. The reduction in goods and services in the third quarter of 2009 when compared to the same period in 2008 are due to the same savings described above, other than the effect of winter weather costs.

Salaries, wages and benefits increased by $3.3 million in the nine-month period ended September 30, 2009 compared to the same period in 2008. The increase is largely due to incremental pay increases for unionized employees as well as a provision for expenses associated with an early retirement program offered to certain employees. For the three-month period ended September 30, 2009 the increase in salaries, wages and benefits of $3.2 million when compared to the same period in 2008 was caused by the same factors discussed above.

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 increase of $0.9 million for the nine months ended September 30, 2009 over the same 2008 period reflects the increased annual passenger volumes in the underlying year (2006 as compared to 2005) used in the calculation. The year-over-year increase in PILT for the third quarter of 2009 was $0.3 million. The increase in passenger activity from 2006 to 2008 will be reflected in higher PILT payments in future years while the recent traffic downturn will eventually result in lower PILT payments.

Interest and financing costs were $301.9 million for the nine months ended September 30, 2009, as compared to $322.8 million for the same period in 2008 as lower interest incurred due to lower financing rates was offset by reduced interest income earned on reserve funds required for the debt program under the Trust Indenture. Interest and financing costs have benefited from fair value increases of $4.1 million in ABCP valuation for the nine months ended September 30, 2009 as compared to a fair value provision of $23.6 million in the same 2008 period. For the three-month period ended September 30, interest and financing costs were $101.0 million and $107.8 million in 2009 and 2008 respectively.

Amortization of property and equipment decreased from $157.1 million to $151.3 million for the first three quarters of 2008 and 2009, respectively. The GTAA uses the declining balance method to calculate depreciation on its most significant assets and absent any additions to the depreciable asset base, amortization of property and equipment will decrease on a year-over-year basis. For the three-month period ended September 30, 2009, amortization of property and equipment was $50.3 million compared to $52.5 million in the same 2008 period.

Net Operating Results

The revenues and expenses discussed in the previous sections generated the following net operating results for the three- and nine-month periods ended September 30, 2009 and 2008.

	Three Months		Nine Months	
(in thousands)	2009	2008	2009	2008
Revenues	$297,025	$315,473	$842,593	$896,428
Operating expenses	116,005	130,093	368,126	411,042
Revenue over operating expenses	181,020	185,380	474,467	485,386
Interest and financing costs	101,025	107,772	301,890	322,846
Amortization of property and equipment	50,292	52,522	151,270	157,058
Revenues over expenses	$29,703	$ 25,086	$ 21,307	$ 5,482

The components of revenues, operating expenses, interest and financing costs and amortization of property and equipment in the respective periods were discussed previously. Revenues over operating expenses, before interest and financing costs and amortization of property and equipment decreased to $474.5 million in the nine months ended September 30, 2009, from $485.4 million for the same period in 2008. For the three-month period ended September 30, 2009, revenues over operating expenses, before interest and financing costs and amortization of property and equipment decreased $4.4 million compared to the same 2008 period.

For the nine-month period ended September 30, 2009 total revenues were $21.3 million greater than total expenses. This compares to revenues over expenses of $5.5 million in the same 2008 period. Airport activity exhibits certain seasonality with the busier summer travel period typically resulting in higher revenues than the winter months. Also, expenses associated with winter operations such as snow removal and heating typically result in higher operating expenses during the winter. For the three-month period ended September 30, 2009, total revenues were $29.7 million greater than total expenses. For the same period in 2008, total revenues were $25.1 million greater than total expenses.

SUMMARY OF QUARTERLY RESULTS

Selected unaudited quarterly financial information for the quarters ended December 31, 2007 through September 30, 2009 is set out in the following table.

(in millions)	2009			2008				2007
Quarter ended	Sept	June	Mar	Dec	Sept	June	Mar	Dec
Revenues	$297	$273	$272	$274	$315	$292	$288	$282
Operating expenses	116	119	133	141	130	130	151	147
Revenues over expenses[1]	181	155	139	133	185	162	137	135
Interest and financing costs	101	98	102	130	108	103	112	119
Amortization	50	51	50	54	52	52	52	57
Revenues over (under) expenses	$30	$ 5	$(13)	$(51)	$25	$ 7	$(27)	$(41)

Notes: [1]Revenues over expenses before interest and financing costs and amortization of property and equipment

The GTAA's quarterly results are influenced by passenger activity and aircraft movements which vary with travel demand associated with holiday periods and other seasonal factors. In addition, factors such as weather and economic conditions may affect operating activity, revenues and expenses. Changes in operating facilities at the Airport may impact operating costs in many ways which may result in quarterly results not being directly comparable. Due to these factors the historic quarterly results cannot be relied upon to determine future trends.

CAPITAL PROJECTS

After the GTAA assumed responsibility for the Airport, it initiated an extensive redevelopment program to improve and redevelop the facilities to meet current and future demand. The Airport Development Program ("ADP") included the construction of terminal facilities, roadways, cargo facilities, airside improvements such as runways and taxiways, ancillary services and utilities infrastructure. The total cost of the ADP, which was completed on time and on budget, was $4.4 billion.

Continued long-term growth in passenger demand will necessitate further expansion of Terminal 1. In order to facilitate this, the GTAA has developed a work plan, entitled the Post ADP Program, which includes the demolition of Terminal 2 and the Terminal 2 parking garage; apron construction in the area that Terminal 2 once occupied; replacing the Terminal 2 parking capacity and increasing the overall parking capacity at the Airport with the construction of a new parking facility in Area 6B on the east side of Airport Road; replacement of certain utilities infrastructure; and the preliminary design of Pier G at Terminal 1. The majority of this work is expected to be complete in 2009 with the exception of the preliminary design of Pier G and the demolition of the Terminal 2 parking garage which have been deferred until future requirements warrant this work. The Post ADP Program has an authorized budget of $439.7 million of which $262.3 million has been expended. Timing of the final design and construction of Pier G and other future Airport expansion is still under review, and will be dependent on demand.

During the third quarter of 2009, the principal work carried out under the Post ADP Program was the ongoing construction of the Area 6B parking facility, which is expected to be completed by the end of 2009.

In addition, the GTAA has undertaken a program to expand and redevelop certain areas in Terminal 3, including the baggage handling systems and passenger processing areas as well as other improvements. Work is ongoing in the west end of the terminal where expansions to the passenger waiting areas, baggage system and security areas are underway. The budget for this program is $348.2 million. The program is 98% complete and scheduled to be finished before the end of 2009.

In 2008 the GTAA approved another capital program to improve Terminal 3. This $85.0 million project will see improvements to the food and beverage and other retail offerings in the terminal and changes to passenger processing and security areas designed to improve passenger connections and other passenger flows through the terminal. There were no material expenditures on this program in the third quarter of 2009. The majority of work under this program has been deferred and it is not expected to be completed until 2015.

Other capital projects were undertaken during the quarter to upgrade, refurbish or replace existing facilities. During the third quarter of 2009, a total of $10.7 million was expended, primarily on taxiway restoration and the development of rental space.
The GTAA has historically funded, and expects to continue to fund, capital projects primarily through borrowing in the debt capital markets.

ASSETS AND LIABILITIES

Total assets and liabilities as at September 30, 2009 as compared to December 31, 2008 are set out below.

(in millions)	September 30, 2009	December 31, 2008
Total Assets	$7,378.3	$7,302.0
Total Liabilities	$7,756.0	$7,700.9

At September 30, 2009 total assets were $7.38 billion as compared to $7.30 billion at December 31, 2008. Changes in assets in the third quarter of 2009 include an increase in cash and cash equivalents of $78.6 million due to improved operating results and a portion of the proceeds of the Series 2009-1 MTNs being held for future capital development and refinancing purposes. In addition, reserves and other funds (net of other investments which were reclassified due to the restructuring of the ABCP held by the GTAA) increased by $60.8 million due to regular deposits into the notional principal reserve fund. Offsetting these increases was a decrease in property and equipment due to regular amortization of these assets.

Total liabilities at September 30, 2009 were $7.76 billion as compared to $7.70 billion at December 31, 2008. Changes in liabilities were primarily due to the issue of the $300 million of Series 2009-1 MTNs, offset by the maturity of the $250 million Series 2004-2 MTNs. The Series 2007-2 and Series 2000-2 MTNs were reclassified from long-term to current liabilities as they mature in May and July, 2010.

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 under or over expenses. Annually, revenues after operating expenses and interest and financing costs have not been sufficient to cover amortization of property and equipment for several years. As a result the GTAA has recorded revenues under expenses. This has resulted in a cumulative deficit position of $377.7 million as at September 30, 2009. Debt service included in the aeronautical charges includes a notional principal amount based on a 30-year amortization which is lower in the early years of the debt and increases over time, similar to the principal payments of a mortgage. This notional principal amount is set aside in a reserve fund and it is the GTAA's intention to use these funds for future debt repayment. The amortization of the GTAA's most significant assets is reported on a declining balance basis, which is higher in the early years of the asset life and decreases over time. This differential contributes to the GTAA's current deficit position. It is anticipated that when the principal component included in the landing fee increases to a level where it is equal to or exceeds the reducing amount of amortization of property and equipment, revenues will exceed all expenses including amortization of property and equipment, providing the potential for improvement to the net asset position.

LIQUIDITY AND CAPITAL RESOURCES

The GTAA is a non-share corporation and accordingly is funded through aeronautical and non-aeronautical 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, after consideration of the projected air traffic and passenger activity and non-aeronautical revenues. Consistent with its residual approach, any funds generated by the GTAA are used to cover costs within its mandate.

On February 4, 2009, the GTAA repaid the $250 million Series 2004-2 MTNs using a combination of cash and reserve funds.

On May 20, 2009, the GTAA issued $300 million of Series 2009-1 MTNs with a term of ten years and a coupon of 5.96%. Proceeds of the offering have been used to fund capital expenditures and debt repayments and to fund required reserve funds. Proceeds not expended as at September 30, 2009 will be used for future capital expenditures and debt repayments.

On October 7, 2009 the GTAA re-opened the Series 2009-1 MTNs, issuing an additional $300 million of the notes which generated proceeds of $329.7 million. Proceeds of the offering will be used to fund capital expenditures and debt repayments and to fund required reserve funds.

The GTAA has a $500 million credit facility and a $50 million facility for interest rate and foreign exchange hedging activities, both with the same banking syndicate. These facilities mature on November 22, 2012 and can be extended annually for one additional year with the lenders' consent. The banking facility is used to fund capital or operating expenses, as required, and provides flexibility on the timing for accessing the capital markets in the future. This facility ranks *pari passu* with all other debt of the GTAA. As at September 30, 2009, the GTAA had no funds drawn under the credit facility with the exception of a $2.3 million letter of credit.

Total reserve funds as at September 30 2009, were $986.0 million, as compared to $898.1 million at December 31, 2008. All of the reserve funds are cash funded and invested and depending on the nature of the fund, are held by the Trustee for specific purposes as required under the Trust Indenture, or held by the GTAA in accordance with its own policies.

At September 30, 2009, the GTAA had a working capital deficiency of $900.9 million. As of that date the GTAA had available $986.0 million in reserves which are classified as long-term assets and $497.7 million of credit available under its credit facility. The October 7, 2009 debt issue raised net proceeds of $329.7 which are intended to be used to repay debt maturing in 2010 which has been reclassified as a current liability on the September 30, 2009 balance sheet. The GTAA believes that the reserve balances, available credit and cash balances provide sufficient liquidity to mitigate any potential impact of the reported working capital deficiency.

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 it current cash balance, the current available credit facility, reserves and projected operating revenues and costs, the GTAA does not anticipate any funding shortfalls during 2009. However, there may be events outside of the control of the GTAA that could negatively impact its liquidity.

Asset Backed Commercial Paper

On January 21, 2009, the restructuring of the ABCP held by the GTAA was implemented. This ABCP had been "frozen" since July 2007 as the Pan-Canadian Investors Committee for Third-Party Asset Backed Commercial Paper (the "Committee") negotiated a restructuring of these notes. The face value of the GTAA's original investment in the ABCP was $182.2 million.

Under the restructuring the GTAA received $180.9 million of restructured notes as follows:

- $61.7 million Master Asset Vehicle ("MAV") II Class A-1 Notes, rated "A" by DBRS with an expected term to maturity of approximately 8 years
- $59.1 million MAV II Class A-2 Notes, rated "A" by DBRS with an expected term to maturity of approximately eight years
- $10.7 million MAV II Class B Notes, which are unrated and have an expected term to maturity of approximately eight years
- $4.1 million MAV II Class C Notes, which are unrated and have an expected term to maturity of approximately eight years
- $2.1 million Traditional Asset ("TA") Tracking Notes in one class which are unrated and have an expected term to maturity of approximately five years
- $43.2 million Ineligible Asset ("IA") Tracking Notes in eight classes which are unrated and have expected terms to maturity from five to 22 years.

The notes received have the following characteristics:

- MAV Notes, issued in four classes (A-1, A-2, B and C), are long-term floating rate notes backed by a combination of leveraged collateralized debt, synthetic assets and traditional securitized assets.
- TA Tracking Notes are long-term floating rate notes backed by traditional securitized assets; and
- IA Tracking Notes are long-term floating rate notes backed by traditional securitized assets with exposure to the U.S. sub-prime mortgage market.

On April 23, 2009, the $2.1 million TA Tracking Notes were redeemed. The GTAA received $2.1 million in proceeds from the redemption. The TA Tracking Notes had a face value of $2.1 million and an estimated fair value of $1.6 million at the time of redemption.

On May 20, 2009, the Class 2 IA Tracking Notes were cancelled with the GTAA receiving no consideration or proceeds. The Class 2 IA Tracking Notes had a face value of $10.2 million and an estimated fair value of $1.1 million at the time of cancellation.

On August 11, 2009, DBRS downgraded the rating on the MAV II Class A-2 notes to "BBB". This rating is under review with negative implications.

As a result of the above noted redemption and cancellation of the TA and IA Tracking Notes, the GTAA now holds restructured ABCP with a face value of $168.5 million.

The MAV II Class A-1 and A-2 Notes and the TA and IA Tracking Notes pay interest on a quarterly basis at variable interest rates. The MAV II Class B and C Notes have not paid, and are not expected to pay, current interest, instead interest will accrue and to the extent possible be paid after the Class A-1 and A-2 Notes are repaid.

The GTAA estimated the fair value of its restructured ABCP holdings as at September 30, 2009 to be $86.6 million, approximately 51% of the $168.5 million face value.

The valuation technique used by the GTAA to estimate the fair value of its investment in restructured ABCP at September 30, 2009, incorporates discounted cash flows derived considering the best available public information regarding market conditions and other factors that a market participant would consider for such investments. The assumptions used in determining the estimated fair value reflect the details included in the information statements issued by the Committee, the asset manager, the monitor for the restructuring and other public information and the risks associated with each of the long-term floating rate notes.

Assumptions regarding the interest rates and maturities of the various long-term floating rate notes, discount rates and credit losses used in estimating the fair value include:

	Class A-1	Class A-2	Class B	Class C	IA Notes
Interest rate	0.00%	0.00%	0.00%	0.00%	0.81%
Discount rate(1)	6.46%	9.34%	45%	10%	10.09%
Approximate term	8 years	8 years	8 years	8 years	5 to 22 years

(1) For Class B and C Notes the indicated rate is the fair value as a per cent of face value and not the discount rate. For IA Notes the discount rate is applied after the credit provision.

The interest rate represents the current interest rate environment where short-term money market instruments pay a very low rate of interest.

Two benchmarks were utilized to determine the discount rates used in estimating the fair value of the Class A-1 as at September 30, 2009. One method used bankers' acceptance rates plus expected spreads for "A" rated financial institution debt with similar maturities. This benchmark was allocated a weighting of 25% in determining the discount rate. The second benchmark, weighted 75%, used to determine the appropriate discount rate, utilized the spread or premium paid on the CDX.NA.IG five-year index to determine the appropriate spread over seven year government bond rates. The CDX index was chosen in addition to the financial institution spread as it is an alternate indicator of investment grade credit market conditions and provides a second measure of investor sentiment in what continue to be uncertain markets. While the restructured notes are subject to credit enhancements such as restructured and remote margin call provisions, a margin call moratorium, cross-collateralization and a dedicated margin funding facility which support an investment grade credit rating, an additional 200 basis points was added to the benchmark discount rate of the Class A-1 Notes to further reflect the uncertainties surrounding these specific instruments. The discount rate used to estimate the fair value of MAV II Class A-2 Notes was derived using the Markit CDX North America Crossover Index which is comprised of "BBB" and "BB" rated securities, reflecting the rating on the MAV II Class A-2 Notes. An additional 200 basis points was added to the benchmark discount rate of the Class A-2 Notes to further reflect the uncertainties surrounding these specific instruments.

The Class B and C Notes were valued on an equity basis at 45% and 10% of face value, respectively, indicative of their subordination as to payment of both principal and interest under the restructuring.

The IA Tracking Notes were valued using a discount rate equivalent to the current market yield on ten-year "B" rated bonds, reflecting the reduced credit quality of these securities due to their exposure to the U.S. sub-prime mortgage market.

An increase of 1% in the weighted average discount rate would reduce the estimated fair value of the GTAA's investment in the restructured ABCP by approximately $5.6 million.

The probability weighted discounted cash flows resulted in an estimated fair value of the GTAA's ABCP of $86.6 million as at September 30, 2009. This represents an increase of $3.4 million when compared to the June 30, 2009 estimated fair value. The increase in value can be primarily attributed to the use of lower discount rates in the valuation model, reflecting improved credit market conditions over the period.

Continuing uncertainties regarding the value of the assets which underlie the restructured notes and the amount and timing of cash flows could give rise to further material change in the fair value of the GTAA's investment in the restructured ABCP.

The GTAA has sufficient cash and other sources of liquidity available to meet its reserve requirements, and to fund its operating, capital and financing obligations, and does not expect that its operations will be materially affected by the current uncertainty over the carrying value of its restructured ABCP investments.

SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

The accounting policies of the GTAA are set out in Notes 4 and 5 of the Financial Statements and Notes as of December 31, 2008 and 2007. There were no changes to accounting policies of the GTAA in the first nine months of 2009.

The Accounting Standards Board ("AcSB") has set the transition date for financial reporting under International Financial Reporting Standards ("IFRS") to be January 1, 2011. The transition will require the restatement, for comparative purposes, of amounts reported by the GTAA for its year ended December 31, 2010, and of the opening balance sheet as at January 1, 2010. The GTAA intends to adopt IFRS effective January 1, 2011.

The GTAA has prepared a formal conversion plan to implement IFRS which consists of three phases: scoping and diagnostic, analysis and development, and implementation and review.

During the third quarter of 2009, the GTAA continued to work through Phase Two of its IFRS conversion plan which consists of detailed analysis and development of the financial impacts of various options and alternative methodologies provided for under IFRS; identification and design of operational and financial business processes; and development of required solutions to address identified issues. During the quarter, the GTAA has also commenced Phase Three of its IFRS conversion plan for the following significant areas: property and equipment and borrowing costs.

Through this process the GTAA continues to assess the financial reporting impacts of the adoption of IFRS. At this time, the impact on future financial position and results of operations cannot be reasonably determined or estimated.

INTERNAL CONTROLS AND PROCEDURES

GTAA management is responsible for establishing and maintaining disclosure controls and procedures to ensure that information required to be disclosed to satisfy the GTAA's continuous disclosure obligations is recorded, processed, summarized and reported as required by applicable Canadian securities legislation. Management has carried out an evaluation of the effectiveness as of September 30, 2009 of the design and operation of the disclosure controls and procedures, as defined in *National Instrument 52-109, Certification of Disclosure in Issuers' Annual and Interim Filings*, under the supervision of, and with the participation of, the President and Chief Executive Officer ("CEO"), and the Vice President and Chief Financial Officer ("CFO"). Based on this evaluation, the CEO and CFO concluded that the disclosure controls and procedures are effective in recording, processing, summarizing and reporting, on a timely basis, information required to be disclosed by the GTAA to satisfy its continuous disclosure obligations and are effective in ensuring that information required to be disclosed in the reports that the GTAA files is accumulated and communicated to management as appropriate to allow timely decisions regarding required disclosure. The Board of Directors has reviewed and approved the GTAA's Policy Regarding Corporate Disclosure Controls and Procedures. Management has determined that as at September 30, 2009, the design and operation of the disclosure controls and procedures continues to be effective.

GTAA management is responsible for designing and implementing internal controls over financial reporting to provide reasonable assurance regarding the reliability of the Corporation's reporting and the preparation of financial statements for external purposes in accordance with Canadian generally accepted accounting principles. While no material weaknesses with respect to internal controls over financial reporting were identified during the assessment, such assessment may not detect all weaknesses nor prevent or detect all misstatements because of inherent limitations. Additionally, projections of any assessment of effectiveness to future periods are subject to the risk that controls may become inadequate due to changes in conditions or deterioration in the degree of compliance with the Corporation's policies and procedures. There were no changes in the GTAA's internal control over financial reporting that occurred during the quarter ended September 30, 2009 that have materially affected, or are reasonably likely to materially affect, its internal control over financial reporting.

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 risk of sudden and possibly significant impacts or volatility in air travel demand due to external sources such as economic conditions, geopolitical unrest, terrorism, government regulation and world health epidemics, continue to exist. Any of these could impact the GTAA's financial results. Due to current economic conditions the GTAA anticipates that declines in passenger demand and aeronautical activity experienced so far 2009, as compared to 2008, will continue through the remainder of the year, albeit at a slower rate, and that such decline will continue to have a negative impact on the GTAA's revenues.

The financial stability of the aviation industry remains a risk for the GTAA, particularly with respect to domestic air carriers. To date the GTAA has not experienced any material losses directly due to foreign air carriers filing for bankruptcy protection. However, the GTAA has incurred losses due to Canadian airlines seeking creditor protection or declaring bankruptcy. There is some risk to aviation activity and revenues from industry changes or exposure to a dominant air carrier. This risk is increased during periods of economic uncertainty. However, this risk is mitigated by the fact that approximately 75% of the passenger activity at the Airport originates or terminates at Toronto Pearson. Effective June 1, 2009, the GTAA implemented enhanced credit and collection policies to further mitigate this risk.

There is always risk when raising funds in the capital markets, including risks relating to fluctuations in interest rates, and the availability of funds at any point in time. External factors such as economic conditions, government policies, catastrophic events and the state of the financial markets can impact the GTAA's ability to access the capital markets. While the GTAA debt program has historically been well received by the capital markets in Canada, any dislocation in the global capital markets could affect the GTAA's ability to meet its financing requirements. The GTAA monitors the overall debt markets and works with its financial advisors to select the timing, size and term of any debt issue to ensure continued access to the markets and to maximize opportunities. The GTAA also monitors its debt maturity profile to minimize refinancing risk in the future.

Localized or global health issues may significantly affect air travel demand in the south-central Ontario region served by the Airport. The GTAA is monitoring the effects on air travel of the recent outbreak of influenza A (H1N1) and any impact on the GTAA's financial performance.

Other risks and uncertainties are discussed in the Management's Discussion and Analysis and the Annual Information Form for the year ended December 31, 2008.

CONCLUSION

The decline in demand for air transportation that started in the fourth quarter of 2008, while moderating, continued in the third quarter of 2009. This decline was anticipated and the impact has been mitigated by the four-point plan put into place in February of this year. The plan includes cost reduction measures, the postponement of certain capital projects, an increase to the Airport Improvement Fee and the implementation of an air service rebate program that offers rebates on landing fees to air carriers who introduce new routes to the Airport or increase their aircraft capacity on existing routes serving the Airport. The positive impact of this plan is evident in the 2009 third quarter and year-to-date results of the GTAA and in the aeronautical rate reductions announced for 2010.

The GTAA believes that the actions taken to mitigate the effects of the current economic downturn, as well as other initiatives undertaken in pursuit of its strategic initiatives leave the GTAA and Toronto Pearson well positioned to capitalize on opportunities as the economy and air travel demand recover in future years.

CAUTION REGARDING FORWARD-LOOKING INFORMATION

This MD&A contains certain forward-looking information about the GTAA. This forward-looking information is based on a variety of assumptions and is subject to risks and uncertainties. There is significant risk that predictions, forecasts, conclusions and projections, which constitute forward-looking information, will not prove to be accurate, that the assumptions may not be correct and that actual results may vary from the forward-looking information. The GTAA cautions readers of this MD&A not to place undue reliance on the forward-looking information as a number of factors could cause actual results, conditions, actions or events to differ materially from the targets, expectations, estimates or intentions expressed in the forward-looking information.

Words such as “believe”, “expect”, “plan”, “intend”, “estimate”, “anticipate” and similar expressions, as well as future or conditional verbs such as “will”, “should”, “would” and “could” often identify forward-looking information. Specific forward-looking information in this MD&A includes, among others, statements regarding: declining passenger demand and aeronautical activity in 2009, including any impact on the GTAA’s financial performance; the effectiveness of the GTAA’s four-point plan to address declining passenger traffic; the GTAA’s expectation that passenger activity will grow in 2010 when compared to 2009; future demand for air travel in the GTA; budgets and expenditures relating to capital programs; future capital development at the Airport; the GTAA’s annual debt capital requirements; the relationship between the GTAA’s revenues and reserve funds, and its operating expenses and interest and financing costs; non-aeronautical revenues; airline load factors and fleet mixes; the GTAA’s liquidity, including any impact on the GTAA’s working capital deficiency; the impact of various factors on the GTAA’s quarterly financial results; the GTAA’s ability to continue to meet the increasing air travel needs of the south-central Ontario region; the estimated fair value of the GTAA’s restructured ABCP holdings; continuing uncertainties regarding the value of the assets which underlie the restructured ABCP and the amount and timing of cash flows derived from the restructured ABCP; the possibility of further material changes in the value of the GTAA’s restructured ABCP holdings; and the effect of the current uncertainty regarding the GTAA’s restructured ABCP investments on its liquidity and operations.

This forward-looking information is based on a variety of material factors and assumptions including, but not limited to: long-term growth in population, employment and personal income will provide the basis for long-term increased aviation demand in the GTA; the Canadian and U.S. economies will perform at expected levels in the near term; air carrier capacity will meet demand for air travel in the GTA; the growth and sustainability of low fare and other air carriers will contribute to long-term aviation demand in the GTA; economic and air travel industry factors will result in a short-term decline in air travel at the Airport; domestic, transborder and international travel will exhibit long-term growth; the commercial aviation industry will not be directly affected by terrorism; the cost of enhancing aviation security will not overly burden air carriers or the GTAA; no significant event will occur which impacts the ordinary course of business such as a natural disaster or other calamity; and the GTAA will be able to access the capital markets at competitive terms and rates. These assumptions are based on information currently available to the GTAA, including information obtained by the GTAA from third-party experts and analysts.

Risk factors that could cause actual results to differ materially from the results expressed or implied by forward-looking information include, among other things: levels of aviation activity; air carrier instability; aviation liability insurance; fuel prices; construction risk; geographical unrest; terrorist attacks; war; health epidemics; labour negotiations; capital market and economic conditions; changes in laws; adverse regulatory developments or proceedings; lawsuits; and other risks detailed from time to time in the GTAA's publicly filed disclosure documents.

The forward-looking information contained in this MD&A represents the GTAA's expectations as of the date of this report and is subject to change. Except as required by applicable law, the GTAA disclaims any intention or obligation to update or revise any forward-looking information included in this MD&A whether as a result of new information, future events or for any other reason.

Financial Statements of the

Greater Toronto Airports Authority

September 30, 2009

(unaudited)

Greater Toronto Airports Authority
Balance Sheets

(unaudited)(in thousands)	**September 30 2009**	December 31 2008
Assets		
Current		
Cash and cash equivalents	**$ 272,507**	$ 193,911
Accounts receivable	**24,779**	45,677
Prepaid expenses	**3,015**	3,430
Inventory	**8,876**	8,843
	309,177	251,861
Reserve and other funds (Note 2)	**985,968**	898,096
Other investments (Note 3)	**-**	27,040
Other assets (Note 5)	**70,307**	70,387
Property and equipment (Note 6)	**5,610,235**	5,690,769
Work in progress (Note 7)	**376,542**	340,411
Accrued benefit asset	**26,076**	23,395
	$ 7,378,305	$ 7,301,959
Liabilities		
Current		
Bank indebtedness	**$ -**	$ 1,036
Accounts payable and accrued liabilities	**70,909**	84,584
Security deposits and deferred credits	**49,626**	36,374
Current portion of deferred ground rent	**4,156**	4,156
Current portion of long-term debt (Note 8)	**1,085,378**	362,993
	1,210,069	489,143
Deferred credit (Note 5)	**35,968**	37,619
Deferred ground rent	**21,821**	24,938
Long-term debt (Note 8)	**6,488,172**	7,149,180
	7,756,030	7,700,880
Net Assets (Deficiency) (Note 13)		
Externally restricted	**71,860**	72,579
Internally restricted	**321,036**	261,932
Unrestricted	**(770,621)**	(733,432)
	(377,725)	(398,921)
	$ 7,378,305	$ 7,301,959

Commitments and contingent liabilities (Note 12)

Greater Toronto Airports Authority
Statements of Operations

(unaudited)(in thousands)	Three Months Ended September 30 2009	2008	Nine Months Ended September 30 2009	2008
Revenues				
Landing fees	**$ 112,136**	$ 122,632	**$ 318,504**	$ 344,624
General terminal charges	**45,274**	49,358	**130,668**	139,491
Airport improvement fees, net (Note 4)	**75,536**	68,891	**193,418**	195,325
Car parking and ground transportation	**29,750**	32,697	**87,611**	96,297
Concessions	**19,082**	21,097	**59,029**	61,030
Rentals	**12,666**	13,759	**39,242**	41,696
Other	**2,581**	7,039	**14,121**	17,965
	297,025	315,473	**842,593**	896,428
Operating Expenses				
Ground rent	**35,154**	35,515	**105,462**	106,545
Goods and services	**46,021**	63,282	**160,469**	206,526
Salaries, wages and benefits	**28,570**	25,332	**83,414**	80,078
Real property taxes and payments-in-lieu of real property taxes (Note 10)	**6,260**	5,964	**18,781**	17,893
	116,005	130,093	**368,126**	411,042
Revenues over expenses before interest and financing costs, net and amortization	**181,020**	185,380	**474,467**	485,386
Interest and financing costs, net (Note 9)	**101,025**	107,772	**301,890**	322,846
Amortization of property and equipment	**50,292**	52,522	**151,270**	157,058
Revenues over expenses	**$ 29,703**	$ 25,086	**$ 21,307**	$ 5,482

Greater Toronto Airports Authority
Statements of Changes in Net Assets (Deficiency)

Nine-month period ended September 30, 2009 (unaudited)(in thousands)	**Balance, Beginning of Year**	**Unrealized Changes in Net Assets**	**Revenues Over Expenses**	**Transfers/ Allocations and Other**	**Use of Funds**	**Balance, End of Period**
Externally restricted						
Operating and maintenance reserve	$ 50,299	$ -	$ -	$ 12,601	$ -	$ 62,900
Renewal and replacement reserve	3,000	-	-	-	-	3,000
Debt service fund - principal	19,280	-	-	(2,513)	(10,807)	5,960
	72,579	-	-	10,088	(10,807)	71,860
Internally restricted						
Airport improvement fees collected, net	142,112	-	-	153,934	(164,820)	131,226
Notional principal of long-term debt	-	-	-	97,500	-	97,500
Debt service coverage requirement	119,820	-	-	(27,510)	-	92,310
	261,932	-	-	223,924	(164,820)	321,036
Total Restricted net assets	334,511	-	-	234,012	(175,627)	392,896
Unrestricted						
Unrestricted net deficiency	(735,994)	-	21,307	(58,385)	-	(773,072)
Accumulated unrealized changes in net assets:						
Loss on hedge	(7,737)	691	-	-	-	(7,046)
Gain on interest rate swap	10,299	(802)	-	-	-	9,497
Unrestricted net deficiency	(733,432)	(111)	21,307	(58,385)	-	(770,621)
Total Net deficiency	$ (398,921)	$ (111)	$ 21,307	$ 175,627	$ (175,627)	$ (377,725)

Nine-month period ended September 30, 2008 (unaudited)(in thousands)	Balance, Beginning of Year	Unrealized Changes in Net Assets	Revenues Over Expenses	Transfers/ Allocations and Other	Use of Funds	Balance, End of Period
Externally restricted						
Operating and maintenance reserve	$ 61,175	$ -	$ -	$ (5,114)	$ -	$ 56,061
Renewal and replacement reserve	3,000	-	-	-	-	3,000
Debt service fund - principal	8,682	-	-	13,803	-	22,485
	72,857	-	-	8,689	-	81,546
Internally restricted						
Airport improvement fees collected, net	106,387	-	-	188,572	(131,715)	163,244
Notional principal of long-term debt	49,878	-	-	60,000	(37,878)	72,000
Debt service coverage requirement	128,463	-	-	(3,677)	-	124,786
	284,728	-	-	244,895	(169,593)	360,030
Total Restricted net assets	357,585	-	-	253,584	(169,593)	441,576
Unrestricted						
Unrestricted net deficiency	(713,154)	-	5,482	(83,991)	-	(791,663)
Accumulated unrealized changes in net assets:						
Loss on hedge	(8,659)	691	-	-	-	(7,968)
Gain on interest rate swap	11,368	(802)	-	-	-	10,566
Unrestricted net deficiency	(710,445)	(111)	5,482	(83,991)	-	(789,065)
Total Net deficiency	$ (352,860)	$ (111)	$ 5,482	$ 169,593	$ (169,593)	$ (347,489)

Greater Toronto Airports Authority
Statements of Cash Flows

(unaudited)(in thousands)	Three Months Ended September 30 2009	Three Months Ended September 30 2008	Nine Months Ended September 30 2009	Nine Months Ended September 30 2008
Cash Flows from Operating Activities				
Revenues over expenses	$ **29,703**	$ 25,086	$ **21,307**	5,482
Items not affecting cash				
Amortization of property and equipment	**50,292**	52,522	**151,270**	157,058
Change in fair value of reserve and other funds and other investments (Note 2)	**(3,357)**	8,300	**(4,146)**	23,600
(Gain) Loss on disposal of property and equipment	**(3)**	501	**(19)**	820
Gain on disposal of ABCP investments (Note 2)	**-**	-	**(415)**	-
Amortization of other assets	**302**	302	**907**	907
Excess of cash funding over pension expense	**(1,461)**	(171)	**(2,681)**	(1,539)
Change in fair value of derivative, net	**(2,133)**	(493)	**(828)**	377
Changes in non-cash working capital				
Decrease (Increase) in accounts receivable	**15,385**	6,762	**20,898**	(5,402)
Decrease (Increase) in prepaid expenses	**2,558**	966	**415**	(1,286)
Decrease (Increase) in inventory	**177**	715	**(33)**	(2,097)
Increase in accounts payable, accrued liabilities and accrued interest	**30,510**	11,848	**11,482**	6,135
Increase (Decrease) in security deposits and deferred credits	**7,849**	(342)	**11,600**	636
	129,822	105,996	**209,757**	184,691
Cash Flows from Investing Activities				
Acquisition of property and equipment	**(144)**	(349)	**(1,922)**	(922)
Proceeds on disposal of property and equipment	**15**	103	**44**	117
Work in progress (Note 7)	**(37,488)**	(52,773)	**(106,104)**	(141,164)
Proceeds on redemption of ABCP investments (Note 2)	**-**	-	**2,090**	-
Reserve and other funds	**(61,342)**	(44,941)	**(58,362)**	(118,728)
	(98,959)	(97,960)	**(164,254)**	(260,697)
Cash Flows from Financing Activities				
Issuance of medium term notes and long-term debt	**-**	-	**298,731**	497,960
Repayment of medium term notes and long-term debt	**(11,028)**	(10,525)	**(261,485)**	(386,259)
Draw on credit facility	**-**	-	**57,000**	-
Repayment of credit facility	**-**	-	**(57,000)**	-
Bank indebtedness	**(5,808)**	(521)	**(1,036)**	651
Decrease in deferred ground rent payable	**(1,039)**	(1,039)	**(3,117)**	(3,117)
	(17,875)	(12,085)	**33,093**	109,235
Net Cash Inflow (Outflow)	**12,988**	(4,049)	**78,596**	33,229
Cash and cash equivalents, beginning of period	**259,519**	187,100	**193,911**	149,822
Cash and cash equivalents, end of period	$ **272,507**	$ 183,051	$ **272,507**	$ 183,051

As at September 30, 2009, cash and cash equivalents consisted of short-term investments of $263.6 million (2008 - $183.0 million), cash of $17.1 million (2008 - $13.6 million) less outstanding cheques of $8.2 million (2008 - $14.3 million).

1. Basis of Presentation

These interim 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 2008 annual report. As these interim financial statements do not include all information required for annual financial statements, these notes should be read in conjunction with the notes to the 2008 financial statements published in the 2008 annual report of the Greater Toronto Airports Authority ("GTAA").

The GTAA's operations can be affected by seasonal fluctuations due to changes in customer travel demands. This seasonality could impact quarter-over-quarter comparisons.

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 other investments are as follows:

(in thousands)	September 30 2009	December 31 2008
Debt Service Fund		
Interest	**$ 110,932**	$ 99,019
Principal	**5,960**	19,280
	116,892	118,299
Debt Service Reserve Fund		
Revenue Bonds		
Series 1997-3 due December 3, 2027	**36,714**	37,840
Series 1999-1 due July 30, 2029	**40,024**	41,178
Medium Term Notes		
Series 2000-1 due June 12, 2030	**38,524**	40,000
Series 2000-2 due July 19, 2010	**39,510**	23,123
Series 2001-1 due June 4, 2031	**35,026**	36,213
Series 2002-1 due January 30, 2012	**31,018**	31,948
Series 2002-2 due December 13, 2012	**29,500**	30,402
Series 2002-3 due October 15, 2032	**38,212**	39,493
Series 2004-1 due February 2, 2034	**38,626**	39,870
Series 2004-2 due February 4, 2009	**-**	11,426
Series 2005-1 due June 1, 2015	**17,511**	18,287
Series 2005-3 due February 15, 2016	**16,411**	16,881
Series 2006-1 due February 28, 2011	**11,006**	11,270
Series 2007-1 due June 1, 2017	**21,812**	22,432
Series 2007-2 due May 14, 2010	**15,013**	8,255
Series 2008-1 due April 17, 2018	**26,207**	26,672
Series 2008-2 due December 6, 2013	**19,019**	19,194
Series 2009-1 due November 20, 2019	**17,810**	-
Security for Bank Indebtedness		
Series 1997 - A Pledge Bond	**10,197**	10,082
	482,140	464,566
Operations, Capital and Financing Funds		
Operating and Maintenance Reserve Fund	**62,900**	50,299
Renewal and Replacement Reserve Fund	**3,000**	3,000
Airport Improvement Fee Reserve Fund	**131,226**	142,112
Notional Principal Fund	**97,500**	-
Debt Service Coverage Fund	**92,310**	119,820
	386,936	315,231
	$ 985,968	$ 898,096

2. Reserve and Other Funds (continued)

Asset Backed Commercial Paper

On January 12, 2009, the Ontario Superior Court of Justice issued the implementation order for the restructuring of ABCP. The face value of the GTAA's original investment in ABCP was $182.2 million. Under the restructuring, the GTAA received $180.9 million of restructured notes. The restructuring was implemented effective January 21, 2009 and the GTAA received the following restructured notes, which have been classified as held-for-trading, under the plan:

- $61.7 million Master Asset Vehicle ("MAV") II Class A-1 Notes, rated "A" by DBRS with an expected term to maturity of approximately eight years;
- $59.1 million MAV II Class A-2 Notes, rated "A" by DBRS with an expected term to maturity of approximately eight years;
- $10.7 million MAV II Class B Notes, which are unrated and have an expected term to maturity of approximately eight years;
- $4.1 million MAV II Class C Notes, which are unrated and have an expected term to maturity of approximately eight years;
- $2.1 million Traditional Asset ("TA") Tracking Notes in one class which are unrated and have an expected term to maturity of approximately five years;
- $43.2 million Ineligible Asset ("IA") Tracking Notes in eight classes which are unrated and have expected terms to maturity from five to 22 years.

The notes received have the following characteristics:

- MAV Notes, issued in four classes (A-1, A-2, B and C), are long-term floating rate notes backed by a combination of leveraged collateralized debt, synthetic assets and traditional securitized assets;
- TA Tracking Notes are long-term floating rate notes backed by traditional securitized assets; and
- IA tracking Notes are long-term floating rate notes backed by traditional securitized assets with exposure to the U.S. sub-prime mortgage market.

On April 23, 2009, the $2.1 million TA Tracking Notes were redeemed. The GTAA received $2.1 million in proceeds from the redemption. The TA Tracking Notes had a face value of $2.1 million and an estimated fair value of $1.6 million at the time of redemption.

On May 20, 2009, the Class 2 IA Tracking Notes were cancelled with the GTAA receiving no consideration or proceeds. The Class 2 IA Tracking Notes had a face value of $10.2 million and an estimated fair value of $1.1 million at the time of cancellation.

On August 11, 2009, DBRS downgraded the rating on the MAV II Class A-2 notes to "BBB." This rating is under review with negative implications.

2. Reserve and Other Funds (continued)

As a result of the above noted redemption and cancellation of the TA and IA Tracking Notes, the GTAA currently holds restructured ABCP with a face value of $168.5 million.

The MAV II Class A-1 and A-2 Notes and the TA and IA Tracking Notes pay interest on a quarterly basis at variable interest rates. The MAV II Class B and C Notes have not paid, and are not expected to pay current interest, instead interest will accrue and to the extent possible be paid after the Class A-1 and A-2 Notes are repaid.

The GTAA estimated the fair value of its restructured ABCP holdings as at September 30, 2009 to be $86.6 million, approximately 51.4% of the $168.5 million face value.

The valuation technique used by the GTAA to estimate the fair value of its investment in restructured ABCP at September 30, 2009, incorporates discounted cash flows derived from considering the best available public information regarding market conditions and other factors that a market participant would consider for such investments. The assumptions used in determining the estimated fair value reflect the details included in the information statement issued by the Committee, the monitor for the restructuring and other public information and the risks associated with each of the long-term floating rate notes.

Assumptions regarding the interest rates and maturities of the various long-term floating rate notes, discount rates and credit losses used in estimating the fair value include:

	Class A-1	Class A-2	Class B	Class C	IA Notes
Interest rate	0.00%	0.00%	0.00%	0.00%	0.81%
Discount rate(1)	6.46%	9.34%	45.00%	10.00%	10.09%
Approximate term	8 years	8 years	8 years	8 years	5 to 22 years

(1) For Class B and C Notes, the indicated rate is the fair value as a per cent of face value and not the discount rate. For IA Notes, the discount rate is applied after the credit provision.

The interest rate represents the current interest rate environment where short-term money market instruments pay a very low rate of interest.

Two benchmarks were utilized to determine the discount rates used in estimating the fair value of the Class A-1 at September 30, 2009. One method used Bankers' Acceptance rates plus expected spreads for "A" rated financial institution debt with similar maturities. This benchmark was allocated a weighting of 25% in determining the discount rate at September 30, 2009. The second benchmark, weighted 75%, used to determine the appropriate discount rate utilized the spread or premium paid on the CDX.NA.IG five-year index to determine the appropriate

2. Reserve and Other Funds (continued)

spread over seven year government bond rates. The CDX index was chosen in addition to the financial institution spread as it is an alternate indicator of investment grade credit market conditions and provides a second measure of investor sentiment in what continue to be uncertain markets. While the restructured notes are subject to credit enhancements such as restructured and remote margin call provisions, a margin call moratorium, cross-collateralization and a dedicated margin funding facility which support an investment grade credit rating, an additional 200 basis points was added to the benchmark discount rate of the Class A-1 Notes to further reflect the uncertainties surrounding these specific instruments. The discount rate used to estimate the fair value of the MAV II Class A-2 Notes was derived using the Markit CDX North America Crossover Index wich is comprised of “BBB” and “BB” rated securities, reflecting the rating on the MAV II Class A-2 Notes. An additional 200 basis points was added to the benchmark discount rate of the Class A-2 Notes to further reflect the uncertainties surrounding these specific instruments.

The Class B and C Notes were valued on an equity basis at 45% and 10% of face value, respectively, indicative of their subordination as to payment of both principal and interest under the restructuring proposal.

The IA Tracking Notes were valued using a discount rate equivalent to the current market yield on ten-year “B” rated bonds, reflecting the reduced credit quality of these securities due to their exposure to the U.S. sub-prime mortgage market.

An increase of 1.0% in the weighted average discount rate would reduce the estimated fair value of the GTAA’s investment in the restructured ABCP by approximately $5.6 million.

The probability weighted discounted cash flows resulted in an estimated fair value of the GTAA’s ABCP of $86.6 million as at September 30, 2009. This represents an increase of $3.4 million when compared to the June 30, 2009 estimated fair value. The increase in value can be primarily attributed to the use of lower discount rates in the valuation model, reflecting improved credit market conditions over the period.

Continuing uncertainties regarding the value of the assets which underlie the ABCP, the amount and timing of cash flows and the outcome of the restructuring process could give rise to further material change in the value of the GTAA’s investment in ABCP.

The GTAA has sufficient cash and other sources of liquidity available to meet its reserve requirements, and to fund its operating, capital and financing obligations, and does not expect that its operations will be materially affected by the current uncertainty over the carrying value of its ABCP investments.

3. Other Investments

As at September 30, 2009, the GTAA held - $nil (December 31, 2008 - $52.0 million), face value, of restructured ABCP investments classified as other investments. Upon the implementation of the restructuring of ABCP in January 2009, the GTAA received new restructured notes that were transferred to reserves and other funds (see Note 2, Reserve and other funds).

4. Airport Improvement Fees, Net

Airport improvement fees, net (“AIF”) reported in the statements of operations, are recorded net of airline administration charges of $8.0 million for the nine-month period ended September 30, 2009 (September 30, 2008 - $8.1 million).

5. Other Assets

(in thousands)	September 30, 2009		
	Cost	**Accumulated Amortization**	**Net Book Value**
Deferred leasehold inducements	**$ 6,107**	**$ 2,424**	**$ 3,683**
Land acquisition costs	**26,139**	**1,544**	**24,595**
	$ 32,246	**$ 3,968**	**$ 28,278**
Fair value of OPA derivative			**42,029**
			$ 70,307

(in thousands)	December 31, 2008		
	Cost	**Accumulated Amortization**	**Net Book Value**
Deferred leasehold inducements	$ 6,107	$ 1,908	$ 4,199
Land acquisition costs	26,139	1,152	24,987
	$ 32,246	$ 3,060	$ 29,186
Fair value of OPA derivative			41,201
			$ 70,387

The aggregate amortization expense in respect of other assets for the nine-month period ended September 30, 2009 was $0.9 million (September 30, 2008 - $0.9 million) and is included in goods and services expense in the statements of operations. There were no additions to other assets during the nine-month period ended September 30, 2009 (September 30, 2008 - $nil).

On February 1, 2006, the GTAA entered into a Clean Energy Supply Contract (“CES”) with the Ontario Power Authority (“OPA”), pursuant to which the GTAA is obligated to have 90 MW of electrical energy available to the Ontario power grid. The term of the CES Contract is for 20 years, subject to early termination rights available to the GTAA. The

5. Other Assets (continued)

contract allows for payments by either party, depending on whether net electricity market revenues that the GTAA is deemed to have earned are greater or less than a predetermined threshold, as defined in the CES Contract.

The contract has been determined to be a derivative to be carried at fair value. The fair value of the derivative as at September 30, 2009 was $42.0 million (December 31, 2008 – $41.2 million). During the nine-month period ending September 30, 2009 the GTAA realized an increase in the fair value of the derivative of $5.4 million which was recorded in goods and services expense, and received cash proceeds of approximately $4.6 million which reduced its carrying value.

The GTAA also recorded a deferred credit of $42.0 million which is being amortized over the term of 20 years. The unamortized balance at September 30, 2009 was $35.9 million (December 31, 2008 – $37.6 million).

6. Property and Equipment

Property and equipment are comprised of:

(in thousands)	September 30, 2009		
	Cost	**Accumulated Amortization**	**Net Book Value**
Terminal Assets			
Buildings and support facilities, parking structures, pedestrian bridges and approach systems and apron works	**$ 5,237,821**	**$ 706,096**	**$ 4,531,725**
Baggage handling systems	**276,788**	**61,208**	**215,580**
	5,514,609	**767,304**	**4,747,305**
Airside Assets			
Improvements to leased land	**9,480**	**2,007**	**7,473**
Runways and taxiways	**392,359**	**53,756**	**338,603**
Deicing facilities	**30,053**	**6,862**	**23,191**
	431,892	**62,625**	**369,267**
Other Assets			
Utilities and stormwater management facilities	**347,509**	**57,945**	**289,564**
Operating assets	**629,270**	**426,162**	**203,108**
Capital leases	**8,087**	**7,096**	**991**
	984,866	**491,203**	**493,663**
	$ 6,931,367	**$ 1,321,132**	**$ 5,610,235**

(in thousands)	December 31, 2008		
	Cost	Accumulated Amortization	Net Book Value
Terminal Assets			
Buildings and support facilities, parking structures, pedestrian bridges and approach systems and apron works	$ 5,184,503	$ 613,749	$ 4,570,754
Baggage handling systems	276,466	52,903	223,563
	5,460,969	666,652	4,794,317
Airside Assets			
Improvements to leased land	9,480	1,889	7,591
Runways and taxiways	392,258	48,541	343,717
Deicing facilities	29,906	6,418	23,488
	431,644	56,848	374,796
Other Assets			
Utilities and stormwater management facilities	345,597	50,798	294,799
Operating assets	614,562	389,546	225,016
Capital leases	10,001	8,160	1,841
	970,160	448,504	521,656
	$ 6,862,773	$ 1,172,004	$ 5,690,769

7. Work in Progress

(in thousands)	September 30, 2009			
	Beginning of Year	**Additions/ Adjustments**	**Transfers to Property and Equipment**	**End of Period**
Terminal Development Project	**$ 262,000**	**$ 60,085**	**$ (54,503)**	**$ 267,582**
Restoration Projects	**34,621**	**31,234**	**(15,001)**	**50,854**
T3 Redevelopment	**43,790**	**15,572**	**(1,256)**	**58,106**
	$ 340,411	**$ 106,891**	**$ (70,760)**	**$ 376,542**

(in thousands)	December 31, 2008			
	Beginning of Year	Additions/ Adjustments	Transfers to Property and Equipment	End of Year
Terminal Development Project	$ 96,388	$ 179,340	$ (13,728)	$ 262,000
Restoration Projects	40,502	26,402	(32,283)	34,621
T3 Redevelopment	39,669	13,732	(9,611)	43,790
	$ 176,559	$ 219,474	$ (55,622)	$ 340,411

As at September 30, 2009, work in progress included capitalized interest and financing costs in the amount of $38.9 million (December 31, 2008 – $27.6 million).

8. Credit Facility and Long-Term Debt

During the nine-month period ended September 30, 2009, the GTAA issued the 2009-1 medium term note with a face value of $300 million for total net proceeds of $298.7 million. In addition during the nine-month period ended September 30, 2009, the GTAA redeemed the 2004-2 medium term note with a face value of $250 million.

As at September 30, 2009, long-term debt including accrued interest and net of unamortized discounts and premiums consisted of:

(in thousands) Series	Coupon Rate	Maturity Date	Principal Amount	September 30 2009	December 31 2008
Revenue Bonds, *See below*					
1997-3	6.45%	December 3, 2027	$ 375,000	**$ 377,616**	$ 371,538
1999-1	6.45%	July 30, 2029	444,223	**445,022**	463,198
Medium Term Notes					
2000-1	7.05%	June 12, 2030	550,000	**559,611**	550,046
2000-2	6.70%	July 19, 2010	600,000	**608,871**	619,470
2001-1	7.10%	June 4, 2031	500,000	**506,595**	497,776
2002-1	6.25%	January 30, 2012	500,000	**504,490**	512,167
2002-2	6.25%	December 13, 2012	475,000	**482,331**	474,730
2002-3	6.98%	October 15, 2032	550,000	**567,792**	558,257
2004-1	6.47%	February 2, 2034	600,000	**599,632**	609,377
2004-2	4.45%	February 4, 2009	250,000	**-**	254,451
2005-1	5.00%	June 1, 2015	350,000	**352,749**	348,138
2005-3	4.70%	February 15, 2016	350,000	**350,149**	354,164
2006-1	4.40%	February 28, 2011	250,000	**249,817**	252,013
2007-1	4.85%	June 1, 2017	450,000	**454,423**	448,902
2007-2, *See below*	floating	May 14, 2010	350,000	**349,995**	350,649
2008-1	5.26%	April 17, 2018	500,000	**509,640**	502,767
2008-2	5.89%	December 6, 2013	325,000	**329,653**	324,159
2009-1	5.96%	November 20, 2019	300,000	**304,515**	-
				7,552,901	7,491,802
Capital leases				**716**	1,296
Province of Ontario					
Interest-free loan, payable in five equal annual installments commencing 2011				**19,933**	19,075
				7,573,550	7,512,173
Less current portion (including accrued interest)				**1,085,378**	362,993
				$ 6,488,172	$ 7,149,180

8. Credit Facility and Long-Term Debt (continued)

Interest expense from the GTAA's debt instruments for the nine-month period ended September 30, 2009, amounted to $311.1 million (September 30, 2008 – $321.0 million) net of capitalized interest of $14.7 million (September 30, 2008 - $10.0 million). Cash paid during the nine-month period ended September 30, 2009 for interest amounted to $301.9 million (September 30, 2008 - $313.0 million).

For Series 2007-2 interest rates are adjusted quarterly at the three-month Bankers' Acceptance rate plus 11 basis points. From January 1, 2009 to September 30, 2009, interest rates ranged from 0.54% to 2.75% (January 1, 2008 to September 30, 2008 – 3.22% to 4.86%).

With the exception of Series 1999-1 revenue bond, 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 and continue until maturity.

With the exception of Series 2007-2, interest is payable semi-annually from the interest payable commencement date, based on fixed rates. For Series 2007-2, interest is payable quarterly based on floating rates.

With the exception of Series 2006-1, and Series 2007-2 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.

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 (Series 1997-A) 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 $500 million facility for general corporate purposes and capital expenditures, and a $50 million facility for interest rate and foreign exchange hedging activities. The facility matures on November 22, 2012 and can be extended annually for an additional year with the lenders' consent.

As at September 30, 2009, no funds were drawn on the $500 million facility. As at September 30, 2009, a letter of credit for $2.3 million was outstanding against the $50 million facility (December 31, 2008 - $2.3 million) (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 ranged from 0.59% to 3.50% (September 30, 2008 – 3.23% to 6.00%).

9. Interest and Financing Costs, Net

Interest and financing costs for long-term debt and bank facilities, net of interest earned on the Debt Service Reserve Fund, reserves and other funds and capitalized interest is as follows:

	Three Months Ended September 30		Nine Months Ended September 30	
(in thousands)	**2009**	2008	**2009**	2008
Interest and financing costs incurred	**$ 107,334**	$ 118,153	**$ 322,400**	$ 355,719
Less:				
Interest earned on the Debt Service Reserve Fund	**(355)**	(3,677)	**(2,820)**	(12,480)
Interest earned on reserves and other funds	**(910)**	(2,741)	**(3,038)**	(10,357)
Capitalized interest	**(5,044)**	(3,963)	**(14,652)**	(10,036)
	$ 101,025	$ 107,772	**$ 301,890**	$ 322,846

Included in interest and financing costs incurred for the nine-month period ended September 30, 2009, is a $4.1 million positive fair value adjustment and a $0.4 million gain on redemption (September 30, 2008 - $23.6 million fair value impairment) in respect of the GTAA's restructured ABCP holdings. For the three-month period ended September 30, 2009, a $3.4 million positive fair value adjustment (September 30, 2008 - $8.3 million fair value impairment) is included in interest and financing costs incurred (see Note 2, Reserve and other funds).

10. Taxation

The GTAA is exempt from federal and provincial income 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 as calculated in accordance with regulations under the *Assessment Act (Ontario)* as a payment-in-lieu of real property taxes.

11. Related Party Transactions

Directors' fees expense for the nine-month period ended September 30, 2009 was $643,224 (September 30, 2008 - $617,312).

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, 2009 of approximately $94.2 million (December 31, 2008 - $159.8 million).

12. Commitments and Contingent Liabilities (continued)

Letter of Credit

A letter of credit for $2.3 million was outstanding at September 30, 2009 (see Note 8, Credit facility and long-term debt), relating to the GTAA's CES Contract with the Ontario Power Authority. The letter of credit expires April 11, 2010.

Environmental

The GTAA is committed to ensuring that activities undertaken at the Airport are carried out in an environmentally responsible manner, in compliance with applicable environmental laws and regulations, and with sensitivity to community and public concerns.

The GTAA performs environmental assessments as part of its ongoing environmental management program and has achieved ISO 14001 certification.

Roadway Infrastructure

In connection with receiving a deferral for the payment of land transfer tax to the Province of Ontario until 2011 (see Note 8, Credit facility and long-term debt), the GTAA has agreed to participate in the development of highway infrastructure and transit improvements related to the Airport. The GTAA has undertaken significant transportation infrastructure work in meeting this requirement.

Boeing Lands

In July 2001, the GTAA and Boeing Canada Operations Ltd. (formerly 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 by Boeing in stages. The first parcel representing 16.1 hectares of land was conveyed on May 29, 2006 and the remaining lands will be conveyed from time to time over a maximum period of 20 years from that date. While the GTAA retains use of the land, title to the first parcel has been transferred to the federal government as required under the terms of the Ground Lease. Deposits totalling $4.7 million, which were recorded in work in process, have been made and will be applied to the purchase price of the future parcels.

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 2009. 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

12. Commitments and Contingent Liabilities (continued)

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 2009.

Cogeneration Facility

The GTAA has entered into certain contracts in order to secure the supply and delivery of natural gas necessary for anticipated future operations of the Cogeneration facility. Under these contracts, the GTAA will be required to make payments relating to both the delivery of natural gas based on standard rate agreements and the cost of natural gas as determined by market rates. The delivery contract establishes a maximum volume of natural gas inventory that the GTAA is permitted to maintain, as of the anniversary date. The GTAA has the option to dispose of natural gas in excess of this maximum volume either through consumption or through the sale of natural gas to third parties.

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 recorded 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 provisions have been recorded.

Air France

Subsequent to the Air France incident on August 2, 2005, the GTAA, together with other parties, is a defendant in ten lawsuits, including a class action lawsuit involving most passengers and their family members. The GTAA's insurers are defending the lawsuits. It is the opinion of management that the GTAA's financial exposure is limited to its insurance deductible.

13. Capital Risk Management

The GTAA is a non-share corporation and, accordingly, is funded through operating revenues, AIF revenue, reserve funds, the debt capital markets and its syndicated bank credit facility. Aeronautical charges are set each year to cover the projected operating costs, including debt service and reserve requirements, after consideration of the projected air traffic and passenger activity and non-aeronautical revenues. Consistent with its residual approach, any funds generated by the GTAA are used to cover costs within its mandate.

As at September 30, 2009, a net deficiency existed amounting to $377.7 million (December 31, 2008 - $398.9 million). The GTAA has established within its net assets (deficiency), funds for operational requirements and debt-related obligations. The net assets

13. Capital Risk Management (continued)

(deficiency) consist of three components: externally restricted, internally restricted and unrestricted.

Externally Restricted

A portion of the net assets has been allocated for operational purposes pursuant to the Operating and Maintenance Reserve Fund, the Renewal and Replacement Reserve Fund and the Debt Service Fund – Principal (see Note 2, Reserve and other funds) set out in the Trust Indenture (see Note 8, Credit facility and long-term debt).

Internally Restricted

A portion of the fees that have been collected in revenue has been allocated for capital projects and for 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 are disbursed in accordance with its policies or commitments for these funds.

Unrestricted

Unrestricted net assets represents the cumulative revenue under expenses, including amortization, interest expense incurred and required to fund the Debt Service Fund – Interest, and the cumulative unrealized changes in net assets, which remains after externally and internally restricted reserve fund cash commitments described above have been made.

Capital Markets Platform

As a corporation without share capital, the GTAA's ongoing capital requirements are financed through the issuance of debt. The GTAA developed a financing plan referred to as the Capital Markets Platform, capable of accommodating a variety of corporate debt instruments. All indebtedness incurred under the Capital Markets Platform is secured under the Trust Indenture dated December 2, 1997, and supplemented from time to time, which establishes common security and a set of common covenants by the GTAA for the benefit of its lenders. The security comprises an assignment of the revenues of the GTAA, a specific charge on certain funds, reserve funds and accounts, an unregistered first leasehold mortgage of the GTAA's leasehold interest in the Airport and a guarantee and related collateral security of subsidiaries as designated from time to time. The Debt Service Reserve Funds are funded from the net proceeds of each bond or medium term note issuance (see Note 2, Reserve and other funds). The covenants that the GTAA must meet include two specific coverage tests for operating expenses and debt payments. The

13. Capital Risk Management (continued)

operating covenant states that the total revenue must at least cover all operating expenses, including interest and financing costs. The debt service covenant states that the net revenues, which may include available credit, must be at least 1.25 times the total interest and financing costs, including notional principal. At September 30, 2009, the GTAA was not in default of the Trust Indenture as defined therein.

14. Subsequent Event

On October 2, 2009, the GTAA issued an additional $300 million under Series 2009-1 medium term note for total proceeds of $329.7 million.

15. Comparative Figures

Certain comparative figures have been reclassified to conform with the current period's presentation.