Management's Discussion and Analysis and Condensed Interim Financial Statements of the

Greater Toronto Airports Authority

June 30, 2013

GREATER TORONTO AIRPORTS AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE QUARTER ENDED JUNE 30, 2013
Dated August 6, 2013

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 June 30, 2013 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 Financial Statements and MD&A for the year ended December 31, 2012, and the Annual Information Form for the year ended December 31, 2012. These documents provide additional information on certain matters that may or may not be discussed in this report. Additional information relating to the GTAA, including the Annual Information Form and 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.torontopearson.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 ("GTA"), 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 Ground Lease is available on SEDAR at www.sedar.com and on the GTAA's website at www.torontopearson.com. 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.

BUSINESS STRATEGY

The GTAA is focused on providing quality aviation facilities and services for air carriers, passengers and other users of Toronto Pearson. The Airport now has sufficient capacity to meet projected air travel demands for several years. Over this period additional investment will be related to repair and maintenance, operational and passenger processing improvements or to generate additional non-aeronautical revenues, all within existing facilities. As outlined in the GTAA's Airport Master Plan covering the 2008 to 2030 period (available on the GTAA's website at www.torontopearson.com), new capital expenditures and financing activities may be required by the GTAA over the term of the plan to increase the Airport's overall capacity to meet the anticipated air travel needs of the region. This development will be undertaken only as appropriate in response to increases in air travel demand. The Airport Master Plan is reviewed on a regular basis and is currently being reassessed with an update expected to be completed in late 2013.

In 2011 the GTAA approved its latest five-year Strategic Plan. The GTAA's vision statement – "Toronto Pearson will be North America's premier portal to a world of possibilities" – and its mission statement – "Together, we will attract, serve and delight our customers by consistently delivering value through innovative products and services" – reflect the GTAA's commitment to customer service and achieving its goal of becoming the premier North American gateway airport.

The principal areas of strategic focus of the GTAA are:

- ensuring long-term sustainability;
- achieving operational excellence;
- empowering employees to deliver value to GTAA's customers and other stakeholders;

- growing through innovation and leveraging assets; and
- developing an air and ground mobility hub.

This strategic focus, including an increased customer focus, together with the values of the GTAA and its employees, will guide the corporate activities, that the GTAA believes are required to meet its goals and the air travel needs of the region.

OPERATING ACTIVITY

The GTAA monitors passenger activity levels and aircraft movements, including the type and size of aircraft, as both passenger and aircraft activity have a direct impact on its financial results.

During the first six months of 2013, air carriers serving Toronto Pearson increased service (on a net basis) on a total of 15 routes, as compared to the same period in 2012, representing either completely new service or an increase in capacity on existing routes.

Passenger traffic at the Airport is generally categorized as belonging to one of three sectors: domestic, or passengers travelling within Canada; transborder, or passengers travelling between Canada and the United States; and international, or passengers travelling between Canada and destinations outside Canada and the United States. During the first six months of 2013, 17.4 million passengers travelled through the Airport, as compared to 17 million passengers during the same period in 2012, representing an increase of 2.6 per cent. During the first half of 2013, the strongest growth was in the transborder sector where there was an increase in passenger traffic of 5.4 per cent when compared to the same period in 2012. The domestic sector experienced a passenger increase of 5.1 per cent and the international sector experienced a decrease of 2.2 per cent over the same comparable periods. In the three-month period ended June 30, 2013 passenger traffic increased by 4.1 per cent when compared to the same period in 2012. During this quarter, domestic passenger traffic increased by 6.7 per cent, transborder traffic increased by 4.1 per cent and international traffic increased by 1 per cent, when compared to the same quarter of 2012.

The following table summarizes passenger activity by sector for the three- and six-month periods ended June 30, 2013 and 2012:

	Three Months			Six Months		
(in thousands)	2013	2012	% Change	2013	2012	% Change
Domestic	3,602	3,376	6.7%	6,620	6,301	5.1%
Transborder	2,436	2,339	4.1%	4,918	4,666	5.4%
International	2,946	2,917	1.0%	5,867	6,001	-2.2%
Total	8,984	8,632	4.1%	17,405	16,968	2.6%

Passenger growth within the domestic sector has been most notable in the traffic to and from the western provinces, whose economies have performed well.

Growth in transborder passenger traffic continues a trend that began in 2010 and can be attributed to a number of factors, including the increased use of Toronto Pearson as a connection point for passengers travelling from the United States to Canadian and international destinations and an increase in transborder services.

For several years the international sector has shown strong growth as increased travel between Toronto and destinations in Asia, the Middle East and Latin America is driven by increasing economic and cultural linkages with these emerging markets. As air carriers serving Toronto Pearson's international routes typically experience high load factors, absent additions to their aircraft fleet or substitution for larger aircraft, ongoing growth in passenger activity for existing air carriers may be constrained. The decline in international passenger traffic during the first half of 2013 when compared to the same period in 2012 was primarily attributable to certain international services being discontinued during 2012. Over the last several years, the rate of growth in international passenger activity has been the strongest of all three sectors. The GTAA's long-term plans continue to focus on attracting incremental international activity, and this segment is expected to grow for the foreseeable future.

Flight activity is measured by aircraft movements. The type and size of aircraft arriving at the Airport determine the total maximum takeoff weight ("MTOW"), as certified by the aircraft manufacturer, and the total number of arrived seats. These measures are used to calculate air carrier charges for each arrived flight.

The following table summarizes aircraft movements, MTOW and arrived seats for the three- and six-month periods ended June 30, 2013 and 2012:

	Three Months			Six Months		
(in thousands)	2013	2012	% Change	2013	2012	% Change
Aircraft movements	99.0	98.7	0.3%	194.7	194.9	-0.1%
MTOW (tonnes)	3,587.1	3,487.6	2.9%	6,978.8	6,927.7	0.7%
Arrived seats	5,646.8	5,513.7	2.4%	11,050.5	10,969.9	0.7%

Total movements in the first six months of 2013 decreased by 0.1 per cent, from 194,900 movements in the first six months of 2012 to 194,700 movements in the first six months of 2013. In the second quarter of 2013, total movements increased from 98,700 to 99,000, or 0.3 per cent, as compared to the same 2012 period.

For the six months ended June 30, 2013, MTOW increased by 0.7 per cent, as compared to the same period in 2012, from 6.9 million to 7 million tonnes. For the three months ended June 30, 2013, MTOW increased by 2.9 per cent from 3.5 million tonnes to 3.6 million tonnes, when compared to the same 2012 period.

During the first half of 2013, the total number of arrived seats was 0.7 per cent greater than during the same period in 2012, with 11.1 million seats recorded in the 2013 period compared to 11 million in the 2012 period. In the second quarter of 2013, arrived seats were 2.4 per cent greater than in the same period in 2012, with 5.6 million seats recorded in the 2013 period compared to 5.5 million in the 2012 period.

During the past several years, airlines have been adjusting their fleet mixes and flight schedules in order to improve their financial performance, resulting in higher airline load factors, or the ratio of passengers to seats. It is expected that air carriers will continue to engage in capacity management techniques for the foreseeable future. This is illustrated by modest improvements in the above-noted metrics: while overall passenger traffic increased during the first half of 2013 by 2.6%, the average load factor increased by 1.5 per cent from 77.3 per cent for the six months ended June 30, 2012 to 78.8 per cent during the same 2013 period.

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 the GTAA's website at www.torontopearson.com.

RESULTS OF OPERATIONS

The following section discusses the GTAA's approach in setting its aeronautical rates and charges, together with its financial results. In reviewing the financial results, it is important to note that the GTAA is a not-for-profit corporation without share capital. Under the GTAA's financial model, all funds, whether generated through revenues or debt, are used for Airport operations, ancillary aviation-related activities, construction, repairs and maintenance, debt payments, reserve funds and other activities within the GTAA's mandate.

Rate-Setting

Effective January 1, 2013 (February 1, 2013 in the case of the apron fee and April 1, 2013 in the case of the check-in fee), the GTAA implemented its aeronautical fees for 2013. The combined impact of the aeronautical fee changes is a reduction of approximately 10 per cent in overall aeronautical fees charged compared to 2012 overall aeronautical fees, when measured as the average air carrier cost per enplaned passenger.

In 2012, the GTAA's aeronautical revenues comprised the following: the landing fee based on the aircraft's MTOW, the general terminal charge based on the number of seats of an arriving aircraft, the turnaround fee charged for the use of terminal facilities to gate aircraft, and the counter fee charged for the use of check-in counters in the terminals.

Beginning in 2013, the GTAA transitioned from a residual rate-setting methodology to a rate-setting methodology that targets levels of cash flow sufficient not only to fund operating expenses and maintenance and restoration capital expenditures but also, in most years, to fund other capital investments and debt repayment.

As part of this transition, the GTAA made significant changes in its aeronautical fee regime for 2013. The landing fee and general terminal charge remain in place, while effective February 1, 2013, the turnaround fee was replaced by an apron fee and effective April 1, 2013; the counter fee was replaced by a check-in fee. In addition, the method of calculating the landing fee and general terminal charge was changed.

On February 1, 2013, the turnaround fee was replaced by an apron fee. The turnaround fee recovered costs associated with certain portions of the terminal, as well as the aircraft gates and bridges and the apron area. The apron fee recovers only the costs associated with the apron and the aircraft gates and bridges. The terminal costs excluded from the apron fee are recovered in the general terminal charge. Like the turnaround fee, the apron fee is designed to encourage efficient use of apron and gate assets by the air carriers. For the three- and six-month periods ended June 30, 2013 (and the comparative figures for 2012) both the turnaround fee and the apron fee revenues are included in the landing fee portion of aeronautical revenue.

On April 1, 2013, the GTAA replaced the counter fee with a commercially based check-in fee for the usage of check-in counters and self-service check-in kiosks located in the terminals. The new check-in fee is charged in a manner to improve check-in facility utilization and customer service. For the three- and six-month periods ended June 30, 2013 (and the comparative figures for 2012) both the counter fee and the check-in fee revenues are included in the rentals portion of non-aeronautical revenue.

The GTAA's cash flow projections take into account projections for activity, rates and charges and aeronautical and non-aeronautical revenues and expenses. Any excess cash flow is reinvested in the Airport for new initiatives to improve Airport operations and customer service, to fund capital projects or to repay existing debt. The GTAA expects to generate sufficient cash flow such that over the next five years, the cash flow will be used to fund most, capital expenditures. The actual and percentage changes to the 2013 aeronautical fees, as compared to 2012, are set out in the following table:

	Decreases from 2012	
Category	**Amount**	**Percentage**
Landing fees (passenger aircraft)	$7.81 per tonne	31.2 per cent
Landing fees (cargo aircraft)	$1.56 per tonne	8.3 per cent

	Increases from 2012	
Category	**Amount**	**Percentage**
General terminal charges (domestic)	$1.99 per seat	39.3 per cent
General terminal charges (non-domestic)	$2.48 per seat	39.1 per cent

The primary reason for the decrease in the 2013 landing fees and the increase in the 2013 general terminal charges, as compared to 2012 rates, is a re-allocation of expenses to be recovered between the airside and groundside services, which came into effect on January 1, 2013.

The new apron fee, which was implemented on February 1, 2013, is charged per unit of time as compared to the turnaround fee, which was charged based primarily on the number of seats on an aircraft. The apron fee is approximately 30 per cent lower than the turnaround fee which it replaced. The introduction of the check-in fee to replace the counter fee effective as of April 1, 2013 is expected to be revenue-neutral to the GTAA in 2013. After accounting for the change in rate-setting methodology, the re-allocation of expenses between airside and groundside, and the introduction of apron and check-in fees, the combined impact of the aeronautical fee changes was a reduction in 2013 of approximately 10 per cent in overall aeronautical fees compared to 2012 overall aeronautical fees, when measured as the average air carrier cost per enplaned passenger.

In 2014 and 2015, the GTAA intends to maintain its aeronautical fees at the 2013 levels in order to provide some price certainty for existing and potential new air carriers. However, the GTAA retains the right to set fees as required and, if over this three-year period circumstances should vary from the GTAA's expectations, the GTAA may alter its fees to ensure that its revenues are sufficient to cover its obligations.

The trend of reductions in the average air carrier cost per enplaned passenger, which began in 2008, continued with the 2013 rate reductions. The continued growth in airline and passenger traffic, as well as the GTAA increasing its non-aeronautical revenues by offering amenities valued by its customers and managing its operating expenses, have contributed to these reductions.

Revenues

Revenues are derived from aeronautical charges, Airport Improvement Fees ("AIF") and non-aeronautical sources such as car parking and ground transportation, concessions, rentals (which also include counter fee and check-in fee revenues), electricity sales and other sources. The primary driver of aeronautical revenues is aircraft movements. Landing fees are based on the MTOW of arriving aircraft, general terminal charges are based on the number of seats of an arriving aircraft, the apron fees are based on the usage of apron and aircraft gates and bridges, and the turnaround fee was based on the usage of terminal facilities to gate aircraft. The AIF is charged per-passenger and a portion of non-aeronautical revenues is correlated to passenger activity.

The following table summarizes the GTAA's revenues for the three- and six-month periods ended June 30, 2013 and 2012:

	Three Months		Six Months	
(in thousands)	2013	2012	2013	2012
Landing fees	$73,882	$99,125	$145,649	$197,388
General terminal charges	45,634	32,050	89,707	63,925
Aeronautical revenues	119,516	131,175	235,356	261,313
AIF, net	76,400	72,864	150,179	147,125
Car parking & ground transportation	34,300	32,981	68,354	65,526
Concessions & rentals	41,011	39,822	82,747	80,875
Other	2,133	1,175	4,269	2,787
Total	$273,360	$278,017	$540,905	$557,626

For the first six months of 2013, aeronautical revenue totaled $235.4 million, a decrease of $26 million from the same period in 2012, as the impact of higher Airport activity between the two periods was offset by the lower aeronautical fees in effect since January 1, 2013. A similar decrease in aeronautical revenues was experienced during the quarter ended June 30, 2013, as revenues decreased by $11.7 million, from $131.2 million during the quarter ended June 30, 2012 to $119.5 million.

AIF revenue, which excludes the administration fee collected by the air carriers for the administration of the AIF, increased by $3.1 million from $147.1 million during the six months ended June 30, 2012, to $150.2 million for the same period in 2013. This increase reflects higher passenger activity during the first half of 2013. AIF revenue earned during the second quarter ended June 30, 2013 totaled $76.4 million, as compared to $72.9 million during the same period in 2012. Under the AIF agreements with each of the air carriers, the GTAA has committed to using the AIF revenues primarily for capital programs, including associated debt service (interest and principal). Historically, the GTAA has used AIF revenues to fund debt service. Since the beginning of 2012, however, the GTAA has used a portion of AIF revenues to directly fund capital projects relating to the ongoing maintenance and restoration of the Airport. Recognizing that payment of debt service or capital expenditures and receipt of AIF revenues may not occur in the same period, AIF revenue earned and collected but not used in a given period is retained in the AIF Reserve Fund for future debt service payments or capital expenditures.

The GTAA also records revenue from car parking and ground transportation, concessions and rental properties. The increase in revenues from car parking and ground transportation from $65.5 million to $68.4 million for the six months ended June 30, 2012 and 2013, respectively, reflects a combination of enhanced marketing and business development initiatives and an increase in passenger volumes during the first six months of 2013. For the same reasons, car parking and ground transportation revenue during the three-month period ended June 30, 2013, increased from $33 million to $34.3 million, when compared to the three-month period ended June 30, 2012.

Concession and rental revenues increased from $80.9 million to $82.7 million for the six-month periods ended June 30, 2012 and June 30, 2013, respectively. This increase is attributable to the increase in passenger volumes during the first half of 2013 driving higher concession sales, as well as the introduction of new retail, food and beverage and advertising initiatives. Concession and rental revenues increased from $39.8 million to $41 million for the quarters ended June 30, 2012 and June 30, 2013, respectively. Rental revenues also include the counter fee and check-in fee revenues, which were generally unchanged over the three- and six-month comparative periods ended June 30, 2013 and June 30, 2012. Concession and rental revenues (other than counter fee or check-in fee revenues) are typically governed by multi-year contractual arrangements which tend to limit period-over-period changes in revenues.

Other revenues, which are primarily composed of revenues from the Cogeneration Plant, totaled $4.3 million for the first half of 2013 as compared to $2.8 million for the same period in 2012. The increase is primarily attributable to fluctuations in the price of natural gas and electricity, which resulted in increased Cogeneration Plant operations during the six-month period. For the same reason, when comparing other revenues during the three-month period ended June 30, 2013 and June 30, 2012, there was an increase from $1.2 million in 2012 to $2.1 million in 2013.

Expenses

Expenses include the costs to operate and maintain the Airport, interest and financing costs, and amortization of property and equipment, investment property and intangible assets.

The following table summarizes GTAA's expenses for the three- and six-month periods ended June 30, 2013 and 2012:

	Three Months		Six Months	
(in thousands)	2013	2012	2013	2012
Ground rent	$31,156	$30,621	$62,260	$63,885
Goods and services	55,595	46,039	108,290	96,085
Salaries, wages and benefits	29,574	29,170	61,845	59,880
PILT	7,239	6,984	14,477	13,786
Amortization of property and equipment, investment property and intangible assets	54,479	53,168	108,742	106,493
	178,043	165,982	355,614	340,129
Interest expense on debt instruments and other financing costs, net	96,664	101,679	194,467	206,982
Total expenses	$274,707	$267,661	$550,081	$547,111

Ground rent payments are calculated as a percentage of revenues (as defined in the Ground Lease) in accordance with the Ground Lease. Ground rent expense also includes the amortization of land acquisition costs. Ground rent expense during the first six months of 2013 was $62.3 million, a decrease of $1.6 million from $63.9 million recorded for the same period in 2012. This decrease is due to the reduction in revenues (as defined in the Ground Lease). The ground rent expense for the three-month period ended June 30, 2013 increased by $0.5 million to $31.2 million from $30.6 million, as compared to the same period in 2012. In each quarter beginning in 2006 and ending in 2015, actual ground rent payments made to the federal government include a $1 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 accrued in a previous period.

Expenditures for goods and services were $108.3 million for the six months ended June 30, 2013, a $12.2 million increase from $96.1 million recorded for the same period in 2012. The increase is primarily attributable to higher expenditures related to snow removal, professional and contracting services, utilities and energy costs. The increase in utilities and energy costs was due to an increase in the price of natural gas and electricity, combined with a weather-driven increase in consumption. These cost increases were partially offset by decreases in expenditures related to repairs, maintenance, policing and security services expenses. The absence of a gain on the valuation of the derivative contract with the Ontario Power Authority recorded for the six month period ended June 30, 2012 also contributed to the higher overall goods and services related costs recorded for the first half of 2013. For the reasons noted above,

except snow removal related expenditures, during the quarter ended June 30, 2013, costs incurred in relation to goods and services increased to $55.6 million, as compared to $46 million for the same period of 2012.

Salaries, wages and benefits increased from $59.9 million in the first six months of 2012 to $61.8 million in the same period in 2013. The increase is primarily attributable to increased employee costs under the GTAA's collective agreements and increased head count as certain full-time positions that had been vacant were staffed later in 2012. For the same reason, the expenditures for salaries, wages and benefits increased by $0.4 million from $29.2 million for the quarter ended June 30, 2012 to $29.6 million for the same period in 2013.

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. The PILT expenditure for the first six months of 2013 was $14.5 million, as compared to $13.8 million for the same period of 2012. The traffic recovery that started in 2010 will be reflected in higher PILT payments in future years. The PILT expenditure increased from $7 million to $7.2 million for the quarters ended June 30, 2012 and June 30, 2013, respectively.

Amortization of property and equipment, investment property and intangible assets for the six-month periods ended June 30, 2012 and 2013, respectively, increased from a total of $106.5 million in the 2012 period to $108.7 million in the 2013 period. The increase in amortization expense was due to additions to the depreciable asset base. For the same reason, the amortization of property and equipment, investment property and intangible assets increased from $53.2 million for the quarter ended June 30, 2012 to $54.5 million for the same period in 2013.

Net interest and financing costs were $194.5 million for the six-month period ended June 30, 2013, as compared to $207 million for the same period in 2012. This decrease of $12.5 million is primarily attributable to lower interest rates and a lower balance of outstanding debt. For the same reasons, net interest and financing costs for the quarter ended June 30, 2013 decreased to $96.7 million from $101.7 million for the same quarter in 2012.

Net Operating Results

The revenues and expenses discussed in the previous sections generated the following net operating results for the three- and six-month periods ended June 30, 2013 and 2012.

	Three Months		Six Months	
(in thousands)	2013	2012	2013	2012
Revenues	$273,360	$278,017	$540,905	$557,626
Operating expenses (excluding amortization)	123,564	112,814	246,872	233,636
Amortization of property and equipment, investment property and intangible assets	54,479	53,168	108,742	106,493
Earnings before interest and financing costs, net	95,317	112,035	185,291	217,497
Interest and financing costs, net	96,664	101,679	194,467	206,982
Net Income/(Loss)	$(1,347)	$10,356	$(9,176)	$10,515

The components of revenues and expenses were discussed previously. Earnings before interest and financing costs decreased to $185.3 million in the six months ended June 30, 2013, from $217.5 million for the same period in 2012. During the quarters ended June 30, 2013 and June 30, 2012, the net earnings before interest and financing costs were $95.3 million and $112 million, respectively.

For the six-month period ended June 30, 2013, the GTAA recorded net loss of $9.2 million as compared to net income of $10.5 million in the same 2012 period. The primary reason for the change from the same period in the prior year was the reduction in aeronautical revenues reflecting the implementation of a reduction in 2013 fees of approximately 10 per cent, when measured as the average air carrier cost per enplaned passenger and higher operating expenses. A more complete discussion of the rate-setting methodology is included above (see "Rate-Setting"). During the quarter ended June 30, 2013, net loss of $1.3 million was recorded, as compared to net income of $10.4 million for the same 2012 period driven by a combination of lower aeronautical fees and higher operating expenses.

The above table demonstrates that for each period, the revenues generated by the GTAA were more than sufficient to cover interest and financing costs and operating expenses (excluding amortization of property and equipment, investment property and intangible assets). The GTAA expects that revenues and reserve funds will continue to be sufficient to cover net interest and

financing costs and operating expenses (excluding amortization of property and equipment, investment property and intangible assets).

Summary of Quarterly Results

Selected unaudited quarterly financial information for the quarters ended September 30, 2011 through June 30, 2013 is set out in the following table:

	Quarter Ended							
	2013		2012				2011	
(in millions)	Jun	Mar	Dec	Sep	Jun	Mar	Dec	Sep
Revenues	$273	$267	$271	$310	$278	$278	$270	$308
Operating expenses (excl. amortization) [1]	123	123	137	121	113	121	125	120
Amortization [2]	$54	$54	$58	$53	$53	$53	$52	$53
Earnings before interest and financing costs, net	96	90	76	136	112	104	93	135
Interest and financing costs, net	97	98	106	102	102	104	109	106
Net income/(loss)	$(1)	$(8)	$(30)	$34	$10	$0	$(16)	$29

[1] Employee benefits related expenditures, as reported, have not been restated for the January 1, 2013 adoption of amendments to IAS 19, *Employee Benefits*. Impact of the IAS 19 adoption is not deemed to have a significant impact on the financial statements.

[2] Amortization means amortization of property and equipment, investment property and intangible assets.

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 affect operating costs, which may result in quarterly results not being directly comparable. Due to these factors, the historical quarterly results cannot be relied upon to determine future trends.

CAPITAL PROJECTS

The GTAA typically undertakes capital projects to meet one of the following key objectives: i) to comply with regulatory requirements (e.g., safety, security or environmental), ii) to expand the capacity of the Airport, iii) to improve, restore or replace existing assets or iv) to modify existing infrastructure to reduce costs, improve revenues or improve customer experience. The reader is directed to the MD&A for the year ended December 31, 2012 and the Annual Information Form

for the year ended December 31, 2012 which provide a comprehensive discussion of the GTAA's capital projects.

The following describes the GTAA's most significant capital projects currently under way or in development.

Terminal 3 Enhancement Program – The Terminal 3 Enhancement Program is intended to increase Terminal 3's passenger and baggage processing capacity; improve customer experience, passenger facilitation and connection flow; enhance the retail layout and offerings; and address regulatory requirements relating to baggage security screening and U.S. Customs and Border Protection. The program also includes a major restoration of the Terminal 3 facility, as well as improving the energy efficiency of the terminal. The Terminal 3 Enhancement Program has an approved capital budget of $406.8 million, of which $4.1 million was expended up to June 30, 2013. During 2013, expenditures related to the Terminal 3 Enhancement Program will be limited to planning and design, upgrades related to regulatory requirements, improving energy efficiency, retail improvements and the necessary asset restoration. As part of the planning and design process, the capacity elements of the program will be reviewed in the context of the longer-term development of all the terminal facilities at the Airport. Other aspects of the Terminal 3 Enhancement Program are under review by the GTAA and will likely be deferred and/or modified.

Automated People Mover Project – The GTAA will increase the carrying capacity of the Automated People Mover train (the "LINK Train") by adding a seventh car to each of the GTAA's two LINK Trains and construct associated platform modifications to accommodate the additional traffic when the Union Pearson Express train commences its service. The LINK Train project has an approved budget of $20 million, of which $8.9 million was spent up to June 30, 2013, with completion expected in late 2013.

Maintenance, Restoration and Capital Enhancement – The GTAA undertakes an ongoing program to improve, restore or replace certain capital assets. During the six-month period ended June 30, 2013, the GTAA expended approximately $31.9 million with respect to restoration capital primarily to upgrade, refurbish or replace existing facilities.

ASSETS AND LIABILITIES

Total assets and liabilities as at June 30, 2013 as compared to December 31, 2012 are set out in the following table:

(in millions)	June 30, 2013	December 31, 2012
Total assets	$6,594.1	$6,644.0
Total liabilities	$7,305.1	$7,346.3

Total assets and liabilities as at June 30, 2013 were generally unchanged from December 31, 2012 at $6.6 billion and $7.3 billion, respectively.

The deficit and accumulated other comprehensive loss of $711 million at June 30, 2013, as reported on the statements of financial position, has arisen primarily due to differences between the expenses reported for financial statement and historical aeronautical rate-setting purposes. 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 that the GTAA uses for debt repayment. Amortization of property and equipment, investment property and intangible assets is not included in the calculation of aeronautical charges.

The differential between notional amortization of debt and amortization of property and equipment, investment property and intangible assets contributes to the GTAA's cumulative net deficit. The transition from the historical residual rate-setting model to one that targets cash flow is expected to contribute to an improvement in the net deficit position over time.

LIQUIDITY AND CAPITAL RESOURCES

The GTAA is a corporation without share capital and accordingly, is funded through operating revenues, AIF revenues, reserve funds, the debt capital markets and its syndicated bank credit facility. As noted previously, beginning in 2013, the GTAA has transitioned from the residual rate-setting methodology to a rate-setting methodology that targets levels of cash flow sufficient not only to fund operating expenses and maintenance and restoration capital expenditures but also, in most years, to fund certain other capital investments and debt repayment. Consistent with its mandate, any funds generated by the GTAA are reinvested in the Airport.

An overall Capital Markets Platform has been established by the GTAA with the Trust Indenture setting out the security and other common terms and conditions of all debt, including bank facilities, revenue bonds and Medium Term Notes ("MTNs"). The program has been used to fund capital programs, and the GTAA will continue to access the debt markets to fund capital programs and to refinance some or all of its maturing debt. As at June 30, 2013, the GTAA had outstanding debt securities, including accrued interest and net of unamortized discounts and premiums, of approximately $7.1 billion. This amount excludes the bank facility. Any proceeds received from debt issues and not immediately required are invested in investment-grade debt instruments until such time as they are required.

On December 22, 2011, the GTAA filed a shelf prospectus qualifying up to $1.5 billion of debt issuance for capital expenditures, reserve funds, debt refinancing and other approved uses through the 25-month period covered by the shelf prospectus. As at June 30, 2013, a total of $400 million of debt was issued pursuant to this shelf prospectus.

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, 2015, and can be extended annually for one additional year with the lenders' consent. The $500 million credit facility is used to fund capital or operating expenses, as required, and provides flexibility on the timing for accessing the capital markets. These facilities rank *pari passu* with all other debt of the GTAA. Other than $2.4 million utilized by way of letters of credit, the GTAA had no funds drawn under the $500 million credit facility, and no amounts were utilized under the $50 million hedging facility, as at June 30, 2013.

Total restricted funds, which comprise reserve funds required under the Trust Indenture and other reserves held according to GTAA policy, were $1 billion as at June 30, 2013, as compared to $0.9 billion at December 31, 2012. All of the restricted 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 June 30, 2013, the GTAA had a working capital deficiency of $60.2 million. As of that date, the GTAA had available $1 billion in restricted funds. The restricted funds are classified as long-term assets. In addition, the GTAA had available $497.6 million under its credit facility. The GTAA believes that the restricted

fund balances, available credit and cash balances, and its ability to access the capital markets provide sufficient liquidity to mitigate any potential impact of the reported working capital deficiency. The GTAA has no plans to raise additional working capital specifically to fund this 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 its current cash balance, the current available credit facility, restricted funds, its ability to access the capital markets, and projected operating revenues and costs, the GTAA does not anticipate any funding shortfalls during 2013. However, there may be events outside of the control of the GTAA that could have a negative impact on its liquidity.

EARNINGS COVERAGE

For the 12-month period ended June 30, 2013, earnings before interest and financing costs for the GTAA were $396 million. Interest and financing costs for the same period, net of interest income, were $405.8 million, resulting in an earnings coverage ratio of 0.98:1.00. The updated earnings coverage calculations have been provided to comply with disclosure requirements of the Canadian Securities Administrators.

An alternate measure of the GTAA's ability to service its indebtedness is its obligation to comply with certain covenants in the Trust Indenture. The Trust Indenture contains a covenant that requires the GTAA to establish and maintain rates, rentals, charges, fees and services so that, among other things, Net Revenues, together with any Transfer from the General Fund in each Fiscal Year will be at least equal to 125 per cent of the Annual Debt Service for each Fiscal Year (as such capitalized terms are defined in the Trust Indenture).

The GTAA sets its rates in such a manner as to meet the 125 per cent debt service covenant under the Trust Indenture. The debt service covenant test excludes amortization of property and equipment, investment property and intangible assets from expenses. However, it does include a notional amortization, over 30 years, of outstanding debt. Inclusion of debt amortization ensures that revenues are sufficient to retire debt over 30 years, which is considered appropriate for an infrastructure provider with significant, long-lived assets. This amortization of debt is reserved and used for future debt repayments. At this time, the notional

amortization of debt is less than the amortization of property and equipment, investment property and intangible assets recorded in the GTAA's financial statements. As a result, the GTAA continues to meet the 125 per cent debt service covenant under the Trust Indenture, even though the earnings coverage ratio as calculated in accordance with the disclosure requirements of the Canadian Securities Administrators may at certain times be less.

SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

The significant accounting policies of the GTAA are set out in Note 2 of the Financial Statements as at June 30, 2013. The accounting policies and methods of computation that were used to prepare the Financial Statements as at June 30, 2013, are the same as those disclosed in the Financial Statements of the GTAA for the year ended December 31, 2012 and 2011 except for the adoption of the following new and/or amended standards:

a) International Financial Reporting Standard ("IFRS") 13, *Fair Value Measurement*: - This standard provides a single framework for measuring fair value. The GTAA adopted IFRS 13 on January 1, 2013 on a prospective basis. The adoption of IFRS 13 did not require any adjustments to the valuation techniques used by the GTAA to measure fair value and did not result in any measurement adjustments as at January 1, 2013.

b) Amendment to International Accounting Standard ("IAS") 19, *Employee Benefits:* - This amendment makes changes to certain accounting requirements for defined benefit plans and termination benefits. Upon adoption of the amendment on January 1, 2013, there were no significant adjustments to the financial statements.

c) Amendments to IAS 1, *Presentation of Financial Statements*: - The GTAA adopted the amendments to IAS 1 effective January 1, 2013. These amendments required the GTAA to group other comprehensive income items by those that will be reclassified subsequently to net (loss) income and those that will not be reclassified. These changes did not result in any adjustments to other comprehensive income or comprehensive (loss) income.

d) Amendments to IFRS 7, *Financial Instruments: Disclosure:* The amendments enhance the disclosure requirements related to the offsetting of financial assets and financial liabilities. The GTAA adopted the amendments to IFRS 7 effective

January 1, 2013. The adoption of amendments to IFRS 7 did not require any adjustments to the financial statements.

INTERNAL CONTROLS AND PROCEDURES

Management is responsible for establishing and maintaining adequate internal control over financial reporting and disclosure controls and procedures as defined in the GTAA's MD&A for the year ended December 31, 2012. No changes were made in the internal controls over financial reporting during the quarter ended June 30, 2013 that have materially affected, or are reasonably likely to materially affect, internal control over financial reporting and disclosure controls and procedures. Management will continue to monitor the effectiveness of its internal control over financial reporting and disclosure and may make modifications from time to time as considered necessary or desirable.

RISKS AND UNCERTAINTIES

The GTAA's Board of Directors is accountable for the oversight of the principal risks of the GTAA's business and has delegated to the Audit Committee the oversight of the risk management process. The standing committees of the Board are responsible for ensuring that management has appropriate policies and procedures to identify and manage specific risks and to ensure that such policies and procedures are effective.

In 2010, the Board of Directors approved an Enterprise Risk Management ("ERM") program to instill a behavioural awareness among employees and provide a disciplined process to identify, mitigate and manage risks. The ERM program is incorporated into the GTAA's decision-making process. The GTAA continues to review and improve its ERM program, including building stronger links between strategy, risk and opportunity.

The GTAA, its operations and its financial results are subject to certain risks. The reader is directed to the Financial Statements and MD&A for the year ended December 31, 2012 and the Annual Information Form for the year ended December 31, 2012 which provide a comprehensive discussion of the risks and uncertainties which the GTAA faces. Other risks may be detailed, from time to time, in the GTAA's publicly filed disclosure documents.

The following is a partial list of the principal risks that may affect the financial position of the GTAA.

Funding Risk – As at June 30, 2013, the GTAA had outstanding debt securities, including accrued interest and net of unamortized discounts and premiums, of approximately $7.1 billion, the proceeds of which were used to fund the acquisition of Terminal 3, to rebuild and expand the Airport's infrastructure, to fund the GTAA's reserve funds and to refinance maturing debt. The GTAA, in its management of costs and revenues, has examined scenarios to determine the range of impact of the variability in Toronto Pearson's operating activity, costs and revenues on cash flows and funding requirements. The GTAA's rate-setting methodology targets levels of cash flow sufficient not only to fund operating expenses and maintenance and restoration capital expenditures but also, in most years, to fund other capital investments and debt repayment. Depending on the timing of cash flows and actual operating activity levels, the GTAA may need to continue to access the capital markets to refinance maturing debt, finance future capital projects and fund reserve funds.

There is always risk when raising funds in the capital markets, including risks related to fluctuating 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 have an impact on GTAA's ability to access the capital markets. While the GTAA's debt program has historically been well received by the capital markets in Canada, any dislocation in the domestic or 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 advisers to select the timing, size and term of any debt issue so as 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.

Aviation Environment Risk – The GTAA's ability to derive revenues from its operation of the Airport depends on a variety of factors, many of which are not within the control of the GTAA. The health of the air transportation industry and future airline traffic at the Airport will be affected by, among other things, growth of the population and the condition of the economy of the GTA; unemployment rates; national, U.S. and international economic conditions; regulatory actions and legislative changes; international air transportation agreements; enhanced security regulations; air carrier instability; the ability and willingness of airlines to provide air service; capital market conditions; air fare

levels, including taxes and surcharges; labour disputes; the availability and cost of aviation fuel; carbon emissions charges, taxes and restrictions; insurance costs; environmental regulation; the operation of the air traffic control system; the use of telecommunications and ground transportation as alternatives to air travel; volcanic eruptions; health epidemics and related travel advisories; geopolitical risk; war; and the perceived threat of terrorist attacks and additional security measures put in place to guard against such attacks.

The GTAA manages its costs and revenues to generate sufficient cash flow to fund operations and capital projects and to reduce existing debt. Should an event occur that has a negative impact on the aviation industry, the result may be that GTAA expenses may be underestimated or aeronautical and non-aeronautical revenues overestimated, resulting in inadequate cash flows for the GTAA to meet its operating and capital requirements or meet its debt covenants within a period or periods, as applicable.

Partnership Risk – The GTAA works in partnership with a number of other parties at the Airport in delivering services to air carriers, passengers and others. These parties include government agencies, air carriers and third-party vendors. Should any of these parties fail to deliver services as required or in coordination with other partners, there may be impacts that impede the GTAA's ability to deliver value to its customers and stakeholders. The GTAA has limited control over its partners in many instances. A failure to capitalize on an alliance or partnership opportunity may affect the GTAA's ability to meet business objectives. In many instances, including, for example, government agencies, there is no alternative party with which the GTAA can work to deliver the required service.

In the case of aviation service, overdependence on a limited number of air carriers may materially affect the operations and financial condition of the GTAA should one of these "significant partners" greatly reduce or cease operations at Toronto Pearson or take actions that are harmful to the GTAA. If an airline serving the Airport were to cease operations or to reduce service at the Airport, some period of time could elapse before other airlines absorb its traffic. In addition, the GTAA is exposed to the risk of financial loss if any tenant or air carrier operating at the Airport files for creditor protection or declares bankruptcy. Since Air Canada, including its regional affiliate Air Georgian, together with Air Canada Express (formerly known as Jazz, with which Air Canada has a Capacity Management Agreement), carried 56 per cent of total Airport passengers in 2012, the GTAA has a particular exposure to this air

carrier. If a domestic airline ceases operations, the absorption of its domestic traffic would depend on the willingness and ability of other domestic carriers to reallocate and/or acquire additional aircraft to do so, since under current laws an airline foreign to Canada is not eligible to carry Canadian domestic traffic. The absorption of transborder and international traffic would depend on the willingness and ability of foreign and domestic airlines to reallocate and/or acquire additional aircraft to do so. The GTAA has taken measures to protect itself from defaulting air carriers by strengthening its payment terms with the air carriers and obtaining security deposits, where appropriate.

The term "partnership" used here is not a legal partnership but colloquially describes the working relationship between the GTAA and others.

Labour Risk – The current collective agreement between the GTAA and Canadian Auto Workers ("CAW") Local 2002, which represents the GTAA's unionized workers other than its firefighters, expired on July 31, 2013. Since the Spring of 2013, the GTAA and CAW have been negotiating the terms of a new collective agreement. The current collective agreement between the GTAA and the Pearson Airport Professional Firefighters Association ("PAPFFA") expires on December 31, 2014. In the event of a labour disruption involving the GTAA's unionized employees, the GTAA will activate a contingency plan to maintain the safe and secure operation of the Airport.

There is a risk of a strike or lockout of the unionized employees of any air carrier, tenant or service provider operating at the Airport or their respective contractors. Such actions could result in delays in accessing the Airport due to picketing activity and a decrease in the GTAA's revenues if the air carrier, tenant or service provider's operations are materially affected. It is anticipated that each air carrier, tenant or service provider at the Airport would implement its contingency plans in the event of a strike or lockout of their employees or their contractor's employees. The GTAA would also implement its contingency plans in the event of such labour disruptions to ensure the safe and secure operation of the Airport.

Competition/Substitution Risk – In some instances air carriers and passengers may have alternatives to travelling through Toronto Pearson, including using other airports or alternate modes of transportation. There is a risk of diversion of passengers from Toronto Pearson to other airports or other modes of transportation.

Approximately 30 per cent of passenger traffic at Toronto Pearson is connecting traffic. Air carriers serving North American hub and international gateway traffic may set up their networks to flow connecting passengers through alternate airports in Canada or the United States. Additionally, individual passengers may have options when choosing a connecting airport and may select one airport over another. In either case, this may have an impact on the number and the rate of growth of connecting passengers and associated air carrier activity at Toronto Pearson.

The remaining 70 per cent of passenger activity at Toronto Pearson is originating and destination traffic, where passengers initiate or terminate a direct trip at the Airport. Originating passengers have limited choice in selecting alternatives to the Airport. Airports such as Billy Bishop City Centre Airport in Toronto and airports in Hamilton, Waterloo and Buffalo offer limited service that may be used as an alternative to Toronto Pearson to access certain destinations. While each of these airports attracts passengers from the Toronto Pearson catchment area, due to their facilities and operations, they are limited in the type and volume of aviation services they can offer. The GTAA views the activity at these airports as part of a wider regional air transportation system that is complementary to the service offered at Toronto Pearson.

For a limited number of destinations, alternative modes of transportation such as automobile, bus or train may provide alternatives to air travel. Factors such as relative price and convenience may influence the choice made by travellers between different modes of transportation.

CONCLUSION

The recovery in activity and the improving financial results of the GTAA that began in 2010 have continued into 2013. However, there continues to be some risk for the air travel industry due to the uneven global economic outlook and higher oil prices. The GTAA is cautiously optimistic about future growth in Airport activity and it anticipates moderate growth in 2013. The GTAA also remains focused on activities designed to continue to reduce costs, grow non-aeronautical revenues by offering products and services which passengers value and work with air carriers to expand capacity on existing routes and attract new air service.

The GTAA believes that continued prudent planning and strategy-setting will strengthen the GTAA and enable Toronto Pearson to capitalize on growth opportunities as the economy and air travel demand continue to grow.

The GTAA is at a stage in its development where the Airport has sufficient capacity to meet passenger demand for several years. The GTAA remains keenly focused on maximizing the utilization of existing assets before investing in additional capacity. As a result, the demand for new capital development funds is greatly reduced from the period when the Airport Development Program was being implemented. While the GTAA is placing increasing emphasis on utilizing internally generated cash flows to fund capital investments, the GTAA may access the capital markets to fund the redevelopment and new capital projects discussed earlier. The GTAA's measured approach of matching Airport capacity to demand, together with the management focus expressed in its Strategic Plan, position the GTAA well to continue to meet the developing air travel needs of the south-central Ontario region in a responsible manner.

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 the goal of developing the Airport as the premier North American gateway airport; the GTAA's strategic imperatives; the updating of the Airport Master Plan; demand for air travel in the GTA; growth in activity at the Airport; increases in non-aeronautical revenues; managing operating expenses; budgets and expenditures relating to capital programs; terminal, airside, infield and other capital developments at the Airport; the relationship between the GTAA's revenues and reserve funds and its operating expenses and interest and financing costs; the GTAA's compliance with covenants under the Trust Indenture; airline load factors and fleet mix; average air carrier cost per enplaned passenger; the commencement of operations of facilities currently under

construction at the Airport; the GTAA's capital borrowing requirements and program and its ability to access the capital markets; funding of outstanding capital commitments; passenger projections; the implementation of new aeronautical fees and maintaining or altering those fees in 2014 and 2015; the effect of the apron fee and check-in fee on increasing efficiency in the use of Airport facilities; the GTAA's rate-setting methodology; the implementation of new aeronautical or other fees; cash flows, working capital and liquidity; the use of current cash and cash equivalent balances; and the impact of a strike, lockout or other labour disruption at the Airport.

The forward-looking information is based on a variety of material factors and assumptions including, but not limited to, the following: long-term growth in population, employment and personal income will provide the basis for increased aviation demand in the GTA; the Canadian, U.S. and global economies will recover and grow at expected levels; air carrier capacity will meet the demand for air travel in the GTA; the growth and sustainability of air carriers will contribute to aviation demand in the GTA; the GTA will continue to attract domestic, transborder and international travellers; the commercial aviation industry will not be significantly affected by terrorism or the threat of terrorism; the cost of enhancing aviation security will not overly burden air carriers, passengers, shippers or the GTAA; no significant event will occur that has an impact on the ordinary course of business such as a natural disaster or other calamity; the GTAA will be able to access the capital markets at competitive terms and rates; and there are no significant cost overruns or delays relating to capital programs. 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, continuing volatility in the economic recovery and future economic activity; high rates of unemployment; levels of aviation activity; air carrier instability; the availability of aviation liability insurance; construction risk; geopolitical unrest; terrorist attacks and the threat of terrorist attacks; war; health epidemics; labour disputes; capital market conditions; changes in laws; adverse amendments to the Ground Lease; the use of telecommunications and ground transportation as alternatives to air travel; the availability and cost of jet fuel; carbon emission costs and restrictions; adverse regulatory developments or proceedings; environmental issues; 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 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 whether as a result of new information or future events or for any other reason.

Condensed Interim Financial Statements of the Greater Toronto Airports Authority

June 30, 2013

(unaudited)

Greater Toronto Airports Authority
Statements of Financial Position

(unaudited) (in thousands of Canadian dollars)	**June 30 2013**	December 31 2012
Assets	**$**	$
Current Assets		
Cash and cash equivalents	**125,439**	201,058
Accounts receivable	**43,131**	37,467
Prepaids and other assets	**13,429**	10,931
Inventory	**6,101**	6,087
	188,100	255,543
Non-current Assets		
Restricted funds (Note 4)	**1,017,296**	932,111
Intangibles and other assets (Note 5)	**91,457**	90,337
Property and equipment (Note 6)	**5,254,111**	5,325,740
Investment property	**22,264**	22,623
Post-employment benefit asset	**20,858**	17,695
	6,594,086	6,644,049
Liabilities		
Current Liabilities		
Accounts payable and accrued liabilities	**65,667**	104,136
Provisions (Note 8)	**8,537**	7,713
Security deposits and deferred revenue	**74,794**	75,154
Current portion of deferred ground rent	**4,156**	4,156
Current portion of long-term debt (Note 7)	**95,135**	96,734
	248,289	287,893
Non-current Liabilities		
Deferred credit (Note 5)	**27,710**	28,811
Deferred ground rent	**6,235**	8,313
Post-employment benefit liabilities	**14,041**	13,293
Long-term debt (Note 7)	**7,008,853**	7,007,989
	7,305,128	7,346,299
Deficit and Accumulated other comprehensive loss (Note 12)	**(711,042)**	(702,250)
	6,594,086	6,644,049

Commitments and contingent liabilities (Note 10)

The accompanying notes are an integral part of these condensed interim financial statements.

Greater Toronto Airports Authority
Statements of Operations and Comprehensive Income (Loss)

(unaudited) (in thousands of Canadian dollars)	Three Months Ended June 30		Six Months Ended June 30	
	2013	2012	**2013**	2012
	$	$	**$**	$
Revenues				
Landing fees	**73,882**	99,125	**145,649**	197,388
General terminal charges	**45,634**	32,050	**89,707**	63,925
Airport improvement fees	**76,400**	72,864	**150,179**	147,125
Car parking and ground transportation	**34,300**	32,981	**68,354**	65,526
Concessions	**20,236**	19,140	**40,781**	39,236
Rentals	**20,775**	20,682	**41,966**	41,639
Other	**2,133**	1,175	**4,269**	2,787
	273,360	278,017	**540,905**	557,626
Operating Expenses				
Ground rent	**31,156**	30,621	**62,260**	63,885
Goods and services	**55,595**	46,039	**108,290**	96,085
Salaries, wages and benefits	**29,574**	29,170	**61,845**	59,880
Payments-in-lieu of real property taxes	**7,239**	6,984	**14,477**	13,786
Amortization of property and equipment and investment property (Note 6)	**54,068**	52,967	**107,945**	106,074
Amortization of intangible assets (Note 5)	**411**	201	**797**	419
	178,043	165,982	**355,614**	340,129
Earnings before interest and financing costs, net	**95,317**	112,035	**185,291**	217,497
Interest income	**3,247**	3,062	**6,287**	6,262
Interest expense on debt instruments and other financing costs	**(99,911)**	(104,741)	**(200,754)**	(213,244)
Interest and financing costs, net (Note 7)	**(96,664)**	(101,679)	**(194,467)**	(206,982)
Net (Loss) Income	**(1,347)**	10,356	**(9,176)**	10,515
Items that may be reclassified subsequently to net (loss) income:				
Amortization of terminated hedges and interest rate swap	**192**	116	**384**	251
Loss on cash flow hedge	**-**	(8,216)	**-**	(8,216)
Other Comprehensive Income (Loss)	**192**	(8,100)	**384**	(7,965)
Total Comprehensive (Loss) Income	**(1,155)**	2,256	**(8,792)**	2,550

The accompanying notes are an integral part of these condensed interim financial statements.

Greater Toronto Airports Authority
Statements of Changes in Deficit and Accumulated Other Comprehensive Income (Loss)

Six-month period ended June 30, 2013 (unaudited) (in thousands of Canadian dollars)	**Deficit**	**Accumulated Other Comprehensive Income (Loss)**	**Total**
	$	**$**	**$**
Balance, January 1, 2013	**(687,534)**	**(14,716)**	**(702,250)**
Net Loss	**(9,176)**	**-**	**(9,176)**
Amortization of terminated hedges and interest rate swap	**-**	**384**	**384**
Total Comprehensive loss for the period	**(9,176)**	**384**	**(8,792)**
Balance, June 30, 2013	**(696,710)**	**(14,332)**	**(711,042)**

Six-month period ended June 30, 2012 (unaudited) (in thousands of Canadian dollars)	Deficit	Accumulated Other Comprehensive Income (Loss)	Total
	$	$	$
Balance, January 1, 2012	(707,539)	(12,219)	(719,758)
Net Income	10,515	-	10,515
Amortization of terminated hedges and interest rate swap	-	251	251
Loss on cash flow hedge	-	(8,216)	(8,216)
Total Comprehensive income for the period	10,515	(7,965)	2,550
Balance, June 30, 2012	(697,024)	(20,184)	(717,208)

The accompanying notes are an integral part of these condensed interim financial statements.

Greater Toronto Airports Authority
Statements of Cash Flows

For the six-month period ended June 30 (unaudited) (in thousands of Canadian dollars)	**2013**	2012
Cash Flows from Operating Activities	**$**	$
Net (Loss) Income	**(9,176)**	10,515
Adjustments for:		
Amortization of property and equipment and investment property	**107,945**	106,074
Amortization of intangibles and other assets	**1,470**	1,100
Net loss on disposal of property and equipment and intangibles	**123**	86
Change in fair value of derivative	**1,182**	(2,950)
Derivative cash receipts	**3,683**	3,439
Post-employment benefit plans	**(2,415)**	(2,483)
Interest expense on debt instruments	**199,169**	213,179
Amortization of terminated hedges and interest rate swap	**384**	251
Amortization of deferred credit	**(1,101)**	(1,101)
Changes in non-cash working capital:		
Accounts receivable	**(6,178)**	(6,421)
Prepaids and other assets	**(2,963)**	(4,173)
Inventory	**(14)**	(1,065)
Accounts payable and accrued liabilities	**(24,199)**	(9,866)
Provisions	**824**	468
Security deposits and deferred revenue	**(360)**	3,055
	268,374	310,108
Cash Flows from Investing Activities		
Acquisition and construction of property and equipment, investment property and intangibles	**(54,566)**	(46,334)
Proceeds on disposal of property and equipment	**30**	36
(Increase) Decrease in restricted funds	**(85,185)**	15,758
	(139,721)	(30,540)
Cash Flows from Financing Activities		
Repayment of medium term notes and long-term debt	**-**	(500,041)
Interest paid	**(202,194)**	(227,003)
Decrease in deferred ground rent payable	**(2,078)**	(2,078)
	(204,272)	(729,122)
Net Cash Outflow	**(75,619)**	(449,554)
Cash and cash equivalents, beginning of year	**201,058**	475,274
Cash and cash equivalents, end of period	**125,439**	25,720

As at June 30, 2013, cash and cash equivalents consisted of short-term investments of $82.7 million (December 31, 2012 – $159.3 million), cash of $64.0 million (December 31, 2012 – $51.7 million) less outstanding cheques of $21.3 million (December 31, 2012 – $9.9 million).

The accompanying notes are an integral part of these condensed interim financial statements.

1. Basis of Presentation

These condensed interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") applicable to the preparation of interim financial statements, including International Accounting Standard ("IAS") 34, *Interim Financial Reporting*. As these condensed interim financial statements do not include all information required for annual financial statements, these financial statements should be read in conjunction with the 2012 financial statements.

In applying the GTAA's accounting policies, as described in Note 2, Significant Accounting Policies, management is required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. Accounting estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

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. Significant Accounting Policies

The significant accounting policies used in the preparation of these condensed interim financial statements are the same accounting policies and methods of computation as those disclosed in the December 31, 2012 financial statements except as described below.

These condensed interim financial statements were approved for issue on August 6, 2013 by the Audit Committee of the Board of Directors.

Changes in Accounting Policies

The GTAA has adopted the following new and revised standards effective January 1, 2013. These changes were made in accordance with the applicable transitional provisions.

a) IFRS 13, *Fair Value Measurement*:

This standard provides a single framework for measuring fair value. The measurement of the fair value of an asset or liability is based on assumptions that market participants would use when pricing the asset or liability under current market conditions, including

2. Significant Accounting Policies (continued)

assumptions about risk. The GTAA adopted IFRS 13 on January 1, 2013 on a prospective basis. The adoption of IFRS 13 did not require any adjustments to the valuation techniques used by the GTAA to measure fair value and did not result in any measurement adjustments as at January 1, 2013.

b) Amendments to IAS 19, *Employee Benefits:*
These amendments make changes to certain accounting requirements for defined benefit plans and termination benefits. IAS 19 (Revised 2011) requires the net defined benefit liability (asset) to be recognized on the statement of financial position without any deferral of actuarial gains and losses and past service costs as previously allowed. Past service costs are recognized in net (loss) income when incurred. Expected returns on plan assets are no longer included in post-employment benefits' expense. Instead, post-employment benefits' expense includes the net interest on the net defined benefit liability (asset) calculated using a discount rate based on market yields on high quality bonds. Remeasurements consisting of actuarial gains and losses, the actual return on plan assets (excluding the net interest component) and any change in the asset ceiling are recognized in other comprehensive income (loss).

The GTAA continues to immediately recognize all pension adjustments in other comprehensive income (loss). The GTAA also continues to recognize interest expense (income) on net post-employment benefits liabilities (assets) in salaries, wages and benefits on the statement of operations and comprehensive income (loss). Upon adoption of the amendment, there were no significant adjustments to the financial statements.

c) Amendments to IAS 1, *Presentation of Financial Statements*:
The GTAA has adopted the amendments to IAS 1 effective January 1, 2013. These amendments required the GTAA to group other comprehensive income (loss) items by those that will be reclassified subsequently to net (loss) income and those that will not be reclassified. The GTAA has reclassified comprehensive net (loss) income items of the comparative period. These changes did not result in any adjustments to other comprehensive income (loss) or comprehensive (loss) income.

d) Amendment to IFRS 7, *Financial Instruments: Disclosure:*
The amendment enhances disclosure requirements related to offsetting of financial assets and financial liabilities. The GTAA has adopted the amendments to IFRS 7 effective January 1, 2013. The adoption of amendments to IFRS 7 did not require any adjustments to the financial statements.

3. Accounting Standards Issued but not yet Applied

a) Amendment to IAS 32, *Financial Instruments: Presentation:*
The amendment clarifies presentation requirements related to offsetting of financial assets and financial liabilities. This standard is required to be applied for periods beginning on or after January 1, 2014. The GTAA does not expect any significant impact to the financial statements as a result of adopting the amended standard.

b) Amendment to IAS 36, *Impairment of Assets:*
This modification includes limited scope amendments to disclosure requirements in IAS 36, *Impairment of Assets*. This standard is required to be applied for periods beginning on or after January 1, 2014. The GTAA does not expect any significant impact to the financial statements as a result of adopting the amended standard.

c) Amendment to IAS 39, *Financial Instruments: Recognition and Measurement:*
This amendment provides clarification whether an entity is required to discontinue hedge accounting in a circumstance where the hedging instrument is novated from one counterparty to another following the introduction of new regulations. This standard is required to be applied for periods beginning on or after January 1, 2014. The GTAA does not expect any significant impact to the financial statements as a result of adopting the amended standard.

d) Amendments to IFRS 7, *Financial Instruments: Disclosure:*
This standard was amended to provide guidance on additional disclosures on transition from IAS 39, *Financial Instruments: Recognition and Measurement* ("IAS 39") to IFRS 9, *Financial Instruments* ("IFRS 9"). The amendments are effective on adoption of IFRS 9 which is effective for years beginning on or after January 1, 2015. The GTAA does not expect any significant impact to the financial statements as a result of adopting the amendments to this standard.

e) IFRS 9, *Financial Instruments:*
This standard will replace the current IAS 39. The standard introduces new requirements for classifying and measuring financial assets and liabilities. This standard is required to be applied for periods beginning on or after January 1, 2015, with earlier adoption permitted. The GTAA has not yet assessed the impact of the standard or determined whether it will adopt the standard early.

4. Restricted Funds

Restricted funds consist of certain funds, the use of which is directed by the Master Trust Indenture ("Trust Indenture") or Medium Term Note ("MTN") offering documents, and which consist of the Debt Service Fund and the Debt Service Reserve Fund (the "Trust Funds") and Operations, Capital and Financing Funds. These funds are invested in cash or eligible short-term financial assets with less than one year to maturity as follows:

	June 30 2013	December 31 2012
	$	$
Debt Service Fund		
Principal	**12,802**	5,439
Interest	**72,487**	72,076
	85,289	77,515
Debt Service Reserve Fund		
Revenue Bonds		
Series 1997-3 due December 3, 2027	**37,914**	37,713
Series 1999-1 due July 30, 2029	**41,341**	41,126
Medium Term Notes		
Series 2000-1 due June 12, 2030	**39,783**	39,572
Series 2001-1 due June 4, 2031	**36,195**	36,008
Series 2002-3 due October 15, 2032	**39,432**	39,233
Series 2004-1 due February 2, 2034	**39,921**	39,719
Series 2005-1 due June 1, 2015	**18,082**	17,984
Series 2005-3 due February 15, 2016	**16,955**	16,862
Series 2007-1 due June 1, 2017	**22,504**	22,391
Series 2008-1 due April 17, 2018	**27,075**	26,938
Series 2009-1 due November 20, 2019	**36,839**	36,647
Series 2010-1 due June 7, 2040	**23,193**	23,071
Series 2011-1 due February 25, 2041	**32,625**	32,451
Series 2011-2 due December 2, 2041	**18,410**	18,313
Series 2012-1 due September 21, 2022	**12,203**	12,136
Security for Bank Indebtedness		
Series 1997-A Pledge Bond	**10,533**	10,479
	453,005	450,643
Operations, Capital and Financing Funds		
Operating and Maintenance Reserve Fund	**64,995**	64,658
Renewal and Replacement Reserve Fund	**3,075**	3,071
Airport Improvement Fee Reserve Fund	**201,590**	200,573
Notional Principal Fund	**72,971**	-
Debt Service Coverage Fund	**136,371**	135,651
	479,002	403,953
	1,017,296	932,111

4. Restricted Funds (continued)

Trust Funds

The GTAA is required to establish and maintain with the Trustee the Trust Funds in accordance with the terms of the Trust Indenture (see Note 7, Credit Facility and Long-Term Debt). The Trust Funds are held for the benefit of the bondholders and noteholders for use and application by the Trustee in accordance with the terms of the Trust Indenture.

(i) Debt Service Fund (principal and interest)

Amounts in the Debt Service Fund are allocated to either a Principal Account or an Interest Account. On a monthly basis, the GTAA is required to deposit into the Principal Account an amount equal to one-twelfth of the total principal amount included in annual debt service, during the term, for any bonds or notes due in such year. During the six-month period ended June 30, 2013, the principal requirements of the Debt Service Fund were funded through cash flows from operations. The fund balance as of June 30, 2013 was $12.8 million (December 31, 2012 – $5.4 million). Also, on a monthly basis, the GTAA is required to deposit into the Interest Account an amount equal to one-sixth of the semi-annual aggregate interest requirement due on all outstanding bonds and medium term notes. Amounts in the Debt Service Fund are held by the Trustee for the benefit of the bondholders or noteholders and are disbursed by the Trustee to pay interest and principal as they become due. During the six-month period ended June 30, 2013, principal of $nil (December 31, 2012 – $33.4 million) was paid from the Principal Account of the Debt Service Fund, and $7.4 million was deposited and/or allocated to the fund by the GTAA for the principal of the Series 1999-1 and MTNs (December 31, 2012 – $23.0 million).

(ii) Debt Service Reserve Fund

To the extent provided in any supplemental indenture, the GTAA is required to set aside funds in the Debt Service Reserve Fund for each series of bond or medium term note. The required amount is established at the time of issue of each series of bond or medium term note and is funded from the proceeds of each issue. Amounts held in the Debt Service Reserve Fund are held by the Trustee for the benefit of the bondholders or noteholders for use and application in accordance with the terms of the Trust Indenture.

At the maturity of each series of bond or medium term note, funds not applied by the Trustee will be returned to the GTAA.

Included among these Trust Funds is a Debt Service Reserve Fund related to the $550.0 million pledge bond (Series 1997-A) securing the credit facility with the

4. Restricted Funds (continued)

syndicate of six Canadian banks. The minimum required balance is adjusted annually based on the prevailing bankers' acceptance rate plus applicable margin. At the maturity or cancellation of this series of bonds, funds not applied by the Trustee will be returned to the GTAA.

Operations, Capital and Financing Funds

The GTAA has established an Operating and Maintenance Reserve Fund and a Renewal and Replacement Reserve Fund pursuant to the Trust Indenture. The Operating and Maintenance Reserve Fund is calculated as one-sixth of the projected operating and maintenance expenses estimated for the following fiscal year. As at June 30, 2013, this fund had a balance of $65.0 million (December 31, 2012 – $64.7 million). This amount is to be used only for operating and maintenance expenses or other purposes as required for the safe, ongoing operation and maintenance of the Airport as set out in the Trust Indenture. The Renewal and Replacement Reserve Fund of $3.1 million (December 31, 2012 – $3.1 million) is to be used for unanticipated repairs to, or the replacement of, property and equipment as set out in the Trust Indenture.

In conjunction with the Airport Improvement Fee agreements with participating airlines, the GTAA has established an Airport Improvement Fee Reserve Fund for the deposit of fees collected and not yet utilized. As at June 30, 2013, this fund had an accumulated balance of $201.6 million (December 31, 2012 – $200.6 million). During the six-month period ended June 30, 2013, $144.0 million (December 31, 2012 – $304.7 million) of accumulated Airport Improvement Fee Reserve funds were utilized for certain debt service payments and capital projects.

Capital and Financing Funds include Notional Principal and Debt Service Coverage Funds, which are amounts that have been collected through airline rates and charges. The Notional Principal Fund may be used to reduce future debt obligations, when principal is due for any series of bond or medium term note. For non-amortizing debt, principal is deemed to be included in annual debt service, based on a 30-year amortization, commencing on the same date as interest is expensed. As at June 30, 2013, the balance in the Notional Principal Fund was $73.0 million (December 31, 2012 – $nil). The Debt Service Coverage Fund is established to meet the coverage requirements set out in the Trust Indenture, and as at June 30, 2013, had a balance of $136.4 million (December 31, 2012 – $135.7 million).

5. Intangibles and Other Assets

	June 30, 2013		
	Cost	**Accumulated Amortization**	**Net Book Value**
	$	**$**	**$**
Deferred leasehold inducements	**6,107**	**(4,653)**	**1,454**
Land acquisition costs	**50,763**	**(4,400)**	**46,363**
Computer software	**13,191**	**(7,002)**	**6,189**
	70,061	**(16,055)**	**54,006**
Fair value of the OPA derivative (Note 11)			**41,402**
			95,408
Less: current portion of fair value of OPA derivative			**(3,951)**
			91,457

	December 31, 2012		
	Cost	Accumulated Amortization	Net Book Value
	$	$	$
Deferred leasehold inducements	6,107	(4,450)	1,657
Land acquisition costs	49,075	(3,930)	45,145
Computer software	11,922	(9,723)	2,199
	67,104	(18,103)	49,001
Fair value of the OPA derivative (Note 11)			45,753
			94,754
Less: current portion of fair value of OPA derivative			(4,417)
			90,337

The aggregate amortization expense with respect of deferred leasehold inducements for the six-month period ended June 30, 2013, was $0.2 million (June 30, 2012 – $0.3 million) and is netted against concessions revenue on the statement of operations and comprehensive income (loss).

The aggregate amortization expense with respect to land acquisition costs for the six-month period ended June 30, 2013 was $0.5 million (June 30, 2012 – $0.4 million) and is included in ground rent expense on the statement of operations and comprehensive income (loss).

During the year, computer software with a net book value of $nil and a cost of $3.5 million was retired.

5. Intangibles and Other Assets (continued)

On February 1, 2006, the GTAA entered into the Clean Energy Supply contract ("CES Contract") with 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 20 years, subject to early termination rights available to the GTAA. The 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. The fair value of the derivative as at June 30, 2013, was $41.4 million (December 31, 2012 – $45.8 million) (see Note 11, Financial Instruments). The GTAA realized a decrease in the fair value of the derivative during the six-month period ended June 30, 2013 of $1.2 million (December 31, 2012 – an increase of $4.6 million), which was recorded in goods and services expense, and has received and accrued cash proceeds of approximately $3.2 million (December 31, 2012 – $5.9 million), which reduced its carrying value. The current portion of the OPA derivative is included in prepaids and other assets on the statement of financial position.

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 June 30, 2013, was $27.7 million (December 31, 2012 – $28.8 million).

6. Property and Equipment

Property and equipment consists of:

June 30, 2013

	Terminal and Airside assets	Baggage handling systems	Improvements to leased land	Runways and taxiways	Airport operating assets	Assets under construction	Total
	$	$	$	$	$	$	$
Cost							
Balance, January 1, 2013	6,053,619	289,418	9,480	418,883	565,024	110,116	7,446,540
Additions	42	-	-	-	-	36,590	36,632
Disposals	(8,100)	-	-	-	(1,964)	(483)	(10,547)
Transfers	11,931	4,319	-	5,720	19,072	(41,042)	-
Balance, June 30, 2013	6,057,492	293,737	9,480	424,603	582,132	105,181	7,472,625
Accumulated amortization							
Balance, January 1, 2013	1,588,491	122,641	2,522	112,074	295,072	-	2,120,800
Amortization expense	79,009	6,290	79	7,084	15,126	-	107,588
Disposals	(8,062)	-	-	-	(1,812)	-	(9,874)
Transfers	-	-	-	-	-	-	-
Balance, June 30, 2013	1,659,438	128,931	2,601	119,158	308,386	-	2,218,514
Net book value, June 30, 2013	4,398,054	164,806	6,879	305,445	273,746	105,181	5,254,111

December 31, 2012

	Terminal and Airside assets	Baggage handling systems	Improvements to leased land	Runways and taxiways	Airport operating assets	Assets under construction	Total
	$	$	$	$	$	$	$
Cost							
Balance, January 1, 2012	6,022,568	287,533	9,480	413,300	555,416	72,311	7,360,608
Additions	87	-	-	-	-	109,672	109,759
Disposals	(3,787)	-	-	(42)	(12,066)	(7,932)	(23,827)
Transfers	34,751	1,885	-	5,625	21,674	(63,935)	-
Balance, December 31, 2012	6,053,619	289,418	9,480	418,883	565,024	110,116	7,446,540
Accumulated amortization							
Balance, January 1, 2012	1,433,167	110,194	2,364	98,527	275,142	-	1,919,394
Amortization expense	159,303	12,447	158	13,514	29,947	-	215,369
Disposals	(3,522)	-	-	(32)	(10,409)	-	(13,963)
Transfers	(457)	-	-	65	392	-	-
Balance, December 31, 2012	1,588,491	122,641	2,522	112,074	295,072	-	2,120,800
Net book value, December 31, 2012	4,465,128	166,777	6,958	306,809	269,952	110,116	5,325,740

As at June 30, 2013, $105.2 million (December 31, 2012 – $110.1 million) of property and equipment was under construction and not yet subject to amortization. Included in this amount is $4.3 million (December 31, 2012 – $4.5 million) of capitalized interest. During the six-month period ended June 30, 2013, borrowing costs were capitalized at the rate of 5.8 per cent which represents the weighted average rate of the GTAA's general borrowings (January 1 to June 30, 2012 – 6.0 per cent).

7. Credit Facility and Long-Term Debt

Long-term debt, including accrued interest, net of unamortized discounts and premiums, consists of:

Series	Coupon Rate	Maturity Date	Principal Amount	June 30 2013	December 31 2012
Revenue Bonds			$	**$**	$
1997-3	6.45%	December 3, 2027	375,000	**372,230**	372,196
1999-1	6.45%	July 30, 2029	407,438	**415,481**	415,402
Medium Term Notes					
2000-1	7.05%	June 12, 2030	550,000	**550,126**	550,203
2001-1	7.10%	June 4, 2031	500,000	**498,151**	498,181
2002-3	6.98%	October 15, 2032	550,000	**558,099**	558,209
2004-1	6.47%	February 2, 2034	600,000	**609,826**	609,856
2005-1	5.00%	June 1, 2015	350,000	**350,051**	349,856
2005-3	4.70%	February 15, 2016	350,000	**355,016**	354,952
2007-1	4.85%	June 1, 2017	450,000	**449,798**	449,739
2008-1	5.26%	April 17, 2018	500,000	**503,898**	503,843
2009-1	5.96%	November 20, 2019	600,000	**622,554**	623,881
2010-1	5.63%	June 7, 2040	400,000	**398,520**	398,555
2011-1	5.30%	February 25, 2041	600,000	**607,041**	607,095
2011-2	4.53%	December 2, 2041	400,000	**398,233**	398,252
2012-1	3.04%	September 21, 2022	400,000	**401,098**	400,903
				7,090,122	7,091,123
Province of Ontario, interest-free loan, payable in five equal annual instalments that commenced November 2011			14,400	**13,866**	13,600
				7,103,988	7,104,723
Less: current portion (including accrued interest)				**(95,135)**	(96,734)
				7,008,853	7,007,989

As at June 30, interest and financing costs, net, consisted of the following:

	Three Months Ended June 30		Six Months Ended June 30	
	2013	2012	**2013**	2012
	$	$	**$**	$
Interest income	**3,247**	3,062	**6,287**	6,262
Interest expense on debt instruments	**(100,209)**	(104,818)	**(201,281)**	(212,891)
Capitalized interest	**1,184**	960	**2,286**	1,721
Other financing fees	**(886)**	(883)	**(1,759)**	(2,074)
	(99,911)	(104,741)	**(200,754)**	(213,244)
Interest and financing costs, net	**(96,664)**	(101,679)	**(194,467)**	(206,982)

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

With the exception of Series 1999-1 revenue bonds, principal on each series of revenue bond and medium term note is payable on the maturity date. Series 1999-1 are amortizing revenue bonds repayable in scheduled annual instalments of principal, payable on July 30 of each year. These payments commenced July 30, 2004, and continue until maturity in 2029.

Set out below is a comparison of the amounts that would be reported if long-term debt amounts were reported at fair values. Fair values were based on quoted market rates for GTAA bonds as at:

	June 30, 2013		December 31, 2012	
	Book Value	**Fair Value**	Book Value	Fair Value
	$	**$**	$	$
Long-term debt	**7,090,122**	**8,338,781**	7,091,123	8,770,096

All notes are redeemable in whole or in part at the option of the GTAA at any time at a redemption price which is the greater of i) the face value amount plus accrued and unpaid interest and ii) the 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 $550.0 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 $500.0 million facility for general corporate purposes and capital expenditures and a $50.0 million facility for interest rate and foreign exchange hedging activities. The facility matures on November 22, 2015, and can be extended annually for an additional year with the lenders' consent.

As at June 30, 2013, $2.4 million was utilized on the $500.0 million facility by way of two letters of credit (December 31, 2012 - $2.4 million) (see Note 10, Commitments and Contingent Liabilities). No amounts were drawn against the $50.0 million facility during the quarter (December 31, 2012 – $nil). Indebtedness under the credit facility bears interest at rates that vary with the lenders' prime rate, bankers' acceptance rates and LIBOR, as appropriate. If funds were drawn on the facility during the quarter, interest rates would have ranged from 1.84 per cent to 3.00 per cent (April 1 to June 30, 2012 – 1.88 per cent to 3.00 per cent).

8. Provisions

	Restructuring	Litigation	Other	Total
	$	$	$	$
Balance, January 1, 2013	**-**	**202**	**7,511**	**7,713**
Additional provision recognized	**-**	**10**	**931**	**941**
Reductions arising from payments	**-**	**(50)**	**(67)**	**(117)**
Balance, June 30, 2013	**-**	**162**	**8,375**	**8,537**
Balance, January 1, 2012	415	257	2,455	3,127
Additional provision recognized	-	78	5,326	5,404
Reductions arising from payments	(415)	(133)	(270)	(818)
Balance, December 31, 2012	-	202	7,511	7,713

Litigation

This amount represents provisions for certain legal claims brought against the GTAA. Provisions that relate to capital programs are included in property and equipment on the statement of financial position. Those that relate to operations are included on the statement of operations and comprehensive income (loss). It is the opinion of management, after receiving appropriate legal advice, that as of the date of these financial statements, the outcome of these legal claims will not give rise to any material loss beyond the amounts provided at June 30, 2013.

Other

This amount represents provisions for other operating activities undertaken as part of the normal course of business and is included on the statement of operations and comprehensive income (loss). It is the opinion of management that as of the date of these financial statements, the outcome of these operating activities will not give rise to any material loss beyond the amounts provided at June 30, 2013.

9. Related Party Transactions and Balances

Related Parties

The GTAA is governed by a 15-member Board of Directors, of which five Directors are municipal candidates. Each of the regional municipalities of York, Halton, Peel and Durham and the City of Toronto is entitled to provide the names of three candidates, and the Board appoints one of the three candidates for each of the five available positions as a municipally nominated Director. In addition, the Government of Canada and the Province of Ontario are entitled to appoint two Directors and one Director, respectively.

9. Related Party Transactions and Balances (continued)

As a result of these Government's ability to appoint Directors to the GTAA's Board of Directors, these Governments and their respective Government-related entities are considered related parties for accounting purposes.

The GTAA has applied the exemption for government-related entities to only disclose significant transactions.

The post-employment benefit plan is also considered a related party. Transactions with the pension plan include contributions paid to the plan.

The GTAA entered into the following transactions with related parties during the six-month period ended June 30, as included in the statement of operations and comprehensive income (loss):

	2013	2012
	$	$
Ground rent	**61,791**	63,477
Payments-in-lieu of real property taxes	**14,477**	13,605
Post-employment benefit plans expense	**2,640**	2,734

Amounts due from (to) and balances with respect to related parties as included in the statement of financial position were as follows:

	June 30, 2013	December 31, 2012
	$	$
Ontario Power Authority	**41,402**	45,753
Post-employment benefit plans	**20,858**	17,695
Ground rent and deferred ground rent	**(6,184)**	(8,762)
Commodity sales tax	**(6,839)**	(6,229)
Province of Ontario, Interest-free loan	**(14,400)**	(14,400)

Transactions with related parties are measured at the exchange amounts, which is the consideration agreed to by the parties.

10. Commitments and Contingent Liabilities

Capital Commitments

In connection with the operation and development of the Airport, the GTAA had capital commitments outstanding at June 30, 2013, of approximately $159.6 million (December 31, 2012 – $173.6 million).

10. Commitments and Contingent Liabilities (continued)

Letters of Credit

Two letters of credit for $2.4 million in total were outstanding as at June 30, 2013 (see Note 7, Credit Facility and Long-term Debt), relating to the GTAA's CES Contract with the OPA and the Fire and Emergency Services Training Institute. The letters of credit expire on April 11, 2014, and December 31, 2013, respectively.

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.

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 $30.0 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. The second parcel representing 14.8 hectares of land was conveyed on August 9, 2010. The third parcel representing 12.7 hectares of land was conveyed on March 27, 2013. These purchases have been included in other assets on the statement of financial position (see Note 5, Intangibles and Other Assets). The remaining land will be conveyed by Boeing within the terms stipulated in the signed agreement. All lands purchased under this agreement by the GTAA were transferred to the federal government as required under the terms of the Ground Lease and added to the lands leased to the GTAA under the Ground Lease.

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 the years 2011 to 2013. As part of the original Order-in-Council of September 2001, the GTAA was required to purchase a $50.0 million primary layer of war and terrorist coverage from the commercial markets. This coverage is in place until June 15, 2014.

Cogeneration Plant

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 Plant. Under these contracts, the GTAA will be required to make payments relating to both the delivery

10. Commitments and Contingent Liabilities (continued)

of natural gas based on standard rate agreements and the cost of natural gas as determined by market rates. The GTAA has also entered into a delivery contract that establishes a maximum volume of natural gas inventory that the GTAA is permitted to maintain, as of November 30 of each year. 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 while it actively pursues its position (see Note 8, Provisions). Where it is the opinion of management that the ultimate outcome of these matters will not result in a probable outflow of cash, no provisions have been recorded.

Air France

As a result of the Air France incident on August 2, 2005, the GTAA together with a number of other parties were named as defendants in several lawsuits, including a class action lawsuit involving most passengers and their family members. In 2010, the class action lawsuit against the GTAA was settled. The settlement did not involve any admission of liability by the GTAA. The GTAA's insurers are responsible for paying the GTAA's share of the settlement amount to the class action plaintiffs. In 2012, two lawsuits were settled by Air France without any payment by the GTAA or the GTAA's insurers. The GTAA's insurers continue to defend the GTAA in the two remaining lawsuits. It is the opinion of management that the GTAA's financial exposure is limited to its insurance deductible.

Payments-in-Lieu of Development Charges

The GTAA is not required to pay development charges to the City of Mississauga, the Regional Municipality of Peel ("Peel Region") or the City of Toronto with respect to development at the Airport, but rather pays a payments-in-lieu of development charges ("PILDC") in accordance with the *Payments in Lieu of Taxes Act (Canada)*. The amount of PILDC is calculated by Public Works and Government Services Canada ("PWGSC").

With respect to development undertaken by the GTAA at the Airport between 1996 and 2004, PWGSC paid PILDC in the amount of $0.8 million to the City of Mississauga and $4.1 million to Peel Region. As required by the Ground Lease, the GTAA reimbursed Transport Canada for such amounts. The City of Mississauga filed an application to

10. Commitments and Contingent Liabilities (continued)

increase the amount of the PILDC. The current claim by the City of Mississauga is $4.6 million. This matter is in its early stages, and no amounts have been accrued as at June 30, 2013 with respect to this claim as the obligation relating to this application is not probable at this time.

With respect to any further applications to PWGSC for PILDC with respect to Airport developments occurring after 2004, if these applications are successful, the GTAA would be required to pay to Transport Canada the amount of PILDC paid to the municipality by PWGSC.

11. Financial Instruments

Fair Value Hierarchy

Fair value measurements recognized in the statement of financial position must be categorized in accordance with the following levels:

a) Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;

b) Level 2 – Observable inputs other than quoted prices included in Level 1 such as quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets and liabilities in markets that are not active or other inputs that are observable or can be corroborated by observable market data; or

c) Level 3 – Significant unobservable inputs which are supported by little or no market activity.

Financial instruments that are not measured at fair value on the statement of financial position are represented by cash equivalents, accounts receivable, accounts payable and accrued liabilities, provisions, security deposits, deferred ground rent and long-term debt. The fair values of these items, excluding long-term debt, approximate their carrying values due to their short-term nature. The fair value of long-term debt is disclosed in Note 7, Credit Facility and Long-term Debt.

Restricted funds are categorized as Level 2 as the GTAA uses observable inputs such as yield curves applicable to identical assets to fair value this group.

The OPA derivative is categorized as Level 3 as no observable market exists for this financial asset. The discount rate used to fair value the future cash flows takes into consideration the nature of the financial asset and counterparty credit risk. The relevant yield curve incorporated into the computation is sourced from Bloomberg and at June 30, 2013, the interpolated discount rate used to fair value this financial asset was 3.33 per cent.

11. Financial Instruments (continued)

The significant unobservable inputs used in the fair value measurement of the OPA derivative as at June 30, 2013 are as follows:

	On-peak	Off-peak
	$	$
Average prices		
Natural gas (per British Thermal Unit - BTU)	6.38	4.47
Electricity (per Megawatt - MW)	67.85	44.83

The impact of a 1 per cent increase/decrease in the average price of natural gas holding the price of electricity constant would result in a $0.8 million increase/decrease in the fair value of the OPA derivative as at June 30, 2013. The impact of a 1 per cent increase/decrease in the average price of electricity holding natural gas prices constant would result in a $1.2 million decrease/increase in the fair value of the OPA derivative as at June 30, 2013.

The validation process for this asset includes the period-to-period trend review of changes in output. Processes and results are reviewed and approved by management and results are discussed with the Audit Committee of the Board of Directors as part of its quarterly review of the GTAA's financial statements.

The following table presents the changes in the OPA derivative (Level 3) that is measured at fair value on a recurring basis:

	June 30 2013	December 31 2012
	$	$
Balance, beginning of year	**45,753**	47,077
Fair value adjustments included in the statement of operations and comprehensive income (loss)	**(1,182)**	4,594
Redemptions and cash received or receivable	**(3,169)**	(5,918)
Balance, end of period	**41,402**	45,753

There were no transfers of financial instruments between the levels during the quarter.

12. Capital Risk Management

The GTAA defines its capital as long-term debt, including its current portion, borrowings, if any, under the GTAA's credit facility (see Note 7, Credit Facility and Long-Term Debt), cash and cash equivalents, short-term investments and restricted funds.

The GTAA's objectives when managing capital are to:

a) Maintain a capital structure and an appropriate rating that provides financing options to the GTAA when a financing or a refinancing need arises to ensure access to capital,

12. Capital Risk Management (continued)

on commercially reasonable terms, without exceeding its debt capacity or resulting in a downgrade to the credit ratings of the existing indebtedness;

b) Maintain financial flexibility in order to preserve its ability to meet financial obligations, including debt servicing payments; and

c) Satisfy covenants set out in the Trust Indenture.

The GTAA is a non-share corporation and, accordingly, is funded through operating revenues, AIF revenue, restricted funds, debt capital markets and its syndicated bank credit facility. Aeronautical charges are set each year to cover the projected operating costs, including debt service, restricted fund requirements and certain capital expenditures related to the maintenance and restoration of airport facilities. Deducted from those costs are non-aeronautical revenues and AIF revenue.

As at June 30, 2013, the GTAA's deficit and accumulated other comprehensive loss amounted to $711.0 million (December 31, 2012– $702.3 million).

Capital Markets Platform

As a corporation without share capital, the GTAA's ongoing capital requirements are financed through the issuances of debt. The GTAA developed a financing program 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, as supplemented or amended 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, restricted 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, if any, 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 4, Restricted Funds). The covenants that the GTAA must meet include two specific coverage tests for operating expenses and debt payments. The operating covenant states that the total revenue must at least cover all operating expenses, including interest and financing costs and excluding amortization. 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 June 30, 2013, the GTAA was in compliance with the above covenants and was not in default under the Trust Indenture as defined therein.

13. Comparative Figures

To align fee based aeronautical rates, certain comparative revenue figures have been reclassified to conform with the current period's presentation.

For the three-month and six-month periods ended June 30, 2012, $18.5 million and $36.9 million, respectively, was reclassified from general terminal charges to landing fees and $4.9 million and $10.0 million, respectively, was reclassified from general terminal charges to rentals on the statement of operations and comprehensive income (loss).