YOW

2022 Annual REPORT

Ottawa International Airport Authority
Administration de l'aéroport international Ottawa


International Airport Authority
Ottawa
Administration de l'aéroport international
YOW.CA

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Code Cubitt
Chair, Board of Directors

Letter from the Chair

After nearly three years of pandemic-imposed virtual meetings, I was delighted to be able to return to gatherings around the boardroom table, in 2022, with the rest of the Authority's Board of Directors along with the Senior Management team. Of course, we continued to address vital matters, through meaningful discourse, while working apart during the pandemic. I firmly believe, however, that face-to-face discussions and the nuances of casual conversation add to the Board's collective appreciation of issues and projects and allow us to dive into our work more deeply than is possible over a video call.

With that in mind, I was particularly delighted that we resumed our annual strategic planning retreat last year as well, during which we advanced several timely and important matters that are changing how we approach our business. Several topics rose to the top, and will form a part of the Authority's strategic and action plans for the 2023–2027 timeline.

The first is Environmental, Social and Governance (ESG) reporting. In and of themselves, the ESG topics are not new to the Authority. While we haven't publicly reported on our activities through an ESG lens, we have been internally focused on many areas identified during the ESG materiality assessment exercise, which we completed early in 2023, for some time.

In fact, our environmental stewardship and sustainability efforts go back to the planning days of the terminal construction project in the late 1990s. Recycling, waste diversion, and energy savings were priorities that drove demolition and construction. These activities have continued over the years and are reflected in our achievements in Airports Council International's Airport Carbon Accreditation program. After several years of climbing through the program's levels, we are pleased to report that the airport received level 3+ accreditation for carbon neutrality in 2022.

ESG discussions also included YOW's path to net zero. The Board is confident that with the Authority's commitment to the federal government's Net-Zero Challenge and through community partnerships, like the one we have with Hydro Ottawa, YOW will develop a solid plan to achieve our ambitious and necessary goals. Mark will discuss our environmental goals further in the CEO's note.

The Authority has also demonstrated its commitment to social responsibility by continually upgrading our facilities to provide a barrier-free experience for all passengers and visitors, supporting charitable projects and causes, and striving for a safe, inclusive, and healthy workplace for all employees. From now on, we will report on these and other related themes in our ESG and annual reports.

The second strategic topic we are engaged deeply on is organizational culture. The Board appreciates that the pandemic affected every aspect of the business — and especially our team. Some employees worked remotely, while others were required to report on-site. This reality, coupled with changes to the working environment to ensure physical distancing and other public health measures, further affected the team. We felt it essential to focus on culture in the workplace as part of our rebuilding process. We agreed that our approach would be to take on one related theme each year; the topic of safety is first on the list, and will be tracked this year as part of our culture dashboard.

As the team introduces more culture-related initiatives, I look forward to following the progress.

The third topic we discussed and have pursued vigorously is purpose. The Authority's mission, vision and values have been entrenched and served us well for many years. But, we wanted something more inspirational that reflects our ideals as an organization, could empower our employees and would resonate externally as well. Ultimately, our purpose statement represents the guiding principal of our employee culture.

A working group comprised of board directors and senior management collaborated with an experienced consultant to canvas partners and stakeholders for their perspectives about our core business and role in the community. Finally, we surveyed our employees and invited them to participate in focus groups to contribute to the process.

The input we received from all sources was invaluable and provided the material that we shaped into our newly adopted purpose statement:

"Building on teamwork and sustainability, YOW safely connects people, moves goods, and creates economic prosperity for our community."

It's simple, hits the right notes, includes the keywords that repeatedly emerged during our consultations, and articulates our role in the community. The next steps included introducing the purpose statement to the team and our stakeholders, and weaving it into our entire organization and the fabric of our culture. I sincerely thank everyone who contributed to this meaningful and inspiring effort.

I look forward to following and reporting on these initiatives next year.

I'm proud of the Board's involvement in these and many other projects. Their commitment and valued contributions make it hard to say goodbye to two Directors whose terms end in 2022. Scott Eaton and Jan Traversy joined the Board in 2013 as at-large members and served their maximum terms. Each chaired the Audit Committee during their tenure and served on the Major Infrastructure and Environment Committee. Scott also worked on an ad-hoc committee examining airport models when the federal government contemplated changes to how airports are governed. I appreciated the ideas and expertise they brought to the boardroom table and their dedication to the success of the Authority — they will be missed.

Their departure and one existing vacancy allowed us to welcome three new Directors as at-large members: Bruce Lazenby, Marc Joyal and Deanna Monaghan. Each brings tremendous skill, work and lived experience to the Board and each are already contributing to their committee work in a meaningful way. I look forward to working more closely with all three.

As you know, the aviation industry has been under tremendous stress over the past three years, due to staffing and other challenges brought on by the pandemic. Airports, by extension, bore some of the brunt of that stress. While perhaps less

Representatives from Canadian North greet job seekers at the Airport Authority's job fair in August.

severely affected, YOW has endured its share of difficulties. In typical fashion, the team has risen to the challenge, mitigated the impact, and done its best to help our partners and tenants navigate the challenges. Whether helping airlines manage baggage issues or hosting a job fair to help with hiring, we're proud of their efforts. On behalf of the Board, I offer a heartfelt thanks to every employee for going above and beyond to ensure the airport continues to be safe and secure for all passengers, visitors and employees.

The future is bright as we look forward to many of 2022's successes bearing more fruit in 2023. As one example, Porter's hangars are rising and will become the home for maintenance operations for the airline's new Embraer E195-E2 jets. As a hub in their evolving network, we have the potential to add new nonstop routes from YOW, which the community will no doubt embrace.

Another example is the recent news that we will be welcoming back nonstop transatlantic service to YOW. Air France has added service to Paris-Charles de Gaulle Airport starting in June, which has been met with great excitement and anticipation from Ottawa-Gatineau. We trust the community will throw its support behind this flight by adding Paris and the many destinations beyond to travel plans this year.

To Mark and his team, I extend thanks and congratulations for their efforts to make projects like Porter's and others a reality. Thank you to our community and our many stakeholders and partners for the support you demonstrate each time you buy an airline ticket that includes YOW. We will keep doing our utmost to provide you with the best possible travel experience at the Ottawa International Airport.

Thank you.

Code Cubitt
Chair, Board of Directors

Mark Laroche
President and CEO

Message from the President and Chief Executive Officer

Recovery was the theme again in 2022. From passenger volumes to revenues, capital projects to talent retention and recruitment, YOW continued on its path to financial sustainability while setting the stage for growth in 2023 to reach its pre-pandemic state as quickly as possible.

We went into the year with conservative projections and hope for clear skies, absent of further COVID turbulence. Unfortunately, variants affected what was to be a healthy holiday travel season - plus severe winter weather tested many travel plans at the end of 2022. We finished the year with 2,992,334 passengers, which was 155% higher than our forecast of 2,300,000. We made good progress in achieving 60% of YOW's pre-pandemic volume of approximately 5 million passengers considering that the remaining travel restrictions were only lifted in October.

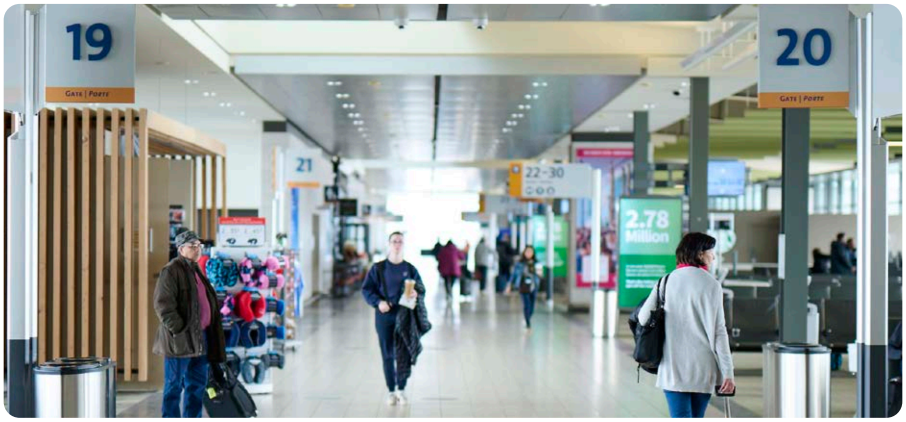
The three-million passenger figure breaks down to 2,708,990 domestic, 190,335 transborder, and 93,000 international passengers. As the nation's capital, Canadian traffic remains our strength; the U.S. has improved considerably, and only now is international starting to come back.

These increases are thanks to a revived appetite for travel and YOW's expanding route map. We are not quite at our pre-pandemic list of nonstop destinations; however, our winter charter offering was robust, and our service to the U.S. is rebuilding. Geographical factors remain our Achilles heel as we sit between two of Canada's major hub airports – Montreal-Trudeau and Toronto-Pearson. Our team continues to present data to airline network planners to show how important routes like YOW-transatlantic can fit within their schedules. Our major Canadian airline partners experienced significant challenges due the pandemic, however, and they have been rebuilding their hubs. This rebuilding is resulting in more connecting passengers through their hub airports instead of fully restoring nonstop service from YOW to what it was in 2019. We will continue our efforts, but where they deploy their planes is ultimately the airline's decision.

I'll share more towards the end of this letter, but our efforts did bear fruit outside of Canada with the recent Air France announcement concerning new, nonstop service to Paris-Charles de Gaulle Airport. Air France has never served YOW, so this is truly great news!

You will also read more about Porter Airlines and its expansion at YOW. Let me briefly mention that they have begun taking delivery of their new fleet of Embraer E195-E2 jets. These will join their newly refurbished fleet of de Havilland Dash 8 turboprops that have been their hallmark since 2006, when they first launched. Porter has announced several new routes on both aircraft types, and we were pleased to be the inaugural route as they launched service from Toronto-Pearson.

YOW's domestic network is recovering from the pandemic, transborder service is growing and we had a strong sunshine destination offering through the 2022–2023 winter.



In addition to passengers, the movement of goods by air is another key measurement of ours. Canadian North is involved in both. The airline is headquartered in Ottawa and serves Canada's Eastern Arctic from YOW with daily flights to Iqaluit. This operation contributes to the over 30,000 metric tonnes of cargo that flows through the airport annually.

The encouraging passenger volumes positively impacted our financial results for 2022. Revenues in 2022 were $111.8M, which was 97% higher than in 2021. All revenue areas, except land and space rentals, were significantly impacted by the increase in passenger volumes. We finished the year generating earnings before depreciation of $25.7M compared to a loss of $5.4M in 2021. After depreciation, a net loss of $4.8M was registered compared to a loss of $36.7M in 2021. We continued to leverage a strong balance sheet and credit facility capacity during the year and continued to meet all regulatory, operational and debt service obligations.

Part of the airport's mandate is to develop airport lands in support of aviation in the interest of economic development. Government support for development initiatives has never been more critical than in this post-pandemic recovery period. The City of Ottawa recognized this need when I explained the airport's financial situation in late 2021 during an economic development round table discussion. City staff took action and created the YOW Community Investment Program (CIP), which was approved by Council last July.

The proposed YOW CIP is self-funded with incentives in the form of a Tax Increment Equivalent Grant based on the incremental municipal property tax increase resulting from the increase in property assessment attributable to an eligible project.

The City's new Official Plan acknowledges the airport's significance as a vital economic generator and contributor to future economic growth and prosperity. They confirmed it by designating the airport a Special Economic District.

Non-aeronautical revenues play a vital role in our finances. These include in-terminal advertising, retail, food and beverage, car rentals, parking, land development and other sources.

In 2019, our YOW+ terminal enhancement program comprised four pillars, including moving the Canadian Airport Transport Security Authority (CATSA) 's domestic pre-board screening area; a concessions program overhaul; Light Rail Transit (LRT) Airport Terminal Station; and airport hotel. With CATSA's move completed in 2020, we continued to make good progress in the remaining three pillars.

On the commercial front, Retail Master Concessionaire, Paradies Lagardère, opened No Boundaries and the iStore on October 7, 2022, in the space we call our Centre Court, where the new access from security screening flows into the gate area. These two beautiful stores join the Locks and Maison de la Presse, which opened in 2021.

The Centre Court's Canal Market Hall construction started in late October, with expected completion in the summer of 2023. The Hall will be home to a Big Rig sit-down restaurant, a food court area, a Bridgehead Coffee bar and a customer seating area.

We have completed 95% of the work on the LRT Airport Terminal Station, with only the exterior cladding work remaining; supply chain issues delayed the delivery of some required materials. The City of

President and CEO Mark Laroche was joined by MP David McGuinty, Mayor Jim Watson, Porter Airlines' President and CEO, Michael Deluce and Executive Chairman Robert Deluce to announce the airline's maintenance hangar investment at YOW.

Ottawa and their contractors have begun installing their equipment and seating in the station concourse and project that the North-South corridor and $155M airport link will be ready for service later this year. We are looking forward to its completion and providing our passengers with another transportation option for travel to downtown and across the City.

We continue to work with Germain Hotels to move the Alt Hotel Ottawa Airport project forward. Hoteliers were hard-hit during the pandemic, and we are counting on the City's Airport CIP program to help the group's financial capacity to confirm the build. We remain optimistic that construction will begin in 2023 if the CIP is approved by the City in the Spring of 2023.

Throughout the fall and early winter, the Authority's Customer Transportation and Parking Service team was busy working through tender submissions for a new Parking Management contract to replace the last version, which expired on January 31, 2023. We announced incumbent Impark as the winner of the new three-year contract in late December.

We were also busy with infrastructure work airside, starting with rehabilitating taxiways A, M, AA, BB, and CC. We are grateful for federal government funding support of $3.9M of the $8M total project costs through the Airport Critical Infrastructure Program.

Federal support freed up capital funds for the construction of Taxiway Romeo in the north field, which we started and finished during the year. The $15M project represents the first airside expansion of runway/taxiway infrastructure in the Authority's history. It will accommodate federal government needs and open up other commercial aviation-related development opportunities.

We were excited to bring the airport community and stakeholders together in November to hear about the first

Air France is scheduled to commence nonstop service between YOW and Paris-Charles de Gaulle Airport (CDG) in June 2023.

In May, the derecho's 120 km/h winds damaged multiple buildings and infrastructure, and many trees on and around airport property.

such opportunity. Our friends from Porter Airlines announced their hangar development project, culminating years of working to attract more of the airline's operations to YOW. Once completed, the two hangars, which will measure more than 150,000 ft^2, will be the primary maintenance base for the new Embraer E195-E2 jets and a secondary base for its existing De Havilland Dash 8-400 aircraft. Phase one of the project will finish by Q1 2024, with phase two a few months later.

This news is great for our community for several reasons. From an economic development perspective, Porter will add 200 local team members to their roster. These include highly skilled aircraft maintenance engineers, technicians, stores clerks and administrative support. Additionally, 150 local construction jobs will support the project. In terms of air service, Porter has since announced new nonstop service on both aircraft types, and we look forward to future announcements as their route map grows with the introduction of each new jet to their fleet.

We were busy on the environmental front as well. The Authority proudly joined Environment and Climate Change Canada's Net-Zero Challenge as one of 12 founding members. The Challenge brings together organizations across the country and various sectors to develop comprehensive plans to decarbonize operations by 2050. YOW has committed to an even more ambitious goal of 2040 or earlier for its direct operations.

We partnered with Hydro Ottawa to explore opportunities to electrify our vehicles and heavy equipment and possibly generate solar power on our property. These lofty projects will require a substantial financial commitment. We will be looking to every level of government for financial support to mitigate the impact on the cost of flying for our travellers as we decarbonize YOW's operations.

Decarbonizing our operation will require the support of our campus partners as well. To that end, we have begun working with the airlines to electrify their ground handling equipment using state-of-the-art recharging stations as one example. We invite the entire airport community to join our quest for net zero.

Safety and security continue to be our priority. The airport's security posture includes support from several third parties. We were pleased to sign a new five-year contract for airport policing with long-time partners, the Ottawa Police Service (OPS). The second involves a third-party security service provider. The previous agreement, set to expire in early 2023, will be taken over by industry veteran Allied Universal Security, and their three-year contract begins in March 2023. We are working closely with the firms involved to ensure a seamless transition.

YOW's emergency response capabilities were tested multiple times in 2022; some spontaneous, some planned.

A derecho is not a familiar term for most. On May 21, however, Ottawa-Gatineau experienced a severe version with a fast-moving complex of thunderstorms with powerful straight-line winds that caused widespread destruction. While the storm was brief, with no significant impact on flights, almost every structure on the property sustained damage, and some are still under repair. The loss of trees was also severe. Despite the event happening on the Saturday of a long weekend, staff from across the organization reported in person where possible, or virtually where not, to assist in our response to the storm. I appreciated the care and concern for our passengers demonstrated by all who jumped in to help.

As for planned events, the Authority conducted its biannual regulatory security exercise on November 16. The scenario involved an airside security incursion, which required a response by the Airport Operations Coordination Centre, the OPS Airport Section, the Airport Canine Unit and several other emergency response assets. The exercise successfully demonstrated the organization's ability to respond to such an incident promptly and effectively but also taught us important lessons that form part of our continuous learning.

We are committed to identifying, preventing, and removing barriers to accessibility, and work with our airport partners to provide passengers the best curb-to-cabin passenger experience possible.

We tested the Authority's Business Continuity Plan (BCP) during a one-day tabletop exercise on September 28. Approximately 30 employees joined me in a scenario involving a devastating cyber event that affected several core information technology services. While the exercise achieved its objectives, there were several takeaways for follow-up, and we are planning a second exercise for 2023 to increase awareness of the BCP across the organization.

After a two-year pandemic hiatus, our Airport Fire Service crews eagerly returned to the Dallas-Fort Worth Fire Training Facility for mandatory live fire recertification training to hone their skills and arm themselves with the newest fire suppression techniques. Closer to home, the teams tested their response capabilities during frequent live drills in addition to their ongoing training regimen.

The derecho mentioned above also tested our information technology (IT) resilience. The IT team introduced a modernization program in 2022 that focused on safety, cyber resiliency, and the availability of all core business systems. Thanks to the team's commitment to its programs, I am pleased to say that we experienced no impacts to core systems during any storms this year. Well done!

None of the above would be possible without the best, most committed staff in the business and a hard-working Human Resources (HR) team that recruits them.

Recovery kept HR busier than usual, hiring for dozens of positions at every level and department across the organization. Additionally, the department had several projects layered on its day-to-day endeavours. These included designing and implementing a comprehensive new Human Resources Information System and successfully negotiating a new collective agreement with our largest employee union, the Public Service Alliance of Canada, after the prior contract expired last June.

HR also resumed an ambitious training program in keeping with the commitment to accessibility, diversity, equity and inclusion (ADE&I) in the workplace. The HR team rolled out the first phase of ADE&I training to all employees, including Duty to Accommodate training for all managers and Diversity and Inclusion training for all employees.

After two years of remote work for approximately 30% of our staff, we welcomed the whole team back on-site last March in concert with the roll-out of a trial Hybrid Work Policy. The Policy, which includes a minimum of three days on-site and a maximum of two days remote per week for positions suitable for hybrid work, is working well. We will continue to evaluate and adjust as necessary to ensure efficient, customer-focused operations coupled with safeguarding the health and safety of all staff in the workplace.

The inaugural Environment, Social and Governance (ESG) Report the Chair mentioned will include many themes I've covered but in more detail. Themes such as ADE&I, the environment and employee health and wellbeing. We plan to integrate the Annual and ESG reports in the future. In the meantime, we will report on them separately as we set our targets and key performance indicators for the ESG material topics.

As for 2023, it's going to be quite a year during which we build on the success of 2022, starting with more good news from Porter. On February 1, we welcomed the

The opening of the iStore and No Boundaries in October 2022 completed our current retail plans for the Centre Court.

first revenue flight of its first in-service Embraer E195-E2 from Toronto Pearson Airport. We are so excited about the possibilities this jet brings YOW, with its extended range and ability to fly nonstop to almost anywhere in North America and the Caribbean. We'll be watching closely for their route announcements.

The IT Modernization Program continues in 2023 with a continued focus on core business systems, cybersecurity and ensuring a positive user experience for all passengers, employees and stakeholders. This activity will be particularly important as our stakeholders continue shifting operations to digital platforms and building upon existing services requiring the Authority's support.

Airside, we are rebuilding Taxiway E and several sections of the apron under a $6M capital program.

Finally, we will move aggressively forward on our environmental projects and ESG commitments.

I believe we have made some bold moves over the past year in our aggressive pursuit of financial sustainability, which we could not have done without the support of the Board of Directors. They engage in lively discussion, trust our due diligence and hold us accountable for our commitments and decisions. I can't thank them enough for their trust and support. They represent our entire community and their selecting bodies well.

Our team is always ready to bring ideas to reality when we make bold moves. I had the pleasure of meeting with almost every staff member during a series of town hall meetings at the beginning of the year. They impress me daily, but I was particularly pleased with their thoughtful questions and obvious concern for the airport and the community we serve. They are the best, and I am grateful that HR continues to seek out talented candidates to ensure our teams are well-supported.

More than 1,000 airport guests and community members reached out with questions, suggestions and constructive feedback during the year. This input allows us to make changes that are important to our guests and address issues and other things that may not be working as well as they should. Ultimately, it makes us better and can improve the travel process for everyone. I encourage you to keep reaching out, and we will do our best to respond as best we can.

If recovery defined 2022, I believe partnership will best categorize 2023. Porter, Germain Hotels, Air France and SSP Canada, among others, are investing in YOW and adding to the economic prosperity of our region. Our tourism and economic development partners in Ottawa-Gatineau have continued to support our initiatives and lobby various levels of government on our behalf. And our longstanding partners across the campus continue to help shape YOW into the safe, secure, customer-focused facility it is.

As the Chair said, the future is bright at YOW. I hope you will follow our progress and continue to cheer us on as we reach beyond our pre-pandemic success and make the community proud.

I want to close with more details about Air France and a request. On February 2, Air France announced that it was adding YOW-Paris-Charles de Gaulle (CDG) service five times weekly beginning June 27. The community has been very vocal about having nonstop service to Europe restored. We were thrilled that Air France recognized the opportunity in Ottawa-Gatineau and answered the call. As a super-hub, CDG opens easy access to the rest of the world. We thank Ottawa Tourism, Tourisme Outaouais and Destination Canada for their support in securing this game-changing route.

The Porter Airlines hangars, designed and built with sustainability in mind, will be a primary maintenance base for their fleet of Embraer E195-E2 jets and secondary base for its Dash-8 fleet.

As I have said repeatedly, air service is a 'use-it-or-lose-it' proposition. So now it's up to the community to let Air France know their decision was the right one by supporting the route and helping us build on this success for the future. Let's do this Ottawa-Gatineau!

Thank you,

Mark Laroche
President and CEO

The construction of Taxiway Romeo in the north field will accommodate Porter Airlines' hangar development and provide opportunity for future commercial growth.

Strategic Initiatives / Five-year Projections

The Authority's priorities and plans are linked to the Strategic Plan, which is developed in collaboration with the Board of Directors. The following identifies the initiatives within each Strategic Direction across the 2021–2025 timeline, as well as actual results compared to the Business Plan for 2022:

1.

To grow strategically

» to grow non-aeronautical revenues; and

» to provide passengers and commercial airlines with world-class airport facilities.

2.

To increase the economic footprint of the airport within Canada's Capital Region

» to increase the economic impact of the airport by generating employment and economic activity on airport land; and

» to ensure efficient transportation access to the airport through continued advocacy with the City of Ottawa concerning a Light Rail Transit (LRT) airport link.

3.

To optimize operational performance, ensuring safe and secure operations

» to be recognized for strong financial management practices and strong financial performance among airports in Canada;

» to show continued leadership in airport safety and security; and

» to show continued leadership in sustainable airport management and environmental practice.

4.

To pursue excellence

» to continue to achieve consistently high customer satisfaction;

» to ensure excellence in employee engagement; and

» to demonstrate leadership in corporate governance.

5.

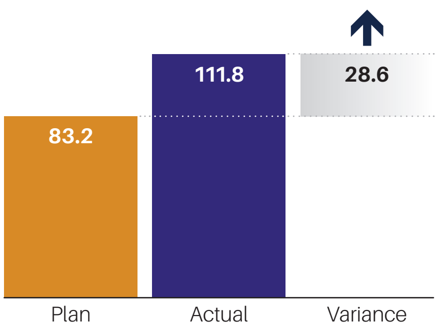
To provide additional flight frequencies and destinations

» to increase flight options through the implementation of an effective air service development strategy; and

» to support tourism, business and convention development in Ottawa by stimulating demand for air travel.

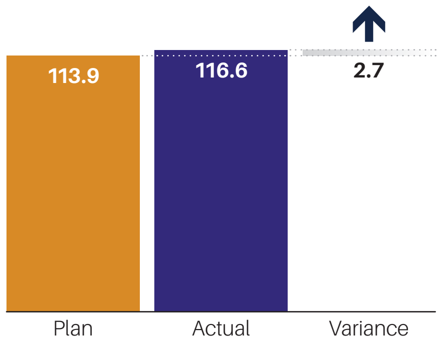
2022 Actual vs. Business Plan (in millions of canadian dollars—$)

Revenue



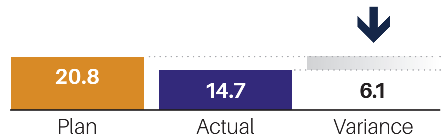
The Plan for 2022 included modelling for the expected severe impact of Omicron early in 2022. While passenger volumes were better than modelled in the Plan, the Authority finished 2022 with 2.9M passengers and which represents 59% of 2019 volumes.

Expenses



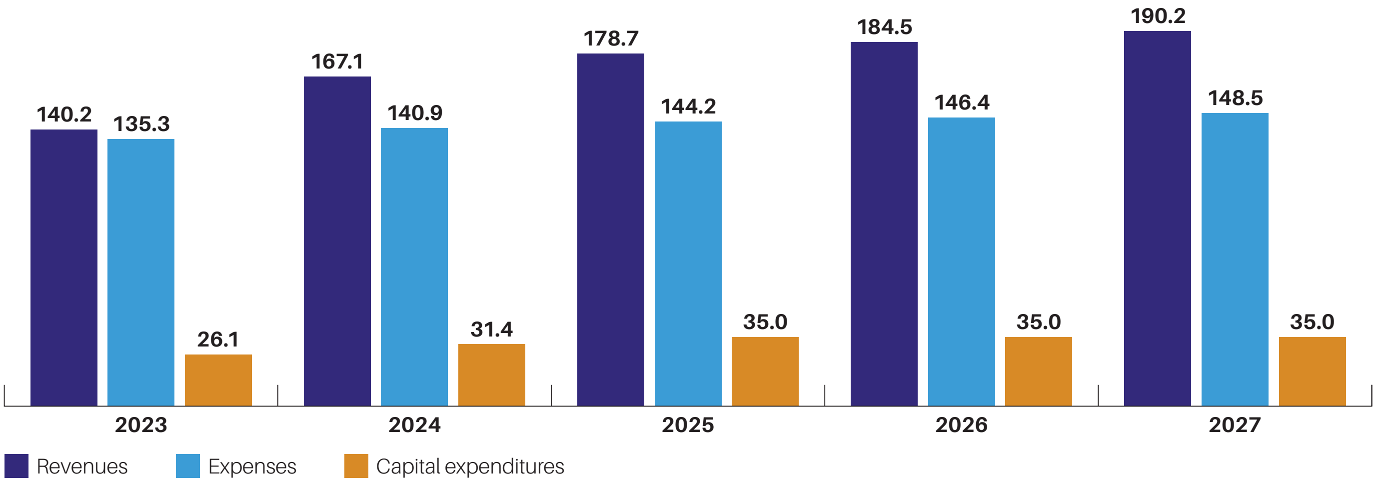
Operational expenses were consistent with the Plan but the Government of Canada ground rent was higher than expected due to the overacheivement on revenues.

Capital expenditures



The Authority experienced a combination of short delays and defered project spending into 2023, while also experiencing lower than expected capital expenditures on ther projects.

Financial Projections 2023-2027 (in millions of canadian dollars—$)



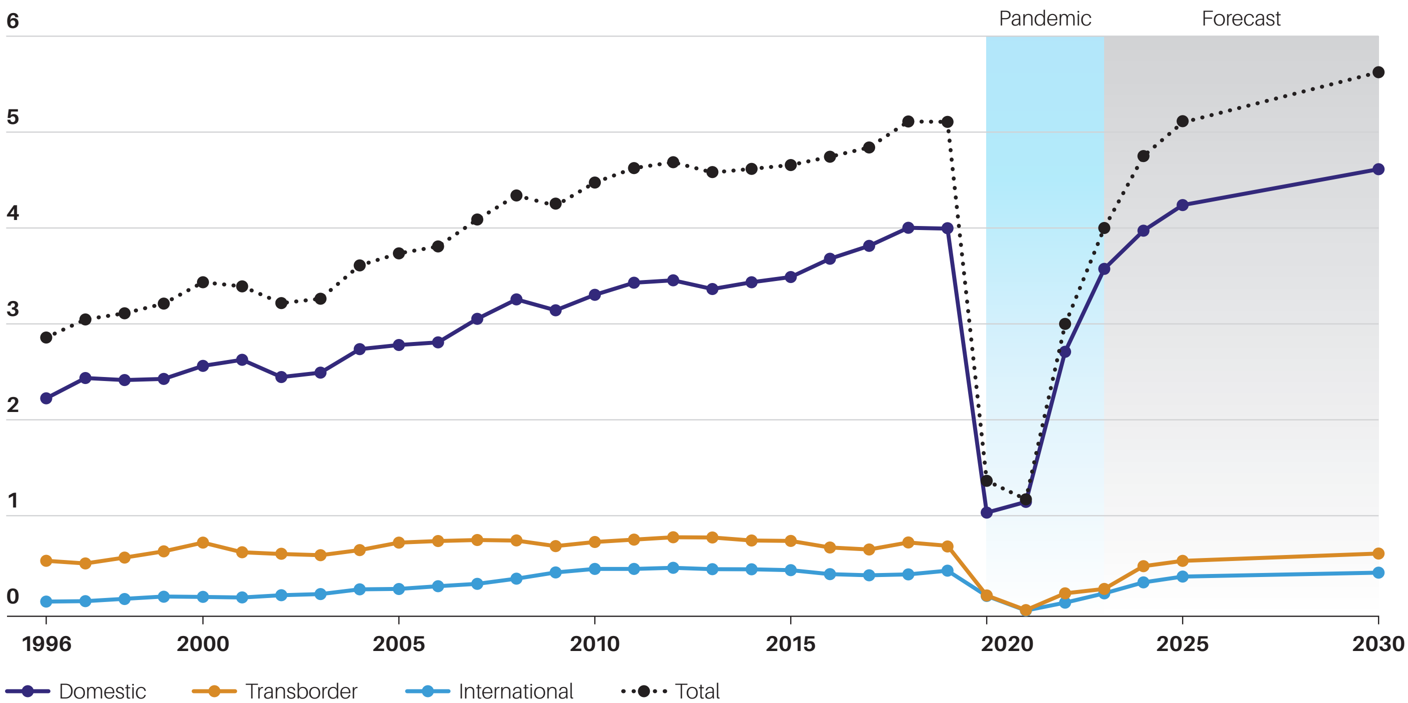
Summary of Amounts Spent in the Ottawa Region

(in millions of canadian dollars—$)

YEAR	2018	2019	2020	2021	2022	Total
Wage bill	24.4	24.9	23.7	21.8	23.9	118.7
Payments in lieu of municipal taxes	5.2	5.5	5.5	1.5	1.3	19.0
Operations costs	38.0	40.0	24.0	22.0	31.6	155.6
Capital costs	37.0	36.3	16.8	9.8	14.7	114.6
Total	*104.6*	*106.7*	*70.0*	*55.1*	*71.5*	*407.9*

Notes:
The wage bill includes benefits and excludes the Canada Emergency Wage Subsidy.
Payments in lieu of municipal taxes (PILT) — paid to the City of Ottawa.
Operations costs do not include rent, PILT, payroll, depreciation and interest expenses.

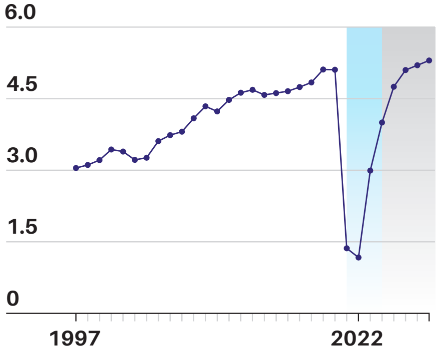
Passenger Growth by Sector (millions of people / data below)



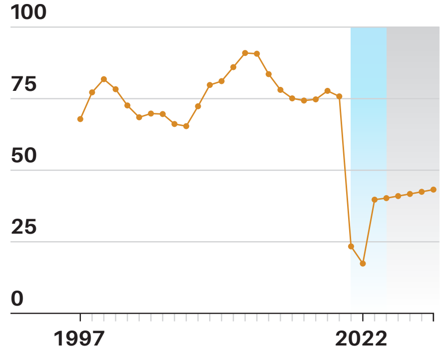
	Year	DOMESTIC	ANNUAL GROWTH %	TRANSBORDER	ANNUAL GROWTH %	INTERNATIONAL	ANNUAL GROWTH %	TOTAL	ANNUAL GROWTH %
ACTUAL	1996	**2,223,941**		**529,602**		**104,295**		**2,857,838**	
	1997	**2,435,534**	9.5	**502,072**	(5.2)	**108,762**	4.3	**3,046,368**	6.6
	1998	**2,414,355**	(0.9)	**563,085**	12.2	**133,108**	22.4	**3,110,548**	2.1
	1999	**2,426,288**	0.5	**628,203**	11.6	**157,116**	18.0	**3,211,607**	3.3
	2000	**2,562,282**	5.6	**719,200**	14.5	**152,863**	(2.7)	**3,434,345**	6.9
	2001	**2,625,630**	2.5	**618,694**	(14.0)	**146,971**	(3.9)	**3,391,295**	(1.3)
	2002	**2,445,770**	(6.9)	**600,365**	(3.0)	**170,751**	16.2	**3,216,886**	(5.1)
	2003	**2,491,691**	1.9	**588,088**	(2.0)	**182,566**	6.9	**3,262,345**	1.4
	2004	**2,736,779**	9.8	**641,157**	9.0	**231,949**	27.0	**3,609,885**	10.7
	2005	**2,779,895**	1.6	**719,150**	12.2	**236,388**	1.9	**3,735,433**	3.5
	2006	**2,807,377**	1.0	**735,753**	2.3	**264,626**	12.0	**3,807,756**	1.9
	2007	**3,052,813**	8.7	**746,435**	1.5	**289,280**	9.3	**4,088,528**	7.4
	2008	**3,255,540**	6.6	**740,369**	(0.8)	**343,315**	18.7	**4,339,224**	6.1
	2009	**3,141,812**	(3.5)	**682,822**	(7.8)	**408,196**	18.9	**4,232,830**	(2.5)
	2010	**3,303,170**	5.1	**725,781**	6.3	**444,943**	9.0	**4,473,894**	5.7
	2011	**3,429,310**	3.8	**750,486**	3.4	**444,830**	0.0	**4,624,626**	3.4
	2012	**3,454,387**	0.7	**775,040**	3.3	**456,529**	2.6	**4,685,956**	1.3
	2013	**3,363,685**	(2.6)	**772,678**	(0.3)	**442,228**	(3.1)	**4,578,591**	(2.3)
	2014	**3,434,209**	2.1	**741,285**	(4.1)	**440,954**	(0.3)	**4,616,448**	0.8
	2015	**3,488,629**	1.6	**735,755**	(0.7)	**431,976**	(2.0)	**4,656,360**	0.9
	2016	**3,679,232**	5.5	**673,434**	(8.5)	**390,425**	(9.6)	**4,743,091**	1.9
	2017	**3,813,672**	3.6	**647,574**	(3.8)	**378,431**	(3.1)	**4,839,677**	2.0
	2018	**4,002,209**	4.9	**720,770**	11.3	**387,822**	2.5	**5,110,801**	5.6
	2019	**3,993,553**	(0.22)	**686,297**	(4.78)	**426,637**	10.01	**5,106,487**	(0.08)
	2020	**1,032,037**	(74.2)	**163,093**	(76.2)	**168,382**	(60.5)	**1,363,512**	(73.3)
	2021	**1,143,950**	10.8	**11,242**	(93.1)	**15,597**	(90.7)	**1,170,789**	(14.1)
	2022	**2,708,999**	136.8	**190,335**	1593.1	**93,000**	496.3	**2,992,334**	155.6
FORECAST	2023	**3,573,732**	31.9	**236,282**	24.1	**189,986**	104.3	**4,000,000**	33.7
	2024	**3,971,811**	11.1	**473,536**	100.4	**304,654**	60.4	**4,750,000**	18.8
	2025	**4,205,972**	5.9	**528,964**	11.7	**365,064**	19.8	**5,100,000**	7.4
	2030	**4,613,144**	2.0	**605,257**	2.0	**405,999**	2.0	**5,624,400**	2.0

Key Measurements (data below)

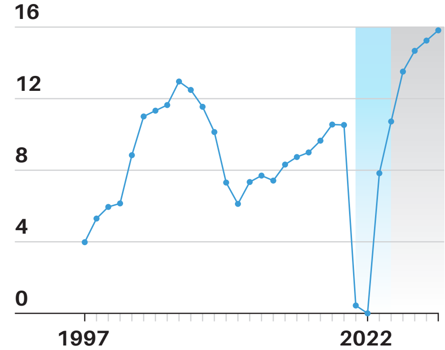
Passengers (millions of people)



Aircraft Movement (thousands)



Rent to Transport Canada
(in millions of canadian dollars—$)



Pandemic Forecast

		PASSENGERS		AIRCRAFT MOVEMENTS		RENT TO TRANSPORT CANADA	
	Year	PASSENGERS	ANNUAL GROWTH %	AIRCRAFT MOVEMENTS	ANNUAL GROWTH %	RENT TO TRANSPORT CANADA $	ANNUAL GROWTH %
ACTUAL	1997	**3,046,368**	6.6	**67,867**		**3,977,000**	
	1998	**3,110,548**	2.1	**77,202**	13.8	**5,301,000**	33.3
	1999	**3,211,607**	3.2	**81,808**	6.0	**5,948,000**	12.2
	2000	**3,434,345**	6.9	**78,301**	(4.3)	**6,145,000**	3.3
	2001	**3,391,295**	(1.3)	**72,630**	(7.2)	**8,840,000**	43.9
	2002	**3,216,886**	(5.1)	**68,499**	(5.7)	**11,005,000**	24.5
	2003	**3,262,345**	1.4	**69,798**	1.9	**11,329,000**	2.9
	2004	**3,609,885**	10.7	**69,626**	(0.2)	**11,643,000**	2.8
	2005	**3,735,433**	3.5	**66,146**	(5.0)	**12,958,000**	11.3
	2006	**3,807,756**	1.9	**65,396**	(1.1)	**12,487,000**	(3.6)
	2007	**4,088,528**	7.4	**72,342**	10.6	**11,546,000**	(7.5)
	2008	**4,339,225**	6.1	**79,777**	10.3	**10,134,120**	(12.2)
	2009	**4,232,830**	(2.5)	**81,120**	1.7	**7,310,208**	(27.9)
	2010	**4,473,894**	5.7	**86,009**	6.0	**6,118,244**	(16.3)
	2011	**4,624,626**	3.4	**90,949**	5.7	**7,341,116**	20.0
	2012	**4,685,956**	1.3	**90,697**	(0.3)	**7,700,000**	4.9
	2013	**4,578,591**	(2.3)	**83,567**	(7.9)	**7,420,000**	(3.6)
	2014	**4,616,448**	0.8	**78,073**	(6.6)	**8,317,000**	12.1
	2015	**4,656,360**	0.9	**75,107**	(3.8)	**8,737,000**	5.0
	2016	**4,743,091**	1.9	**74,345**	(1.0)	**8,994,000**	2.9
	2017	**4,839,677**	2.0	**74,755**	0.6	**9,626,000**	7.0
	2018	**5,110,801**	5.6	**77,728**	4.0	**10,553,000**	9.63
	2019	**5,106,487**	(0.08)	**75,799**	(2.48)	**10,530,000**	(0.22)
	2020	**1,363,512**	(73.3)	**23,388**	(69.1)	**439,000**	(95.8)
	2021	**1,170,789**	(14.1)	**17,397**	(25.6)	—	(100.0)
	2022	**2,992,334**	155.6	**39,716**	128.3	**7,832,000**	100.0
FORECAST	2023	**4,000,000**	33.7	**40,254**	1.4	**10,724,000**	36.9
	2024	**4,750,000**	18.8	**40,973**	1.8	**13,512,000**	26.0
	2025	**5,100,000**	7.4	**41,708**	1.8	**14,674,000**	8.6
	2026	**5,200,000**	2.0	**42,460**	1.8	**15,246,000**	3.9
	2027	**5,300,000**	1.9	**43,228**	1.8	**15,819,000**	3.8

Notes:
Federal Government Net Book Value at time of transfer: $75.0 million
Total rent projected 1997–2027: $278.1 million
Forecast passenger volumes are as provided by outside consultants.
For financial planning purposes, the Authority forecasts on a more conservative basis.

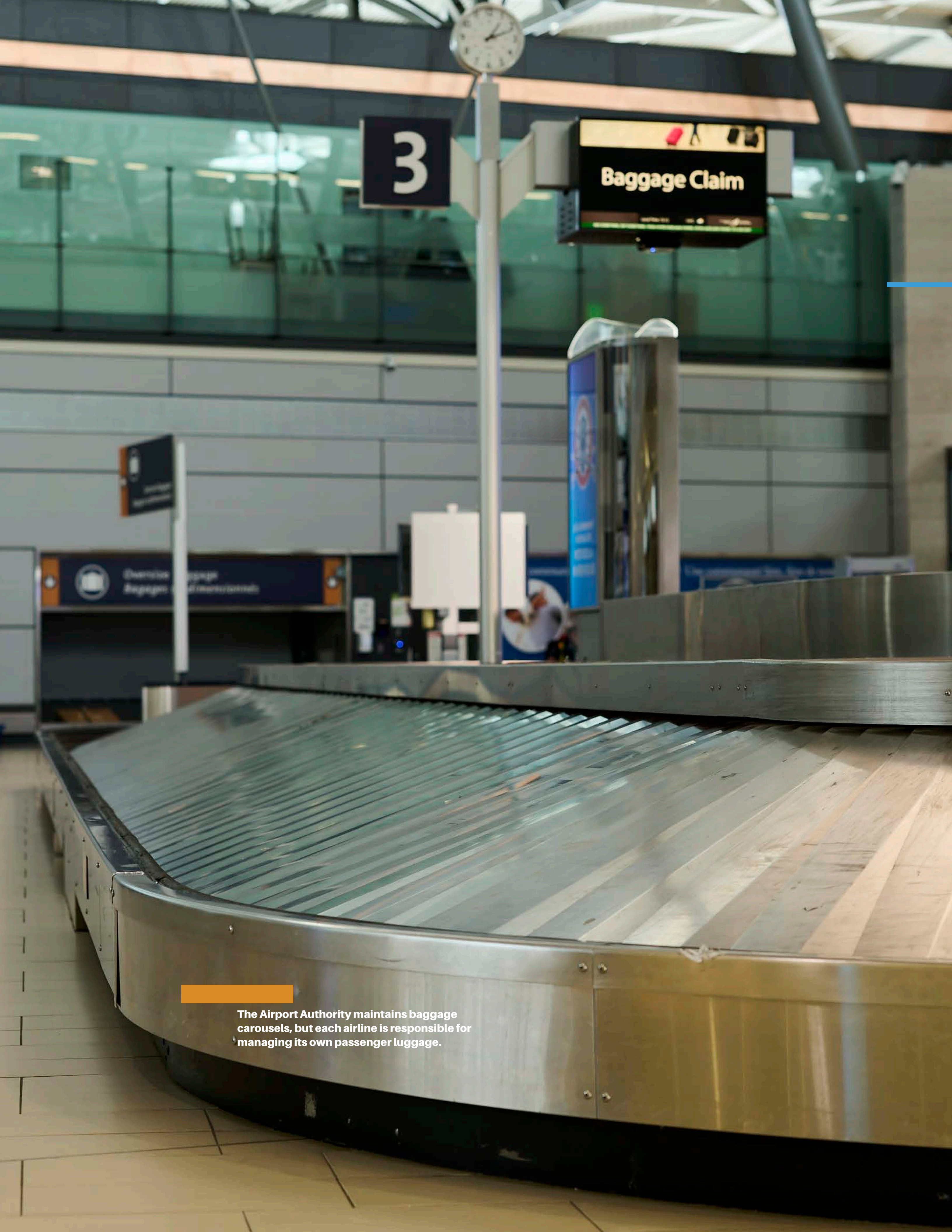
Five-year Review (in thousands of canadian dollars – $)

YEAR	2018	2019	2020	2021	2022
Revenues	138,060	138,062	48,584	56,638	111,795
Expenses before depreciation	99,751	101,838	68,110	62,029	86,123
Earnings (loss) before depreciation	38,309	36,224	(19,526)	(5,391)	25,672
Capital expenditures	37,027	36,300	16,853	9,799	14,728
AIF revenues	54,215	53,988	14,649	19,343	50,265

Average Nonstop Departures (based on peak period)

	DAILY		WEEKLY
Year	DOMESTIC	TRANSBORDER	INTERNATIONAL
1997	82	21	3
1998	88	23	6
1999	101	39	7
2000	93	43	7
2001	84	30	7
2002	80	35	8
2003	81	35	7
2004	71	35	7
2005	60	32	9
2006	60	29	9
2007	70	31	11
2008	77	32	13
2009	80	29	14
2010	86	30	17
2011	93	30	22
2012	91	31	25
2013	84	27	22
2014	80	24	23
2015	78	21	24
2016	80	20	23
2017	82	19	23
2018	85	20	20
2019	83	19	22
2020	27	4	11
2021	34	2	2
2022	61	5	10

Origin and destination
97% of traffic (estimated)



The Airport Authority maintains baggage carousels, but each airline is responsible for managing its own passenger luggage.

Corporate Governance, Accountability, and Transparency

The Authority's mission is to be a leader in providing quality, safe, secure, sustainable, and affordable transportation services to the airport's customers and communities, and be a driver of economic growth within Canada's Capital Region.

THE BOARD OF DIRECTORS

The adoption of the National Airports Policy in 1994 resulted in the creation of local airport authorities across the country. These authorities were created with community-nominated Boards of Directors (Board) who were tasked with overseeing the management of their local facility.

The Authority's Board follows these guidelines, which are included in the Authority's by-laws:

- includes professional representation nominated by all three levels of government as well as community and business organizations;
- Directors shall not be elected officials or government employees;
- each Director has a fiduciary duty to the Authority;
- meets 8 to 10 times during the year;
- views its principal responsibility as overseeing the conduct of the business and supervising management to ensure that long-term goals and strategies are met; and
- must meet Conflict of Interest rules, adhere to the Authority's Code of Business Conduct and the Public Accountability Principles for Canadian Airport Authorities.

Each Director has filed a conflict of interest declaration for 2022, as required by the Authority's by-laws. Furthermore, to the Authority's knowledge, all Directors are in compliance with the conflict of interest and code of conduct guidelines noted above.

By-laws

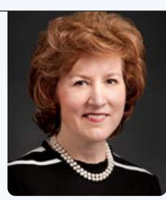
The Authority established by-laws at incorporation in 1995, which have been amended several times over the years. Under the current by-laws, the selecting bodies that provide nominees to the 14-member Board are as follows:

SELECTING BODIES	NUMBER OF DIRECTORS NOMINATED
Minister of Transport (Government of Canada)	2
Government of Ontario	1
City of Ottawa	2
City of Gatineau	1
Ottawa Board of Trade	1
Ottawa Tourism and Convention Authority	1
Chambre de commerce de Gatineau	1
Invest Ottawa	1
At Large	4
Total	**14**

A Director's term of office is a maximum of three years. Each Director may be re-elected for additional terms, but may not serve as a Director for more than nine years.

The following represents the composition of the Board (as of December 31, 2022)

NAME AND POSITION		OCCUPATION	SELECTING BODY AND YEAR APPOINTED	MEETING ATTENDANCE BOARD	MEETING ATTENDANCE COMMITTEE
Code Cubitt Chair of the Board		Managing Director Mistral Venture Partners	Invest Ottawa 2015	9/10	18/23
Shane Bennett[2]		Vice President Bennett Insurance Agency Limited	Government of Ontario 2019	10/10	5/5
Bonnie Boretsky[2] Chair, Governance Committee		Retired Executive	Transport Canada 2019	10/10	9/9
Dick Brown[3] Chair, Human Resources and Compensation Committee		Retired Executive	Ottawa Tourism 2016	10/10	7/7
Mario Cuconato[2][4]		Senior Manager Accenture	City of Ottawa 2020	9/10	10/10
Marc Joyal†[1]		Retired Executive	At Large 2022	8/8	3/3
Michèle Lafontaine[2][4]		Notary and Legal Counsel PME Inter Notaires	Ville de Gatineau 2017	8/10	7/7
Bruce Lazenby†[3]		Semi-Retired Executive Coach	At Large 2022	7/8	4/4

NAME AND POSITION		OCCUPATION	SELECTING BODY AND YEAR APPOINTED	MEETING ATTENDANCE	
				BOARD	COMMITTEE
Kevin McGarr(3)(4)		Principal McGarr Advisory Services	At Large 2019	9/10	9/9
Deanna Monaghan†(1) Chair, Audit Committee		Retired Executive	At Large 2022	7/8	3/3
Laurel Murray(1)		President Murray Consulting Inc.	Transport Canada 2019	8/10	6/6
Carole Presseault(1)(4)		Principal Consultant Presseault Strategies+	Chambre de commerce de Gatineau 2014	9/10	11/11
John Proctor(4) Chair, Major Infrastructure and Environment Committee		President & CEO Martello	Ottawa Board of Trade 2021	10/10	5/5
Lisa Stilborn(3)		Vice President Canadian Fuels Association	City of Ottawa 2016	8/10	6/7
Scott Eaton‡				3/3	4/5
Janice Traversy‡				3/3	5/5

† New Board member effective April 27, 2022
‡ Term ended on April 27, 2022

(1) Member of Audit Committee
(2) Member of Governance Committee
(3) Member of Human Resources and Compensation Committee
(4) Member of Major Infrastructure and Environment Committee

The qualifications required of a Director are included in the by-laws. Collectively, the Directors shall have experience in the fields of law, engineering, accounting, business management, and aviation industry management. In addition, the by-laws include restrictions to eliminate possible conflicts of interest arising from relationships with selecting bodies, thereby ensuring the independence of Directors and reinforcing their fiduciary responsibilities to the Authority. The Governance Committee has the power to ensure that the selecting bodies provide candidates for nomination to the Board having the skills and expertise necessary for the Board as a whole to carry out its duties.

Director's Compensation in 2022
Annual Retainer

Chair: $53,885

Audit Committee Chair: $26,345

Committee Chairs: $23,950

All other Directors: $14,369

Per Meeting Fee

$660 per meeting

$239 per teleconference

Attendance at Board and Committee Meetings

See Committee Table *(page 24)*

Committees of the Board

The following is a list of Committees of the Board and the general mandate of each:

Governance Committee

- » oversight and initiation of procedures to deliver best practices in the area of corporate governance;
- » review the Annual Report as prepared by the President;
- » establish the nomination procedures, the skill sets required for nominees and the length of the term of selected nominees to the Board;
- » evaluate and recommend nominees for Board positions to the Board;
- » oversee the application of Conflict of Interest rules to Board members and nominees;
- » develop a process for nomination of the Chair of the Board and oversee such process;
- » review the annual Board evaluation process and any associated recommendations for change;
- » review recommendations of the Chair of the Board regarding the composition of the Committees of the Board and appointment of the Committee Chairs;
- » review changes to the Charters of all Board Committees and recommend changes for Board approval;
- » review Director compensation and recommend any changes for Board approval;
- » review the Authority's structures and procedures to ensure the Board is able to function independently from the management; and
- » review and monitor the Authority's stakeholders' engagement.

Major Infrastructure and Environment Committee

- » oversee the Authority's major infrastructure projects;
- » oversee best practices in the area of environmental stewardship;
- » review the overall technical merits of proposed major infrastructure projects, reports and other documents on design, cost (not affordability), quality, schedule, risk, and construction;
- » review updates to the Authority's Master Plan;
- » review and recommend to the Board for approval the infrastructure investment plans prepared as part of the annual Business Plan in consultation with the Audit Committee;
- » review the Authority's environmental management reports, including issues related to noise; and
- » review the Authority's Cyber Security management report at least twice per year.

Audit Committee

- assist the Board in fulfilling its oversight responsibilities with regard to financial reporting, risk management, and audit functions;
- oversee selection, appointment, independence, compensation, performance review, and termination of the Authority's external auditor;
- oversee annual external audit process including review of the audit plan, emerging issues, accounting principals, and communications with external auditors;
- annually review proposed fiscal operating and capital budgets for recommendation to and approval by the Board;
- review the annual audited financial statements of the Authority for recommendation to and approval by the Board;
- review and approve the interim unaudited quarterly financial statements of the Authority;
- oversee selection, appointment, termination, compensation, performance review, and audit plan of the Authority's internal audit function, including the review of significant reports prepared by internal audit together with management's response and follow-up actions to these reports;
- oversee the Authority's processes for enterprise risk management, including the review of financial and business risks, compliance with legal and regulatory requirements, review of the insurance program, and review of the Code of Conduct and whistleblower programs; and
- oversee matters having a material financial impact on the Authority, including financing and liquidity requirements and compliance with debtholder obligations and make recommendations to the Board, as required.

Human Resources and Compensation Committee

- review succession plans for senior management;
- review the competitiveness and appropriateness of the Authority's policies regarding management compensation, including the at risk pay program, pension plans, benefits, and all other aspects of compensation;
- recommend to the Board the remuneration plan for excluded employees as well as mandates for collective bargaining and changes to collective agreements for unionized employees;
- review key human resources metrics on a regular basis, including the results of employee satisfaction surveys and key performance indicators;
- monitor the workplace culture of the Authority and recommend initiatives to enhance engagement;
- ensure that appropriate policies and procedures are in place with respect to workplace harassment as well as ensuring such policies and procedures are followed with respect to any incidents of workplace harassment; and
- monitor compliance with employment and labour-related statutory requirements.

Other Ad-Hoc committees may be formed from time to time that include members of the Board.

ACCOUNTABILITY

The Authority's policy is to be accountable to the community and to be transparent in relations with its business partners and customers. The Authority's mandate, as set out in its Articles of Continuance, establishes a standard against which its performance can be measured.

The mandate of the Authority is:

- to manage, operate and develop the Ottawa International Airport, the premises of which will be leased to the Authority by Transport Canada, and any other airport in Canada's Capital Region for which the Authority becomes responsible, in a safe, secure, efficient, cost-effective, and financially viable manner with reasonable airport user charges and equitable access to all carriers;
- to undertake and promote the development of airport lands, for which it is responsible, for uses that are compatible with air transportation activities; and
- to expand transportation facilities and generate economic activity in ways that are compatible with air transportation activities.

In executing its objects, the Authority shall confer regularly with governments and community entities on matters affecting the operation and development of the airports for which it is responsible and shall engage only in those activities that are consistent with its objects.

The Authority accounts for its actions to the community in a number of ways:

- by publishing an Annual Report;
- by hosting an Annual Public Meeting;
- by hosting an annual meeting with Selecting Bodies;
- by establishing and/or reporting to the following consultation committees:
  - Airport Noise Committee;
  - Airline Consultative Committee;
  - Airport Operators Committee;
  - Community Consultative Committee;
  - Airside Safety Committee;
- through meetings and/or consultations with local city officials;
- through extensive public consultations on the periodic renewal of the Airport Master Plan, which was updated in 1998, 2008 and 2018, and the Land Use Plan, which was last updated and approved by the Minister of Transport in 2018; and
- by maintaining a corporate website at www.yow.ca.

In addition, a performance review must be conducted at least once every five years, in keeping with the Authority's Ground Lease with Transport Canada. This performance review was last completed in February 2017. Due to the impacts on the Authority related to the COVID-19, Transport Canada has provided an additional year for the Authority to submit the review that was originally due in February 2022 and it is on track for completion in early 2023.

TRANSPARENCY

Procurement and Contracting

The Authority is transparent in its procurement practices. The Public Accountability Principles for Canadian Airport Authorities and the Authority's Ground Lease require that all contracts for the procurement of goods, services, and construction services with a value in excess of $128,604 ($75,000 in 1994 dollars adjusted for CPI to December 31, 2021), must be awarded through a competitive public tendering process, or be disclosed in the Authority's Annual Report together with the reasons why they were not awarded through a public competitive process.

Contracts in excess of $128,604 that were not awarded on the basis of a public competitive process during 2022: *(see table below)*

Executive Management Salary Ranges

The base salary range for the President of the Authority in 2022 was between $367,000 and $477,000. The base salary ranges for Vice Presidents in 2022 was between $127,704 and $258,583.

In addition, under the management at risk pay program for non-represented employees, the President and the Vice Presidents receive their at risk pay following fiscal year-end based on the achievement of performance targets/objectives that are consistent with the Authority's Strategic Plan.

CONTRACTOR	CONTRACT DESCRIPTION	REASON FOR SOLE SOURCE
R.W. Tomlinson Limited	Storm Sewer Realignment and Upgrade — Taxiway Romeo	See A below
Ottawa Police Services Board	Multi year contract renewal for airport police services	See A below
Deloitte LLP	External consultant for work related to the Authority's Environment, Social and Governance program	See A below
Beumer Group Canada Corporation	Maintenance and support services for the Beumer CrisBag Baggage Handling System	See A below
Benchmark Performance Inc.	Airport Operations Centre Training and Development Program	See A below

A. Sole source to ensure integration, functionality and familiarity with existing systems and regulations and product/services originally purchased following a public competitive process.

Fees and Charges

The Authority provides 60 days advance notice in local news media for all changes in user charges (excluding rent), together with an explanation for the noted increase. This includes aeronautical fees charged to air carriers and the Airport Improvement Fee (AIF).

While the Authority's goal is to keep the aeronautical fees it charges air carriers reasonable, it has been necessary to adjust these fees on occasion. The Authority's process for adjusting aeronautical fees and charges includes:

- prior to any change, consulting with air carriers through the Airline Consultative Committee, with necessary explanations and calculations showing how these fees were determined, at least 90 days in advance of the effective date of the change; and
- providing 60 days notice of the increase in fees to the airlines.

The Authority publicizes the reason for imposing an AIF, or for making changes to the fee. It last did this when it announced on February 27, 2021, that it was increasing its fee to $35 effective June 1, 2021. The purpose of the existing AIF is to pay for the construction of, and the debt service requirements associated with, the Authority's major infrastructure construction programs.

The process for adjusting the AIF is similar to the process for adjusting aeronautical fees and charges, including public notice in the local news media.

Public Access to Documents

In accordance with Public Accountability Principles for Canadian Airport Authorities, the Authority makes available by appointment the following documents for examination, at no charge, during its usual business hours:

- the current Airport Master Plan;
- a summary of the current Business and Strategic plans;
- the most recent and the previous annual financial statements, with the accompanying auditors reports (included in each year's Annual Report);
- its five most recent annual reports, each of which includes a general summary of affairs during the previous fiscal year;
- summaries of the five most recent business plans;
- the Articles of Incorporation (its letters patent) and by-laws, including any amendments;
- all signed airport transfer agreements; and
- a summary of the Five-year Performance Review.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Financial Review

This Financial Review reports on the results and financial position of the Authority for its year ended December 31, 2022. This review should be read in conjunction with the audited financial statements and related notes of the Authority. This review contains forward-looking statements, including statements regarding the business and anticipated financial performance of the Authority. These statements are subject to a number of risks and uncertainties that will cause actual results to differ from those contemplated in the forward-looking statements.

OVERALL PERFORMANCE

The Authority recorded earnings of $25.7 million before depreciation for the year ended December 31, 2022 and compares to a loss of $5.4 million for the year ended December 31, 2021. The Authority recorded depreciation of $30.5 million in 2022 compared to $31.3 million in 2021, reflecting depreciation of the terminal building, airfield facilities and other assets over their estimated economic lives. After subtracting depreciation, the Authority generated a net loss of $4.8 million in 2022 compared to net loss of $36.7 million in 2021.

The Authority's net operating results for the three years ended December 31, 2022 are summarized as follows:

($ in millions)	**2022 $**	2021 $	2020 $
Revenues	**111.8**	56.6	48.6
Expenses	**86.1**	62.0	68.1
Earnings (loss) before depreciation	**25.7**	(5.4)	(19.5)
Depreciation	**30.5**	31.3	31.7
Net loss	**(4.8)**	(36.7)	(51.2)
Total assets	**488.6**	500.0	478.8
Gross— long-term debt	**482.8**	496.8	409.9

The COVID-19 pandemic continued to weigh heavily on the airport and the Canadian and global travel industry throughout 2022. The year began with weakness brought on by the Omicron variant with continuing travel and public health restrictions. With the lifting of restrictions over the course of 2022, passenger volumes have trended higher throughout the year. While the recovery is encouraging, full year passenger volumes are 59% of 2019 levels [pre-pandemic] and the Authority looks forward to continued momentum for 2023 as it moves closer to reaching and exceeding 2019 passenger volumes over the next few years. The Authority remains cautious about potential disruptions from additional variants of concern and impacts from macro-economic trends and outlooks. Furthermore, the Authority continues to monitor the passenger mix flowing through the airport. The strong return of leisure passenger volumes has anchored the recovery at the airport and across the industry. Anecdotal evidence suggests that there is a lag in the number of business passengers arriving and departing the airport as the National Capital Region adjusts for the use of digital meetings and remote work activities. The composition of the airport's local market with a large component of the community in ongoing remote work arrangements may cause a lag in the return of business passengers as compared to other large airports in Canada in the near term.

Despite encouraging signs of recovery, the full duration of the recovery from the pandemic is yet to be known and the Authority is focused on the long-term financial sustainability of the airport. The Authority continues to apply strict cost discipline as it adjusts its operations to expected volumes. The Authority continues to meet its debt service obligations.

RESULTS OF OPERATIONS

Operating Activities

During 2022, the airport experienced a 155.6% increase in passenger volumes compared to 2021 and 119.5% higher than 2020.

The following table summarizes passenger volumes for the last three fiscal years:

				% change — 2022 versus	
	2022	2021	2020	2021	2020
Domestic	**2,708,999**	1,143,950	1,032,037	136.8	162.5
Transborder	**190,335**	11,242	163,093	1,593.1	16.7
International	**93,000**	15,597	168,382	496.3	(44.8)
Total	**2,992,334**	1,170,789	1,363,512	155.6	119.5

Domestic passenger volumes were 136.8% higher on a year over year basis with the return of the domestic route networks and frequencies in 2022. The positive trends in COVID-19 pandemic caseloads over the course of 2022 led to the relaxing of public health and travel restrictions across provincial and federal jurisdictions. This resulted in increased passenger demand and domestic flight activity on a year over year basis.

Transborder and international passengers increased 1,593.1% and 496.3%, respectively, on a year over year basis. Travel volumes to U.S. and international sun destinations improved with the elimination of border travel restrictions over the course of the year and the restoration of some regularly scheduled destinations as well as the return of charter activity.

By sector, a quarterly view of 2022 passenger volumes as compared to 2021 is as follows:

	Domestic	Transborder	International
Q1	Higher by 382.5%	Higher by 100.0%	Higher by 100.0%
Q2	Higher by 723.2%	Higher by 100.0%	Higher by 100.0%
Q3	Higher by 77.8%	Higher by 100.0%	Higher by 100.0%
Q4	Higher by 53.8%	Higher by 641.6%	Higher by 222.4%
Total	Higher by 136.8%	Higher by 1,593.1%	Higher by 496.3%

By quarter, total passenger volumes were as follows:

	2022	2021	% change
Q1	**417,518**	75,111	455.9
Q2	**768,326**	87,152	781.6
Q3	**926,891**	496,694	86.6
Q4	**879,599**	511,832	71.9
Total	**2,992,334**	1,170,789	155.6

The size of an aircraft [based on maximum takeoff weight] and the number of "landed" seats on an aircraft [regardless of whether those seats are occupied by passengers] are the most significant drivers of aeronautical revenue. In 2022, the number of landed seats increased by 119.4% from the comparable period in 2021.

Domestic, transborder and international landed seats increased by 104.3%, 1,087.1% and 368.6%, respectively, on a year over year basis. Variances in the sectors mirror the variances experienced in passenger volumes as explained above.

Revenues

In 2022, total revenues increased $55.2 million to $111.8 million from $56.6 million in 2021.

Revenues by category			Change	
($ in thousands)	**2022 $**	2021 $	$	%
Airport Improvement Fees	**50,265**	19,343	30,922	159.9
Terminal fees	**18,218**	7,871	10,347	131.5
Landing fees	**9,592**	5,185	4,407	85.0
Concessions	**12,229**	5,884	6,345	107.8
Car parking	**9,994**	2,695	7,299	270.8
Land and space rentals	**6,886**	6,616	270	4.1
Other revenue	**4,611**	9,044	(4,433)	(49.0)
	111,795	56,638	55,157	97.4

Airport improvement fees ["AIF"] of $50.3 million in 2022 increased $30.9 million as compared to 2021. The year over year increase of 155.6% in passenger volumes favourably impacted AIF revenues combined with the increase in AIF rates from $28 to $35 per enplaned passenger effective June 1, 2021. Passengers connecting through Ottawa are exempt from the AIF. Under an agreement with the air carriers, AIF is collected by the air carriers in the price of a ticket and are remitted to the Authority on an estimated basis, net of air carrier administration fees of 7%, on the first of the month following the month of enplanement of passengers. Final settlement based on actual passenger enplanements occurs at the end of the month following the month of enplanement.

Aeronautical revenues of $27.8 million, including terminal and landing fees, loading bridge charges and security fees charged to air carriers are 113% higher than the comparable period in 2021. Revenues were favourably impacted by the year over year increase of 119% in landed seats in 2022 together with the 2.5% increase in aeronautical fee rates effective March 1, 2022.

Revenues of $12.2 million from concessions increased 108% over the prior year. The increase was attributable mostly to the higher passenger volumes and their associated spending on food, retail and ground transportation services.

Parking revenues of $10.0 million are $7.3 million higher than 2021 and represent an increase of 271% on a year over year basis. The year over year passenger volume increase of 155.6% was the main contributor to this favourable variance. Furthermore, increases in transaction volumes combined with longer stay durations and the re-opening of the long-term parking lot in March 2022 (closed since March 2020) contributed to the favourable variance.

Other revenues decreased by $4.4 million from 2021. In 2021, the airport received $5.7 million in federal government pandemic support through the Airport Relief Fund program on a one-time basis. Partially offsetting this year over year change was higher utility recoveries from tenants, increases in employee parking and higher interest income on higher cash balances in 2022.

Expenses

Total expenses before depreciation increased by 38.8% to $86.1 million from $62.0 million in 2021.

Expenses by category			Change	
($ in thousands)	**2022 $**	2021 $	$	%
Interest	**21,588**	21,476	112	0.5
Ground rent	**7,832**	-	7,832	100.0
Materials, supplies and services	**31,550**	22,109	9,441	42.7
Salaries and benefits	**23,892**	16,975	6,917	40.7
Payments in lieu of municipal taxes	**1,261**	1,469	(208)	(14.2)
	86,123	62,029	24,094	38.8

Interest expense reflected in the statement of operations results from borrowing to invest in the Authority's capital programs. The $0.1 million increase in interest expense in 2022 compared to 2021 relates to the full year impact in 2022 of the interest on the $100.0 million Series F Revenue Bonds issued on May 5, 2021 at 2.698% and due on May 5, 2031.

For the year ended December 31, 2022, ground rent was computed pursuant to the prescribed calculation as outlined below. In 2021, the Government of Canada waived ground rent obligations for the period from January 1, 2021 to December 31, 2021 as part of its pandemic support programs.

The Authority operates the airport under the terms of a Ground Lease [as amended, the "Lease"] with the GOC that sets out the formula for calculating annual rent. The amount reflected as rent expense is estimated based on that formula. The formula calculates rent as a royalty based on a percentage of gross annual revenues on a progressive scale. Rent is calculated as a percentage of gross annual revenues as defined in the Lease, with no rent payable on the Authority's first $5 million in annual revenue and an increasing rent percentage payable as revenue increases, on a cumulative basis.

Rent is levied at a maximum 12.0% rate on annual revenues in excess of $250 million as follows:

Gross revenues	Rent payable %	Cumulative maximum rent $
On the first $5 million of revenues	0.0	0
On the next $5 million	1.0	50,000
On the next $15 million	5.0	800,000
On the next $75 million	8.0	6,800,000
On the next $150 million	10.0	21,800,000
On revenues over $250 million	12.0	

Based on the Authority's projections, estimated rent payments under the Lease for the next five years are as follows:

2023	$10.7 million
2024	$13.5 million
2025	$14.7 million
2026	$15.2 million
2027	$15.8 million

The cost of materials, supplies and services increased $9.4 million to $31.5 million in 2022. While continuing to apply strict cost discipline, the airport continues to adjust its spending on operations to ensure operational readiness aligns to expected passenger and flight volume increases. Year over year winter operation expenses in 2022 were $0.9 million higher due to expanded requirements for airfield operations as compared to the prior year. Utilities were $0.7 million higher due to higher usage and rates for gas and hydro. Contract services and repairs were $5.7 million higher than the prior year as increased demand for services aligned with higher passenger flows. Furthermore, AIF handling fees paid to carriers were $2.1 million higher due to the increase in AIF revenues.

The cost of salaries and benefits increased by $6.9 million in 2022 compared to 2021. In 2021, the Authority received the benefit of $4.8 million related to pandemic support under the Canadian Emergency Wage Subsidy program. There was no equivalent program in 2022. Annual contracted increases for salaries and benefit programs, hiring into vacant positions and higher overtime have resulted in higher costs in 2022 compared to 2021.

Payments in lieu of municipal taxes has decreased by 14% and reflects the impact of the prescribed calculation of this obligation under provincial legislation. Under this legislation, payments in lieu of municipal taxes are based on a fixed legislated rate per passenger for the Authority, multiplied by the previous year's passenger numbers. This legislation was adjusted in 2022 to suspend temporarily the cap that was previously in place in the prescribed formula, and which limited the year over year increase in payments to 5%. Upon the return of 2019 passenger volumes, the 5% cap will be restored within the prescribed calculation. The removal of the cap benefits the municipality as payments in lieu of municipal taxes will rise at the same rate as passenger volumes [expected to be higher than 5% per year until 2019 levels are reached] as the airport recovers from the COVID-19 pandemic. The Authority agreed to this change. The $1.3 million paid in 2022 reflects this prescribed calculation.

Depreciation of $30.5 million in 2022 and $0.8 million lower than 2021.The decrease over 2021 was expected given the reduction in capital investment over the course of the pandemic and the associated depreciation on those investments.

SUMMARY OF QUARTERLY RESULTS

The Authority's quarterly results are influenced by public health and government travel restrictions, passenger activity, aircraft movements and other factors such as weather and economic conditions and do not necessarily fluctuate consistently over time based on the season. Due to these external factors, the historic results on a quarterly basis cannot be relied upon as a predictor of future trends.

Selected unaudited quarterly financial information for the eight most recently completed quarters is set out below:

Quarter ended				**2021 $**				**2022 $**
($ in millions)	MARCH	JUNE	SEPT.	DEC..	MARCH	JUNE	SEPT.	DEC.
Revenues	5.3	6.2	24.0	21.1	**18.2**	**27.8**	**32.8**	**33.0**
Expenses	14.9	13.5	15.4	18.2	**20.0**	**20.0**	**21.6**	**24.5**
Earnings (loss) before depreciation	(9.6)	(7.3)	8.6	2.9	**(1.8)**	**7.8**	**11.2**	**8.5**
Depreciation	7.6	7.6	8.1	8.0	**7.5**	**7.8**	**7.9**	**7.3**
Net earnings (loss)	(17.2)	(14.9)	0.5	(5.1)	**(9.3)**	**0.0**	**3.3**	**1.2**

CAPITAL EXPENDITURES

In accordance with the Authority's mandate, all earnings are retained and reinvested in airport operations and development, including investment in property, plant, and equipment to meet ongoing operating requirements.

During 2022, the Authority invested $14.7 million in its capital expenditure programs. Significant spending on capital projects include Taxiway A refurbishment at $3.9M (reflects the impact of $3.9M in Airport Critical Infrastructure Program ["ACIP"] funding), Taxiway R construction at $6.9M, LRT station at $1.3 million (reflects the impact of $1.5M in ACIP funding), concession upgrades at $0.9 million and main terminal upgrades at $1.7 million.

CONTRACTUAL OBLIGATIONS

In addition to rent payments noted above, the Authority has operating commitments in the ordinary course of business requiring payments, which diminish as contracts expire, as follows:

	Payments for years ending December 31 (in thousands of Canadian dollars)						
	Total	2023	2024	2025	2026	2027	Thereafter
Long-term debt[1]	482,775	14,988	16,014	17,107	18,271	19,509	396,886
Operating commitments	29,995	10,460	7,586	7,334	4,519	96	
Capital commitments	13,943	13,943					
Total contractual obligations	526,713	39,391	23,600	24,441	22,790	19,605	396.886

[1] *Further information on interest rates and maturity dates on long-term debt are provided in Note 7 to the Authority's audited financial statements.*

LIQUIDITY AND CAPITAL RESOURCES

As a non-share capital corporation, the Authority funds its operating requirements, including debt service, through operating revenues and AIF revenues. The Authority manages its operations to ensure that AIF revenues are not used to fund regular operational expenses or operational capital. AIF revenues are used to fund debt service costs and other expenses and cash flows related to the Authority's infrastructure investment programs including airport expansion projects. The Authority finances infrastructure expenditures by borrowing in the capital markets and by using bank indebtedness.

The Authority maintains access to an aggregate of $170.0 million in committed credit facilities ["Credit Facilities"] with two Canadian banks. The following table summarizes the amounts available under each of these Credit Facilities, along with their related expiry dates and intended purposes:

Type of Facility	**Dec 31, 2022 CDN$ [millions]**	Dec 31, 2021 CDN$ [millions]	Maturity	Purpose
Revolver — 364 Day	**40.0**	40.0	October 13, 2023	General corporate and capital expenditures
Revolver — 2 Year	**50.0**	50.0	May 31, 2023	General corporate and capital expenditures
Revolver — 3 Year	**40.0**	40.0	June 4, 2023	General corporate and capital expenditures
Revolver — 5 Year	**40.0**	40.0	May 31, 2025	General corporate and capital expenditures
Total	**170.0**	170.0		

The Authority's cash and cash equivalents decreased by $1.5 million during 2022 to $46.2 million as at December 31, 2022.

The Authority issues revenue bonds [collectively, "Bonds"] under a trust indenture dated May 24, 2002 [as amended or supplemented, the "Master Trust Indenture"] setting out the terms of all debt, including bank facilities and revenue bonds. Under the Master Trust Indenture, the Authority is required to maintain with the trustee under the Master Trust Indenture ["Trustee"], a debt service fund ["Debt Service Reserve Fund"] equal to six months' debt service in the form of cash, qualified investments or letter of credit.

At December 31, 2022, the balance of cash and qualified investments held in the Debt Service Reserve Fund for the Series B Amortizing Revenue Bonds and the Series F Revenue Bonds was $8.5 million.

Furthermore, in order to satisfy the Debt Service Reserve Fund requirement for the Series E Amortizing Revenue Bonds, $9.5 million of the Authority's Credit Facility has been drawn from an irrevocable standby letter of credit in favour of the Trustee.

The Master Trust Indenture also requires that the Authority maintain an operating fund ["Operating and Maintenance Reserve Fund"] in an amount equal to 25% of defined operating and maintenance expenses for the previous year. This fund may be maintained in the form of cash and investments held by the Authority or the undrawn availability of a committed credit facility. As at December 31, 2022, $13.9 million of the Authority's Credit Facilities had been designated exclusively to the Operating and Maintenance Reserve Fund.

As at December 31, 2022, Credit Facilities available net of designated and drawn amounts is $146.6 million [2021 — $149.5 million].

On April 23, 2021, the Authority received the support of bondholders to waive temporarily, for the fiscal years ended December 31, 2021 and 2022, the requirement to comply with the rate covenants [debt service coverage ratio and gross debt service coverage ratio], the additional indebtedness covenant and the requirement to comply with the rate covenant for the sale of assets. Accordingly, the Authority is compliant with all provisions of its debt facilities, including the Master Trust Indenture provisions related to reserve funds, the flow of funds and the rate covenant requirements, as consented by the bondholders for the period ended December 31, 2022.

In 2022, S&P Global reaffirmed the Authority's credit rating of A in respect of the Authority's Bonds under the Master Trust Indenture and revised its outlook to "stable" from "negative" on the basis of improved volumes. In September 2022, Moody's issued an updated credit opinion on the Authority which resulted in an upgrade to Moody's outlook to "stable" from "negative" while downgrading the rating from Aa3 to A1. This is not expected to cause any material impact to the Authority.

BALANCE SHEET AND OTHER HIGHLIGHTS

Accounts receivables increased $4.7 million to $14.0 million at December 31, 2022 and was consistent with the higher air carrier traffic and passenger volumes and their related receivables in 2022.

Accounts payable and accrued liabilities increased by $7.2 million to $22.1 million at December 31, 2022 and was due to higher accrued liabilities as a result of the completion of several capital projects at the end of 2022 together with higher payables that are correlated to higher operating expenses.

RISKS AND UNCERTAINTIES

COVID-19 Pandemic

Despite encouraging signs of an emerging recovery in passenger volumes, the full duration and scope of the recovery from the pandemic is yet to be known and the Authority is focused on the long-term financial sustainability of the airport. The Authority continues to apply strict cost discipline in operating and capital expenditures and resource levels. The Authority reviews frequently operating, resource and capital requirements to align spending levels with emerging trends on the recovery of the air transportation sector.

Aviation Activity

The Authority will continue to face certain risks beyond its control which can have a significant impact on its financial condition. The Canadian airports model is based on the user community paying for all Authority activities with no ongoing government funding of operations. Airports establish reasonable rates and charges to its user community and stakeholders that must ensure financial sustainability. Airport revenue is largely a function of passenger volumes. Air travel demand drives capacity and supply.

The COVID-19 pandemic event together with global events of the past several years including headwinds from emerging macroeconomic factors have all emphasized the volatile nature of aviation. A multitude of external factors impact the commercial aviation sector and include upward interest rate pressures, inflation, recessionary trends, health epidemics, remote working trends, frequency of business travel, geopolitical trends, government regulation, price of airfares, additional taxes on airline tickets, leakage of passengers to nearby airports, alternative modes of travel and the financial uncertainty of the airline industry.

The financial health of commercial aviation is an ongoing risk to the Authority and the COVID-19 pandemic has put an even greater financial stress on the industry. It is expected that, with the elimination of government restrictions, these actions, combined with increased consumer confidence, should result in increased flight frequencies and passenger volumes. The Authority cautions that the recovery can take several years and that a number of factors including different pace of recovery for business and leisure travelers, traveler discretion on mode of travel and associated environmental impact and pace of economic recovery may present risks to the resumption of flights to their previous activity levels as well as to all previous destinations. The high level of origin and destination passengers activity at the airport [96.9% — 2022; 97.8% — 2021] continues to be a strong driver and predictor of the strength of the Ottawa market as flight activity resumes over the foreseeable future.

Aviation Liability Insurance

The availability of adequate insurance coverage is subject to the conditions of the overall insurance market and the Authority's claims and performance record. The Authority participates with an insurance buying group that also includes airport authorities from Vancouver, Edmonton, Calgary, Winnipeg, Montreal, and Halifax. This group has been successful in placing all of its insurance needs.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

Management of the Authority is responsible for the integrity of the accompanying financial statements and all other information in this Annual Report. The financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles, which for publicly accountable enterprises, and in the case of the Authority, require International Financial Reporting Standards. Their preparation necessarily involves the use of management's best estimates and careful judgement, particularly in those circumstances where transactions affecting a current period are dependent upon future events. All financial information in the Annual Report is consistent with the information and data contained in the financial statements.

To discharge its responsibilities for financial reporting and safeguarding of assets, management believes that it has established appropriate systems of internal accounting control which provide reasonable assurance that the financial records are reliable and form a proper basis for the timely and reliable preparation of financial statements.

The Board of Directors discharges its responsibilities for the financial statements primarily through its Audit Committee, which is composed solely of directors who are neither officers nor employees of the Authority. This committee meets periodically with management and the independent auditors to review performance and to discuss audit, internal control, accounting policy, and financial reporting matters. The Audit Committee reports its findings to the Board of Directors which reviews and approves the annual financial statements. These financial statements were reviewed by the Audit Committee and approved by the Board of Directors.

The financial statements have been audited by Ernst & Young LLP, who were appointed at the annual general meeting. Their report is presented below.

Mark Laroche
President and Chief Executive Officer

Rob Turpin, CPA, CA, CPA (Illinois, USA)
Vice President, Finance and Chief Financial Officer

Ottawa Ontario Canada
February 23, 2023

Financial statements

December 31, 2022
(expressed in thousands of dollars, unless otherwise noted)

INDEPENDENT AUDITOR'S REPORT

To the Directors of
Ottawa Macdonald-Cartier International Airport Authority

Opinion

We have audited the financial statements of **Ottawa Macdonald-Cartier International Airport Authority** [the "Authority"], which comprise the balance sheet as at December 31, 2022, and the statement of operations and comprehensive loss, statement of changes in deficiency and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Authority as at December 31, 2022, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ["IFRSs"].

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Authority or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Authority's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

» Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

» Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control.

» Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

» Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority's ability to continue as a going concern. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Authority to cease to continue as a going concern.

» Evaluate the overall presentation, structure, and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Ernst & Young LLP

Ottawa, Canada
February 22, 2023

Chartered Professional Accountants
Licensed Public Accountants

Balance sheet

Year ended December 31 (expressed in thousands of dollars)

	2022	2021
	$	$
Assets		
Current		
Cash and cash equivalents	**46,219**	47,716
Trade and other receivables *[note 11]*	**14,046**	9,350
Consumable supplies	**3,781**	3,309
Prepaid expenses and advances	**1,922**	1,147
Current portion of Debt Service Reserve Fund *[note 7[a]]*	**—**	8,296
Total current assets	**65,968**	69,818
Non-current		
Debt Service Reserve Fund *[note 7[a]]*	**8,507**	—
Finance lease receivables *[note 12]*	**11,668**	11,643
Property, plant and equipment, net *[notes 3 and 13]*	**397,395**	413,141
Post-employment pension benefit asset, net *[note 9]*	**—**	263
Other assets *[note 4]*	**5,098**	5,162
	488,636	500,027
Liabilities and deficiency		
Current		
Accounts payable and accrued liabilities	**22,144**	14,981
Current portion of long-term debt *[note 7]*	**14,988**	14,023
Total current liabilities	**37,132**	29,004
Non-current		
Other post-employment benefit liability *[note 9]*	**6,969**	8,944
Long-term debt *[note 7]*	**465,503**	480,251
Total liabilities	**509,604**	518,199
Commitments and contingencies *[note 16]*		
Deficiency		
Deficit	**(13,545)**	(8,743)
Accumulated other comprehensive loss	**(7,423)**	(9,429)
Total deficiency	**(20,968)**	(18,172)
	488,636	500,027

See accompanying notes

On behalf of the Board:

Director

Director

Statement of operations and comprehensive loss

Year ended December 31 (expressed in thousands of dollars)

	2022	2021
	$	$
Revenue		
Airport improvement fees *[note 8]*	**50,265**	19,343
Terminal fees and loading bridge charges	**18,218**	7,871
Landing fees	**9,592**	5,185
Concessions	**12,229**	5,884
Car parking	**9,994**	2,695
Land and space rentals *[note 12]*	**6,886**	6,616
Other revenue *[note 13]*	**4,611**	9,044
	111,795	56,638
Expenses		
Interest *[note 7[b]]*	**21,588**	21,476
Ground rent *[notes 12 and 13]*	**7,832**	—
Materials, supplies and services	**31,550**	22,109
Salaries and benefits *[notes 9 and 13]*	**23,892**	16,975
Payments in lieu of municipal taxes	**1,261**	1,469
	86,123	62,029
Income (loss) before depreciation	**25,672**	(5,391)
Depreciation	**30,474**	31,297
Net loss for the year	**(4,802)**	(36,688)
Other comprehensive income		
Item that will never be reclassified subsequently to net loss		
Remeasurement of defined benefit plans *[note 9]*	**2,006**	973
Comprehensive loss for the year	**(2,796)**	(35,715)

See accompanying notes

Statement of changes in deficiency

Year ended December 31 (expressed in thousands of dollars)

	2022	2021
	$	$
Retained earnings (deficit), beginning of year	**(8,743)**	27,945
Net loss for the year	**(4,802)**	(36,688)
Deficit, end of year	**(13,545)**	(8,743)
Accumulated other comprehensive loss, beginning of year	**(9,429)**	(10,402)
Item that will never be recycled into net loss		
Income on remeasurement of defined benefit plan *[note 9]*	**2,006**	973
Accumulated other comprehensive loss, end of year	**(7,423)**	(9,429)
Total deficiency	**(20,968)**	(18,172)

See accompanying notes

Statement of cash flow

Year ended December 31 (expressed in thousands of dollars)

	2022	2021
	$	$
Operating activities		
Net loss for the year	**(4,802)**	(36,688)
Add items not involving cash		
Depreciation	**30,474**	31,297
Amortization of deferred financing costs	**239**	228
Interest expense	**21,588**	21,476
Decrease in other assets	**64**	63
Increase in other post-employment benefit liability	**294**	317
	47,857	16,693
Net change in non-cash working capital balances related to operations *[note 14]*	**434**	(2,043)
Cash provided by operating activities	**48,291**	14,650
Investing activities		
Purchase of property, plant and equipment *[note 3]*	**(14,728)**	(9,799)
Proceeds on disposal of property, plant and equipment	**—**	100
Lease payments received from finance leases	**519**	512
Change in accounts payable and accrued liabilities related to investing activities	**(262)**	(2,950)
Interest received	**318**	112
Cash used in investing activities	**(14,153)**	(12,025)
Financing activities		
Proceeds from bank indebtedness and long-term debt *[note 14]*	**—**	135,000
Increase in Debt Service Reserve Fund *[note 7[a]]*	**(211)**	(1,428)
Debt issue transaction costs	**—**	(404)
Settlement of interest rate hedge	**—**	283
Interest paid	**(21,401)**	(20,891)
Repayment of bank indebtedness and long-term debt *[note 14]*	**(14,023)**	(78,116)
Cash provided by (used in) financing activities	**(35,635)**	34,444
Net increase (decrease) in cash during the year	**(1,497)**	37,069
Cash and cash equivalents, beginning of year	**47,716**	10,647
Cash and cash equivalents, end of year	**46,219**	47,716

See accompanying notes

Notes to financial statements

December 31, 2022
(expressed in thousands of dollars, unless otherwise noted)

1. DESCRIPTION OF BUSINESS

Ottawa Macdonald-Cartier International Airport Authority [the "Authority"] was incorporated January 1, 1995 as a corporation without share capital under Part II of the *Canada Corporations Act* and continued under the *Canada Not-for-profit Corporations Act* on January 17, 2014. All earnings of the Authority are retained and reinvested in airport operations and development.

The objectives of the Authority are:

[a] To manage, operate and develop the Ottawa Macdonald-Cartier International Airport [the "Airport"], the premises of which are leased to the Authority by the Government of Canada [note 12], and any other airport in the National Capital Region for which the Authority becomes responsible, in a safe, secure, efficient, cost-effective and financially viable manner with reasonable airport user charges and equitable access to all carriers;

[b] To undertake and promote the development of the Airport lands, for which it is responsible, for uses compatible with air transportation activities; and

[c] To expand transportation facilities and generate economic activity in ways that are compatible with air transportation activities.

The Authority is governed by a 14-member Board of Directors, 10 of whom are nominated by the Minister of Transport for the Government of Canada, the Government of the Province of Ontario, the City of Ottawa, the City of Gatineau, the Ottawa Chamber of Commerce, the Ottawa Tourism and Convention Authority, Chambre de commerce de Gatineau and Invest Ottawa. The remaining four members are appointed by the Board of Directors from the community at large.

On January 31, 1997, the Authority signed a 60-year ground lease [that was later extended to 80 years in 2013] with the Government of Canada and assumed responsibility for the management, operation and development of the Airport.

The Authority is exempt from federal and provincial income taxes and Ontario capital tax. The Authority is domiciled in Canada. The address of the Authority's registered office and its principal place of business is Suite 2500, 1000 Airport Parkway Private, Ottawa, Ontario, Canada, K1V 9B4.

2. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements were authorized for issue by the Board of Directors on February 22, 2023. The financial statements and amounts included in the notes to the financial statements are presented in Canadian dollars, which is the Authority's functional currency.

The Authority prepares its financial statements in accordance with International Financial Reporting Standards ["IFRS"]. These financial statements have been prepared on a going concern basis using the historical cost basis, except for the revaluation of certain financial assets and financial liabilities measured at fair value, which include the post-employment benefit liability.

Cash and cash equivalents

Cash and cash equivalents are defined as cash and short-term investments with original terms to maturity of 90 days or less. Such short-term investments are recorded at fair value.

Government assistance

Government grants are not recognized until there is reasonable assurance that the Authority will comply with the conditions attaching to them and that the grants will be received.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Authority are recognized in the statement of operations and comprehensive loss as either other revenue, net of operating expenses or as a reduction in purchases of property, plant and equipment in the period in which they become receivable.

Consumable supplies

Inventories of consumable supplies are valued at the lower of cost, determined on a first-in, first-out basis, and net realizable value, based on estimated replacement cost.

Property, plant and equipment

Property, plant and equipment are recorded at cost, net of government assistance, if any, and include only the amounts expended by the Authority. These assets will revert to the Government of Canada upon the expiration or termination of the Authority's ground lease with the Government of Canada. Property, plant and equipment do not include the cost of facilities that were included in the original ground lease with the Government of Canada. Incremental borrowing costs incurred during the construction phase of qualifying assets are included in the cost. During the years ended December 31, 2022 and 2021, no incremental borrowing costs were capitalized.

Amounts initially recognized in respect of an item of property, plant and equipment are allocated to its significant parts and depreciated separately when the cost of the component is significant in relation to the total cost of the item and when its useful life is different from the useful life of the item. Residual values, the method of depreciation and estimated useful lives of assets are reviewed annually and adjusted if appropriate.

Depreciation is provided on a straight-line basis over the useful lives of individual assets and their component parts as follows:

Buildings and support facilities	3–40 years
Runways, roadways and other paved surfaces	10–50 years
Information technology, furniture and equipment	2–25 years
Vehicles	3–20 years
Land improvements	10–25 years

Construction in progress is recorded at cost and is transferred to buildings and support facilities and other asset categories as appropriate when the project is complete and the asset is available for use, or is written off when, due to changed circumstances, management does not expect the project to be completed. Construction in progress are not subject to depreciation until they are available for use.

The carrying amount of an item of property, plant and equipment is derecognized on disposal or when no future economic benefits are expected from its use. The gain or loss arising from derecognition [determined as the difference between net disposal proceeds and the carrying amount of the item] is included in the statement of operations and comprehensive loss when the item is derecognized.

Impairment of non-financial assets

Property, plant and equipment and other assets are tested for impairment at the cash-generating unit level when events or changes in circumstances indicate that their carrying amount may not be recoverable, and in the case of indefinite-life assets, at least annually. A cash-generating unit is the smallest group of assets that generates cash flows from continuing use that are largely independent of the cash flows of other assets or groups of assets. An impairment loss is recognized when the carrying value of the assets in the cash-generating unit exceeds the recoverable amount of the cash-generating unit.

Because the Authority's business model is to provide services to the travelling public, none of the assets of the Authority are considered to generate cash flows that are largely independent of the other assets and liabilities of the Authority. Consequently, all of the assets are considered part of the same cash-generating unit. In addition, the Authority's unfettered ability to raise its rates and charges as required to meet its obligations mitigates its risk of impairment losses. Management regularly reviews indicators and has assessed that there are no indicators of impairment affecting non-financial assets.

Deferred financing costs

Transaction costs relating to the issuance of long-term debt including underwriting fees, professional fees, termination of interest rate swap agreements and bond discounts are deferred and amortized using the effective interest rate method over the term of the related debt. Under the effective interest rate method, amortization is recognized over the life of the debt at a constant rate applied to the net carrying amount of the debt.

Amortization of deferred financing costs is included in interest expense. Deferred financing costs are reflected as a reduction in the carrying amount of related long-term debt.

Leases

At inception of a contract, the Authority assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Authority assesses whether:

- The contract involves the use of an identified asset. This may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified.
- The Authority has the right to obtain substantially all of the economic benefits from the use of the asset throughout the period of use.
- The Authority has the right to direct the use of the asset. The Authority has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases, where the decision about how and for what purpose the asset is used is predetermined, the Authority has the right to direct the use of the asset if either:
  - The Authority has the right to operate the asset; or
  - The Authority designed the asset in a way that predetermines how and for what purpose it will be used.

At inception or on reassessment of a contract that contains a lease component, the Authority allocates the consideration in the contract to each lease component based on their relative stand-alone prices. However, for the leases of land and buildings, the Authority has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Authority as lessee

Except for the ground lease, the Authority elected not to recognize right-of-use assets and lease liabilities for short-term leases of machinery and equipment that have a lease term of 12 months or less and leases of low-value assets, including photocopiers and printers. The Authority recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Ground lease

The Authority recognizes its ground lease as a short-term lease given the payments are variable in nature. Rent imposed under the ground lease with the Government of Canada is calculated based on airport revenues for the year as defined in the lease and is considered contingent rent. Ground rent expense is accounted for as a short-term lease in the statement of operations and comprehensive loss.

The Authority as lessor

When the Authority acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Authority makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Authority considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

If an arrangement contains lease and non-lease components, the Authority applies IFRS 15, *Revenue from Contracts with Customers* to allocate the consideration in the contract.

The Authority recognizes lease payments received under operating leases as income on a straight-line basis over the lease term as part of lease revenue.

The amount receivable from the lessee in accordance with a finance lease is recognized at an amount equal to the net investment of the Authority in the lease. Payments received from finance leases are recognized over the term of the lease in order to reflect a constant periodic return on the Authority's net investment in the finance lease as part of other revenue.

Revenue recognition

The Authority's principal sources of revenue comprise revenue from the rendering of services for landing fees, terminal fees and loading bridge charges, Airport improvement fees ["AIF"], car parking, concession, land and space rental and other income.

Revenue is measured by reference to the fair value of consideration received or receivable by the Authority for services rendered, net of rebates and discounts.

Revenue is recognized when the amount of revenue can be measured reliably, when it is probable that the economic benefits associated with the transaction will flow to the entity, when the costs incurred or to be incurred can be measured reliably, and when the criteria for each of the Authority's different revenue activities have been met, as described below.

Landing fees, terminal fees and parking revenues are recognized as the Airport facilities are utilized.

AIF are recognized upon the enplanement of origination and destination passengers using information from air carriers obtained after enplanement has occurred. AIF revenue is remitted to the Authority based on airlines self-assessing their passenger counts. The Authority performs an annual reconciliation with air carriers.

Concession revenue is recognized on the accrual basis and calculated using agreed percentages of reported concessionaire sales, with specified minimum annual guarantees. In 2021 and for a period in 2022, the minimum annual guarantees for concessionaires were temporarily waived by the Authority. Minimum annual guarantees were reinstated on car rentals and other concession contracts in the latter part of 2022 to coincide with the gradual return of passenger volumes at the Airport.

Land and space rental revenue is recognized over the lives of respective leases, licenses and permits. Tenant inducements associated with leased premises, including the value of rent-free periods, are deferred and amortized on a straight-line basis over the term of the related lease and recognized as part of material, supplies and service expenses.

Other income includes income from other sources, including interest income, and is recognized as earned.

Pension plan and other post-employment benefits

The post-employment pension benefit asset (liability) recognized on the balance sheet is the fair value of plan assets less the present values of defined pension benefit obligations as at the balance sheet date. The accrued benefit obligation is discounted using the market interest rate on high-quality corporate debt instruments as at the measurement date, approximating the terms of the related pension liability.

The Authority accrues its obligations under pension and other post-employment benefit plans as employees render the services necessary to earn these benefits. The costs of these plans are actuarially determined using the projected unit credit method based on length of service. This determination reflects management's best estimates at the beginning of each fiscal year of the rate of salary increases and various other factors including mortality, termination, retirement rates and expected future health care costs. For the purpose of calculating the net interest cost on the pension obligations net of pension plan assets, the pension plan assets are valued at fair value.

The other post-employment benefit liability recognized on the balance sheet is the present value of the defined benefit obligation as at the balance sheet date. The accrued benefit obligation is discounted using the market interest rate on high-quality corporate debt instruments as at the measurement date, approximating the terms of the related other post-employment benefit liability.

Pension expense for the defined benefit pension plan includes current service cost and the net interest cost on the pension obligations, net of pension plan assets calculated using the market interest rate on high-quality corporate debt instruments as determined for the previous balance sheet date. Past service costs are recognized immediately in the statement of operations and comprehensive loss. Pension expense is included in salaries and benefits on the statement of operations and comprehensive loss.

Actuarial gains and losses [experience gains and losses that arise because actual experience for each year will differ from the beginning-of-year assumptions used for purposes of determining the cost and liabilities of these plans] and the effect of the asset ceiling are recognized in full as remeasurements of defined benefit plans in the period in which they occur in other comprehensive income ["OCI"] without recycling to the statement of operations and comprehensive loss in subsequent periods.

Pension expense for the defined contribution pension plan is recorded as the benefits are earned by the employees covered by the plan.

Employee benefits other than post-employment benefits

The Authority recognizes the expense related to compensation and compensated absences, such as sick leave and vacations, as short-term benefits in the period the employee renders the service. Costs related to employee health, dental and life insurance plans are recognized in the period that expenses are incurred. The liabilities related to these benefits are not discounted due to their short-term nature.

Financial instruments

Financial assets

The Authority classifies its financial assets in the measurement categories outlined below, and the classification will depend on the type of financial assets and the contractual terms of the cash flows.

[i] Amortized cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. Financial assets at amortized cost are initially recognized at fair value plus any transaction costs. They are subsequently measured at amortized cost using the effective interest rate, net of an allowance for expected credit loss ["ECL"]. The ECL is recognized in the statement of operations and comprehensive loss for such instruments. Gains and losses arising on derecognition are recognized directly in the statement of operations and comprehensive loss and presented in other revenue.

[ii] Fair value through other comprehensive income ["FVOCI"]: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the financial assets' cash flows represent solely payments of principal and interest. Financial assets at FVOCI are initially recognized at fair value plus any transaction costs. They are subsequently measured at fair value. ECL's are recognized on financial assets held at FVOCI. The cumulative ECL allowance is recorded in OCI and does not reduce the carrying amount of the financial asset on the balance sheet. The change in the ECL allowance is recognized in the statement of operations and comprehensive loss. Unrealized gains and losses arising from changes in fair value are recorded in OCI until the financial asset is derecognized, at which point cumulative gains or losses previously recognized in OCI are reclassified from accumulated other comprehensive loss to net gains (losses) on financial instruments.

[iii] Fair value through profit or loss ["FVTPL"]: Assets that do not meet the criteria for classification as financial assets at amortized cost or financial assets at FVOCI are measured at FVTPL unless an irrevocable election has been made at initial recognition for certain equity investments to have their changes in fair value be presented in OCI. Financial assets at FVTPL are initially recognized and subsequently measured at fair value. Unrealized gains and losses arising from changes in fair value and gains and losses realized on disposition are recorded in net gains (losses) on financial instruments. Transaction costs are expensed as incurred.

The Authority's financial assets including cash and cash equivalents, trade and other receivables and the Debt Service Reserve Fund are classified at amortized cost.

Financial liabilities

Financial liabilities are classified as either financial liabilities at FVTPL or loans and borrowings at amortized cost. All financial liabilities are initially recognized at fair value plus any transaction costs. They are subsequently measured, depending on their classification, at fair value with gains and losses through statement of operations and comprehensive loss or at amortized cost using the effective interest rate method.

The Authority's financial liabilities including accounts payable and accrued liabilities and long-term debt are classified at amortized cost.

Fair value hierarchy

When measuring the fair value of an asset or a liability, the Authority uses market observable data as much as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

Level 1: Valuation based on quoted prices in active markets for identical assets or liabilities obtained from the investment custodian, investment managers or dealer markets.

Level 2: Valuation techniques with significant observable market parameters including quoted prices for assets in markets that are considered less active.

Level 3: Valuation techniques with significant unobservable market parameters.

The Authority recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

There have been no transfers between levels of the fair value hierarchy as at the end of the reporting period.

Measurement of ECLs

ECL is defined as the weighted average of credit losses determined by evaluating a range of possible outcomes using reasonable supportable information about past events and current and forecasted future economic conditions.

The Authority has developed an impairment model to determine the allowance for ECL on trade and other receivables classified at amortized cost. The Authority determines an allowance for ECL at initial recognition of the financial instrument that is updated at each reporting period throughout the life of the instrument.

The ECL allowance is based on the ECL over the life of the financial instrument ["Lifetime ECL"], unless there has been no significant increase in credit risk since initial recognition, in which case the ECL allowance is measured at an amount equal to the portion of Lifetime ECL that results from default events possible within the next 12 months. ECL is determined based on three main drivers: probability of default, loss given default and exposure at default.

The Authority assesses on a forward-looking basis the ECL associated with its financial instruments carried at amortized cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk. The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Authority uses judgment in making these assumptions and selecting the inputs to the impairment calculation based on the Authority's past history, existing market conditions as well as forward-looking estimates at the end of each reporting period.

The Authority has adopted the simplified approach and, as such, the Authority does not track changes in its customers' credit risk, but instead recognizes a loss allowance based on Lifetime ECLs at each reporting date. The Authority has established a provision that is based on its historical credit loss experience adjusted for forward-looking factors specific to the debtors and the economic environment.

Therefore, the Authority recognizes impairment and measures ECL as Lifetime ECL. The carrying amount of these assets in the balance sheet is stated net of any loss allowance. Impairment of trade and other receivables is presented within materials, supplies and service expenses in the statement of operations and comprehensive loss.

The Authority will use a "three-stage" model for impairment, if any since initial recognition, on financial instruments other than trade and other receivables, based on changes in credit quality as summarized below.

» Stage 1 — A financial instrument that is not credit-impaired on initial recognition is classified in "Stage 1" and its credit risk is continuously monitored by the Authority. Financial instruments in Stage 1 have their ECL measured at an amount equal to the portion of Lifetime ECLs that result from default events possible within the next 12 months.
» Stage 2 — If a significant increase in credit risk since initial recognition is identified, the financial instrument is moved to "Stage 2" but is not yet deemed to be credit-impaired. The ECL is measured based on the Lifetime ECL basis.
» Stage 3 — The financial instrument is credit-impaired and the financial instrument is written off as a credit loss.

Estimation uncertainty and key judgments

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, commitments and contingencies at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Accounting estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant.

These accounting estimates and assumptions are reviewed on an ongoing basis. Actual results could significantly differ from those estimates. Adjustments, if any, will be reflected in the statement of operations and comprehensive loss in the period of settlement or in the period of revision and future periods if the revision affects both current and future periods.

Key judgment areas, estimations and assumptions include leases, the useful lives of property, plant and equipment, valuation adjustments including ECLs, the cost of employee future benefits and provisions for contingencies.

Leases

The Authority applies judgment in reviewing each of its contractual arrangements to determine whether the arrangement contains a lease within the scope of IFRS 16. Leases that are recognized are subject to further judgment and estimation in various areas specific to the arrangement.

When a lease contract contains an option to extend or terminate a lease, the Authority must use its best estimate to determine the appropriate lease term. The Authority will consider all facts and circumstances to determine if there is an economic benefit to exercise an extension option or to not exercise a termination option.

The lease term must be reassessed if a significant event or change in circumstance occurs. Lease liabilities will be estimated and recognized using a discount rate equal to the Authority's estimated incremental borrowing rate. This rate represents the rate that the Authority would incur to obtain the funds necessary to purchase an asset of a similar value, with similar payment terms and security in a similar economic environment.

The Authority will evaluate all new lease agreements as a lessor and will determine whether these leases are classified as an operating or as a finance lease. This process will be reviewed on a quarterly basis with further analysis completed annually to ensure that leases are adequately recognized within the standard.

Useful lives of property, plant and equipment

Critical judgments are used to determine depreciation rates, useful lives and residual values of assets that impact depreciation amounts.

Loss allowance

The Authority establishes an ECL that involves management review of individual receivable balances based on current economic trends and the condition of the industry as a whole, and analysis of historical bad debts. The Authority is not able to predict changes in the financial condition of its customers, and if circumstances related to its customers' financial condition deteriorate, the estimates of the recoverability of trade and other receivables could be materially affected and the Authority may be required to record additional allowances. Alternatively, if the Authority provides more allowances than needed, a reversal of a portion of such allowances in future periods may be required based on actual collection experience.

Cost of employee future benefits

The Authority accounts for pension and other post-employment benefits based on actuarial valuation information provided by the Authority's independent actuaries. These valuations rely on statistical and other factors in order to anticipate future events. These factors include discount rates and key actuarial assumptions such as expected salary increases, expected retirement ages and mortality rates.

Provisions for contingencies

Provisions are recognized when the Authority has a present legal or constructive obligation as a result of past events, when it is probable that an outflow of economic resources will be required to settle the obligation, and when the amount can be reliably estimated.

Payment in lieu of municipal taxes

In December 2000, the Province of Ontario amended the *Assessment Act* to change the methodology for determining payments in lieu of taxes ["PILT"] for airports in Ontario. Under regulations signed in March 2001, PILT paid by airport authorities designated under the *Airport Transfer (Miscellaneous Matters) Act* are based on a fixed rate specific to each airport multiplied by the airport's prior year passenger volumes. This legislation effectively removes airports in Ontario from the effects of market value assessment.

Total comprehensive loss

Total comprehensive loss is defined to include net loss plus or minus OCI for the year. OCI includes actuarial gains and losses related to the Authority's pension plan and other post-employment benefits. OCI is accumulated as a separate component of deficiency called accumulated other comprehensive loss.

New and amended standards and interpretations

The Authority actively monitors new standards and amendments to existing standards that have been issued by the International Accounting Standards Board ["IASB"]. The Authority has consistently applied the accounting policies to all periods presented in these financial statements.

In the current year, the Authority has not applied any new or proposed amendments to IFRS standards and interpretations issued by the IASB due to the fact that no new amendments are applicable and will have no impact on the presentation of these financial statements of the Authority.

Future changes in accounting policies

The IASB has issued new amendments to existing standards. Management is currently reviewing future amendments to accounting standards to determine their potential impact on the Authority's accounting policies in future periods.

3. PROPERTY, PLANT AND EQUIPMENT

	Buildings and support facilities	Runways, roadways and other paved surfaces	Information technology, furniture and equipment	Vehicles	Land improvements	Construction in progress	Total
	$	$	$	$	$	$	$
Gross value							
As at January 1, 2021	535,859	124,661	57,407	36,814	11,321	11,222	777,284
Additions	—	—	—	—	—	9,799	9,799
Transfers	5,045	972	1,388	(226)	—	(7,179)	—
Disposals	(1,048)	—	(1,535)	(1,154)	—	—	(3,737)
As at December 31, 2021	539,856	125,633	57,260	35,434	11,321	13,842	783,346
Accumulated depreciation							
As at January 1, 2021	230,933	47,177	38,427	17,275	8,733	—	342,545
Depreciation	19,979	4,402	4,196	2,285	435	—	31,297
Disposals	(1,048)	—	(1,535)	(1,054)	—	—	(3,637)
As at December 31, 2021	249,864	51,579	41,088	18,506	9,168	—	370,205
Net book value							
As at December 31, 2021	289,992	74,054	16,172	16,928	2,153	13,842	413,141

	Buildings and support facilities	Runways, roadways and other paved surfaces	Information technology, furniture and equipment	Vehicles	Land improvements	Construction in progress	Total
	$	**$**	**$**	**$**	**$**	**$**	**$**
Gross value							
As at January 1, 2022	**539,856**	**125,633**	**57,260**	**35,434**	**11,321**	**13,842**	**783,346**
Additions	—	—	—	—	—	**14,728**	**14,728**
Transfers	**6,629**	**4,250**	**2,086**	**242**	**616**	**(13,823)**	—
Disposals	**(1,880)**	—	**(2,148)**	**(105)**	—	—	**(4,133)**
As at December 31, 2022	**544,605**	**129,883**	**57,198**	**35,571**	**11,937**	**14,747**	**793,941**
Accumulated depreciation							
As at January 1, 2022	**249,864**	**51,579**	**41,088**	**18,506**	**9,168**	—	**370,205**
Depreciation	**19,707**	**4,488**	**3,696**	**2,170**	**413**	—	**30,474**
Disposals	**(1,880)**	—	**(2,148)**	**(105)**	—	—	**(4,133)**
As at December 31, 2022	**267,691**	**56,067**	**42,636**	**20,571**	**9,581**	—	**396,546**
Net book value							
As at December 31, 2022	**276,914**	**73,816**	**14,562**	**15,000**	**2,356**	**14,747**	**397,395**

4. OTHER ASSETS

	2022 $	2021 $
Interest in 4160 Riverside Drive, at cost	**2,930**	2,930
Tenant improvements and leasehold inducements, net of amortization	**2,168**	2,232
	5,098	5,162

Interest in 4160 Riverside Drive

In an agreement signed on May 27, 1999, the Authority agreed to assist the Regional Municipality of Ottawa-Carleton [now the City of Ottawa, or the "City"] in acquiring lands municipally known as 4160 Riverside Drive by contributing to the City 50% of the funds required for the acquisition. In return, the City agreed to place restrictions on the use of the lands to ensure the lands are used for purposes that are compatible with the operations of the Authority. In addition, the Authority will receive 50% of the net proceeds from any future sale, transfer, lease or other conveyance of the lands.

Tenant improvements and leasehold inducements

During 2011, the Authority entered into a long-term lease with a subtenant that included a three-year rent-free period and provided, as a tenant inducement, a payment of $1.5 million towards the cost of utilities infrastructure and other site improvements, and the value of this rent-free period has been amortized over the term of the lease.

5. CREDIT FACILITIES

The Authority maintains access to an aggregate of $170.0 million [2021 — $170.0 million] in committed credit facilities ["Credit Facilities"] with two Canadian banks. The 364-day Credit Facilities that expired on October 13, 2022 have been extended for another 364-day term expiring on October 13, 2023. The Credit Facilities are secured under a trust indenture dated May 24, 2002 [as amended or supplemented, the "Master Trust Indenture"] [note 7[a]] and are available by way of overdraft, prime rate loans or bankers' acceptances. Indebtedness under the Credit Facilities bears interest at rates that vary with the lender's prime rate and bankers' acceptance rates, as appropriate.

The following table summarizes the amounts authorized under each of the Credit Facilities, along with their related expiry dates and intended purposes:

Type of facility	Maturity	Purpose	2022 $ millions	2021 $ millions
Revolver — 364-day	October 13, 2023	General corporate and capital expenditures	**40**	40
Revolver — 2-year	May 31, 2023	General corporate and capital expenditures	**50**	50
Revolver — 3-year	June 4, 2023	General corporate and capital expenditures	**40**	40
Revolver — 5-year	May 31, 2025	General corporate and capital expenditures	**40**	40
			170	170

As at December 31, 2022 and December 31, 2021, there was no bank indebtedness under these facilities.

As at December 31, 2022, $13.9 million [2021 — $11.0 million] of the Credit Facilities has been designated to the Operating and Maintenance Reserve Fund [note 7[a]].

In order to satisfy the Debt Service Reserve Fund requirement for the Series E Amortizing Revenue Bonds, an irrevocable standby letter of credit in favour of the Trustee in the amount of $9.5 million has been drawn from the available Credit Facilities.

As at December 31, 2022, Credit Facilities available net of designated and drawn amounts is $146.6 million [2021 — $149.5 million].

6. CAPITAL MANAGEMENT

The Authority is continued without share capital under the *Canada Not-for-profit Corporations Act* and, as such, all earnings are retained and reinvested in airport operations and development. Accordingly, the Authority's only sources of capital for investing in airport operations and development are long-term debt and accumulated income included on the Authority's balance sheet as deficit.

The Authority incurs debt, including long-term debt, to finance development. It does so on the basis of the amount that it considers it can afford and manage based on revenue from AIF and to maintain appropriate debt service coverage and long-term debt per enplaned passenger ratios. This provides for a self-imposed limit on what the Authority can spend on major development of the Airport, such as the Authority's major infrastructure construction programs.

The Authority manages its rates and charges for aeronautical and other fees to safeguard the Authority's ability to continue as a going concern and to maintain a conservative capital structure. It makes adjustments to these rates in light of changes in economic conditions, operating expense profiles and regulatory environment to maintain sufficient net earnings to meet ongoing debt coverage requirements.

The Authority is not subject to capital requirements imposed by a regulator, but manages its capital to comply with the covenants of the Master Trust Indenture [note 7[a]] and to maintain its credit ratings in order to secure access to financing at a reasonable cost.

7. LONG-TERM DEBT

	2022 **$**	2021 $
6.973% Amortizing Revenue Bonds, Series B, due May 25, 2032, interest payable on May 25 and November 25 of each year until maturity commencing November 25, 2002, scheduled accelerating semi-annual instalments of principal payable on each interest payment date commencing November 25, 2004 through to May 25, 2032	**101,395**	107,751
3.933% Amortizing Revenue Bonds, Series E, due June 9, 2045, interest payable on June 9 and December 9 of each year commencing December 9, 2015 followed by scheduled fixed semi-annual instalments of $9,480 including principal and interest payable on each interest payment date commencing December 9, 2020 through to June 9, 2045	**281,380**	289,046
2.698% Revenue Bonds, Series F, due May 5, 2031, interest payable on May 5 and November 5 of each year until maturity commencing November 5, 2021 through to May 5, 2031	**100,000**	100,000
	482,775	496,797
Less deferred financing costs	**2,284**	2,523
	480,491	494,274
Less current portion	**14,988**	14,023
	465,503	480,251

[a] Bond issues

The Authority issues revenue bonds [collectively, "Bonds"] under the Master Trust Indenture. In May 2002, the Authority completed its original $270.0 million revenue bond issue with two series, the $120.0 million Revenue Bonds, Series A at 5.64% due on May 25, 2007, and the $150.0 million Amortizing Revenue Bonds, Series B at 6.973% due on May 25, 2032. In May 2007, the Authority completed the $200.0 million Revenue Bonds, Series D at 4.733%, in part to refinance the Series A Revenue Bonds repaid on May 25, 2007.

On June 9, 2015, the Authority completed the $300.0 million Amortizing Revenue Bonds, Series E, which bear interest at a rate of 3.933% and are due on June 9, 2045. Part of the net proceeds from this offering were used to prefund the repayment of the $200.0 million Series D Bonds, which matured and were repaid on May 2, 2017.

On May 5, 2021, the Authority completed the issuance of the Series F $100.0 million Revenue Bonds that bear interest at a rate of 2.698% and are due on May 5, 2031. Part of the net proceeds from this offering were used for the repayment of $35.0 million in bank indebtedness and $1.4 million was allocated to satisfy the Debt Service Reserve Fund requirement for the Series F Revenue Bonds.

The Series B Amortizing Revenue Bonds are redeemable, in whole or in part, at the option of the Authority at any time, and the Series E Amortizing Revenue Bonds are redeemable until six months prior to the maturity date, upon payment of the greater of:

[i] The aggregate principal amount remaining unpaid on the Bonds to be redeemed; and

[ii] The value that would result in a yield to maturity equivalent to that of a Government of Canada bond of equivalent maturity plus a premium. The premium is 0.24% for the Series B Amortizing Revenue Bonds, 0.42% for the Series E Amortizing Revenue Bonds and 0.27% for the Series F Revenue Bonds. If the Series E Amortizing Revenue Bonds are redeemed within six months of the maturity date, the Series E Amortizing Revenue Bonds will be redeemable at a price equal to 100% of the principal amount outstanding plus any accrued and unpaid interest.

The net proceeds from these offerings were used to finance the Authority's infrastructure construction programs, and for general corporate purposes. These purposes included refinancing existing debt and bank indebtedness incurred by the Authority in connection with these construction programs and funding of the Debt Service Reserve Fund [see below].

Under the Master Trust Indenture, all of these bond issues are direct obligations of the Authority ranking pari passu with all other indebtedness issued. All indebtedness, including indebtedness under Credit Facilities, is secured under the Master Trust Indenture by an assignment of revenues and related book debts, a security interest on money in reserve funds and certain accounts of the Authority, a security interest in leases, concessions and other revenue contracts of the Authority, and an unregistered mortgage of the Authority's leasehold interest in airport lands.

On April 23, 2021, the Authority received the support of bondholders to waive temporarily, for the fiscal years ended December 31, 2021 and 2022, the requirement to comply with the rate covenants [debt service coverage ratio and gross debt service coverage ratio], the additional indebtedness covenant and the requirement to comply with the rate covenant for the sale of assets. Accordingly, the Authority is compliant with all provisions of its debt facilities, including the Master Trust Indenture provisions related to reserve funds, the flow of funds and the rate covenant requirements, as consented by the bondholders for the year ended December 31, 2022.

The Authority manages its rates and charges for aeronautical and other fees to safeguard the Authority's ability to continue as a going concern and to maintain a conservative capital structure. It makes adjustments to these rates in light of changes in economic conditions, operating expense profiles and regulatory environment to maintain sufficient net earnings to meet ongoing debt coverage requirements.

Under the terms of the Master Trust Indenture, the Authority is required to maintain with the Trustee a Debt Service Reserve Fund equal to six months' debt service in the form of cash, qualified investments or letter of credit. As at December 31, 2022, the balance of cash and qualified investments held to satisfy the Debt Service Reserve Fund requirements is $8.5 million [2021 — $8.3 million] and includes the Debt Service Reserve Fund requirement for the Series B Amortizing Revenue Bonds of $7.1 million [2021 — $6.9 million] and the Debt Service Reserve Fund requirement for the Series F Revenue Bonds of $1.4 million [2021 — $1.4 million]. Furthermore, in order to satisfy the Debt Service Reserve Fund requirement for the Series E Amortizing Revenue Bonds, an irrevocable standby letter of credit in favour of the Trustee in the amount of $9.5 million has been drawn from the available Credit Facilities. These trust funds are held for the benefit of the bondholders for use and application in accordance with the terms of the Master Trust Indenture. In addition, the Authority is required to maintain an Operating and Maintenance Reserve Fund equal to 25% of defined operating and maintenance expenses from the previous 12 months. As at December 31, 2022, $13.9 million [2021 — $11.0 million] of the Credit Facilities has been designated to the Operating and Maintenance Reserve Fund [note 5].

[b] Interest expenses

	2022 **$**	2021 $
Bond interest	**21,336**	21,109
Other interest and deferred financing expense	**252**	367
	21,588	21,476

[c] Future annual principal payments for all long-term debt

	$
2023	14,988
2024	16,014
2025	17,107
2026	18,271
2027	19,509
Thereafter	396,886
	482,775

[d] Deferred financing costs

	2022	2021
	$	$
Deferred financing costs	**5,155**	5,155
Less accumulated amortization	**2,871**	2,632
	2,284	2,523

8. AIRPORT IMPROVEMENT FEES

AIF are collected by the air carriers in the price of a ticket and are paid to the Authority on an estimated basis, net of air carrier administrative fees of 7% [2021 — 7%], on the basis of estimated enplaned passengers under an agreement between the Authority, the Air Transport Association of Canada and the air carriers serving the Airport. Under the agreement, AIF revenue may only be used to pay for the capital and related financing costs of airport infrastructure development. AIF revenue is recorded at its gross amount on the statement of operations and comprehensive loss. Administrative fees paid to the air carriers were $3.4 million [2021 — $1.3 million].

AIF funding activities in the year are outlined below:

	2022	2021
	$	$
Earned revenue	**50,265**	19,343
Air carrier administrative fees	**(3,408)**	(1,350)
Net AIF revenue earned	**46,857**	17,993
Eligible capital asset purchases	**(12,839)**	(9,342)
Eligible interest expense	**(21,463)**	(23,253)
Eligible other expenses	**(314)**	(1,038)
	(34,616)	(33,633)
Excess (deficiency) of AIF revenue over AIF expenditures	**12,241**	(15,640)

AIF funding activities on a cumulative basis since inception of the AIF are outlined below:

	2022	2021
	$	$
Earned revenue	**780,513**	730,248
Air carrier administrative fees	**(47,560)**	(44,152)
Net AIF revenue earned	**732,953**	686,096
Eligible capital asset purchases	**(758,292)**	(745,452)
Eligible interest expense	**(447,553)**	(426,089)
Eligible other expenses	**(3,059)**	(2,746)
	(1,208,904)	(1,174,287)
Deficiency of AIF revenue over AIF expenditures	**(475,951)**	(488,191)

The AIF will continue to be collected until the cumulative excess of expenditures over AIF revenue is reduced to zero.

9. PENSION PLAN AND OTHER POST-EMPLOYMENT BENEFITS

The amounts recognized as the post-employment benefit assets and liabilities on the balance sheet as at December 31 are as follows:

	2022	2021
	$	$
Post-employment pension benefit asset, net	—	263
Other post-employment benefit liability	**6,969**	8,944

The Authority sponsors and funds a pension plan for its employees, which has defined benefit and defined contribution components.

Under the defined contribution plan, the Authority pays fixed contributions into an independent entity to match certain employee contributions. The Authority has no legal or constructive obligation to pay further contributions after its payment of the fixed contribution.

The defined benefit plan includes employees who were employees of the Authority on the date of transfer of the responsibility for the management, operation and development of the Airport from Transport Canada on January 31, 1997 [note 1], including former Transport Canada employees, the majority of whom transferred their vested benefits from the Public Service Superannuation Plan to the Authority's pension plan. Pension benefits payable under the defined benefit component of the plan are based on members' years of service and the average of the best six years' consecutive earnings near retirement up to the maximums allowed by law. Benefits are indexed annually to reflect the increase in the consumer price index to a maximum of 8% in any one year.

Pension plan costs are charged to operations as services are rendered based on an actuarial valuation of the obligation.

In addition to pension plan benefits, the Authority provides other post-employment and retirement benefits to some of its employees, including health care insurance and payments upon retirement or termination of employment. The Authority accrues the cost of these future benefits as employees render their services based on an actuarial valuation. This plan is not funded.

As at the date of the most recent actuarial valuation of the pension plan, which was as at December 31, 2021, and was completed and was filed in June 2022 as required by law, the plan had a surplus on a funding [going concern] basis of $3,389 assuming a discount rate of 3.00% [2020 – $4,737 surplus assuming a discount rate of 4.00%]. This amount differs from the amount reflected below primarily because the obligation is calculated using the discount rate that represents the expected long-term rate of return of assets. For accounting purposes, it is calculated using an interest rate determined with reference to market rates on high-quality debt instruments with cash flows that match the timing and amount of expected benefit payments.

The Pension Benefits Standards Act, 1985 [the "Act"] requires that a solvency analysis of the plan be performed to determine the financial position [on a "solvency basis"] of the plan as if it were fully terminated on the valuation date due to insolvency of the sponsor or a decision to terminate. As at December 31, 2021, the plan had a deficit on a solvency basis of $1,257 [2020 — $1,811] before considering the present value of additional solvency payments required under the Act. In 2022, the Authority made additional solvency payments of $251 [2021 — $362] to amortize this deficiency.

The next required actuarial valuation of the defined benefit pension plan, which will be as at December 31, 2022, is scheduled to be completed and filed by its June 2023 due date. The plan's funded position and the amounts of solvency payments required under the Act are subject to fluctuations in interest rates. It is expected that, once the actuarial valuation is completed, the additional solvency payments that are required for 2023 will be $251 [2022 — $251]. In addition, the Authority expects to contribute approximately $174 [2022 actual — $288] on account of current service in 2023 to the defined benefit component of the pension plan for the year ending December 31, 2023.

Based on the most recent actuarial determination of pension plan benefits completed as at December 31, 2021 and extrapolated to December 31, 2022 by the Authority's actuaries, the estimated status of the defined benefit pension plan is as follows:

	2022 $	2021 $
Accrued benefit obligation — defined benefit pensions		
Balance, beginning of year	**64,939**	70,683
Employee contributions	**46**	63
Benefits paid	**(2,691)**	(3,109)
Current service cost	**288**	453
Interest cost on accrued benefit obligation	**1,918**	1,741
Actuarial gain — change in economic assumptions	**(14,413)**	(4,778)
Actuarial loss (gain) — change in plan experience	**1,241**	(114)
Balance, end of year	**51,328**	64,939
Plan assets — defined benefit pensions		
Fair value, beginning of year	**69,188**	70,645
Employee contributions	**46**	63
Employer contributions	**295**	354
Employer contributions, special solvency payments	**251**	362
Benefits paid	**(2,691)**	(3,109)
Interest on plan assets [net of administrative expenses]	**1,861**	1,549
Actuarial loss on plan assets	**(13,496)**	(676)
Fair value — plan assets	**55,454**	69,188
Effect of limiting the net defined benefit asset to the asset ceiling	**(4,126)**	(3,986)
Fair value, end of year	**51,328**	65,202
Post-employment pension benefit asset, net	**—**	263

The net defined benefit pension plan expense for the year ended December 31 was as follows:

	2022 $	2021 $
Current service cost	**408**	453
Interest cost on accrued benefit obligation	**1,918**	1,741
Interest on plan assets [net of administrative expenses]	**(1,861)**	(1,549)
Defined benefit pension plan expense recognized in salaries and benefits expense in net loss	**465**	645

In addition to pension benefits, the Authority provides other post-employment benefits to its employees. The status of other post-employment benefit plans, based on the most recent actuarial reports, measured as of December 31 is as follows:

	2022 $	2021 $
Accrued benefit obligation — other post-employment benefits		
Balance, beginning of year	**8,944**	9,337
Benefits paid	**(350)**	(327)
Current service cost	**409**	444
Interest cost	**268**	233
Actuarial gain — change in economic assumptions	**(2,302)**	(743)
Balance, end of year	**6,969**	8,944

The net expense for other post-employment benefit plans for the year ended December 31 was as follows:

	2022	2021
	$	$
Current service cost	**409**	444
Interest cost	**268**	233
Expense recognized in salaries and benefits expense in net loss	**677**	677

The amount recognized in OCI for defined benefit pension plans and other post-employment benefit plans for the year ended December 31 was as follows:

	2022	2021
	$	$
Defined benefit pension plans		
Actuarial gain — change in economic assumptions	**(14,413)**	(4,778)
Actuarial loss (gain) — change in plan experience	**1,241**	(114)
Actuarial loss on plan assets	**13,496**	676
Effect of limiting the net defined benefit asset to the asset ceiling	**(28)**	3,986
Other post-employment benefit plans		
Actuarial gain — change in economic assumptions	**(2,302)**	(743)
Total income recognized in OCI	**(2,006)**	(973)

The costs of the defined benefit component of the pension plan and of other post-employment benefits are actuarially determined using the projected benefit method prorated on services. This determination reflects management's best estimates of the rate of return on plan assets, rate of salary increases and various other factors, including mortality, termination and retirement rates.

The significant economic assumptions used by the Authority's actuaries in measuring the Authority's accrued benefit obligations as at December 31 are as follows:

	2022	2021
	%	%
Defined benefit pension plan		
Discount rate to determine expense	**3.00**	2.50
Discount rate to determine year-end obligations	**5.00**	3.00
Interest rate on plan assets	**3.00**	2.50
Rate of average compensation increases	**3.00**	3.00
Rate of inflation indexation post-retirement [consumer price index]	**2.00**	2.00
Other post-employment benefit plans		
Discount rate to determine expense		
Health care	**3.00**	2.50
Severance program	**2.75**	2.25
Discount rate to determine year-end obligation		
Health care	**5.00**	3.00
Severance program	**5.00**	2.75
Rate of average compensation increases	**3.00**	3.00
Rate of increases in health care costs		
Trend rate for the next fiscal year	**5.20**	5.30
Ultimate trend rate	**4.00**	4.00
Fiscal year the ultimate trend rate is reached	**2036**	2036

The Authority's defined benefit pension plans and post-retirement benefit plans face a number of risks, including inflation, but the most significant of these risks relates to changes in interest rates [discount rate]. The defined benefit pension plan's liability is calculated for various purposes using discount rates set with reference to corporate bond yields. If plan assets underperform this yield, this will increase the deficit. A decrease in this discount rate will increase plan liabilities, although this will be partially offset by an increase in the value of the plan's bond holdings. In addition to the risks of fluctuations in interest rates [discount rate] outlined above, the Authority's pension plans are subject to a number of other risks. The Authority has taken steps to reduce the risk of fluctuations in interest rates and other factors by purchasing fully indexed annuities from a leading Canadian insurance provider covering 99% [2021 — 96%] of all retired members. Relative to the actuarial assumptions noted above, the financial impact of changes in key assumptions is outlined below:

	Change in assumption	Impact on obligation after increase in assumption $	Impact on obligation after decrease in assumption $
Defined benefit pension plan			
Discount rate	1%	(1,170)	1,509
Inflation	1%	1,347	(1,070)
Compensation	1%	54	(59)
Life expectancy	1 year	190	—
Discount rate — solvency liability as at December 31, 2020	1%	(4,027)	5,197
Other post-employment benefit plans			
Discount rate			
Health care	1%	(604)	769
Severance program	1%	(184)	212
Health care costs	1%	849	(669)
Life expectancy	1 year	183	(175)

The Authority's pension and other post-employment benefit plans are designed to provide benefits for the life of the member. Increases in life expectancy will result in an increase in the plans' liabilities. The obligations for these plans as at December 31, 2022 have been estimated by the Authority's actuaries using the most recent mortality tables available [Canadian Pensioner Mortality 2014 Combined Sector Mortality Table].

The investment policy for the pension plan's defined benefit funds was revised in 2018 to adopt a strategy based on plan maturity with segmentation based on retirees as at December 31, 2018 and all other members at that date. This approach involved setting up a liability-matching fund for retired members who were receiving a pension as at December 31, 2018 and a balanced growth fund for managing the assets related to the liabilities of all other members. Under the liability-matching fund, all assets are fully invested in a buy-in annuity contract purchased in December 2018 for 58 retired members. Under the balanced growth fund, the pension plan purchased in October 2020, a fully indexed buy-in annuity contract for six additional retired members as at December 1, 2020 with a further indexed buy-in annuity contract completed in October 2022 for five additional retired members as at December 31, 2022. As at December 31, 2022, 99% [2021 — 96%] of all retired members were covered by fully indexed buy-in annuity contracts. For future retirements of active and deferred members, additional buy-in or buy-out annuities may be considered depending on market conditions. The defined benefit plan is a closed plan. As at the date of the most recent actuarial valuation as at December 31, 2021, the average age of the 8 active members was 55 years of age. The average age of the 67 retired members was 70 years of age.

Responsibility for governance of the plans including overseeing aspects of the plans such as investment decisions lies with the Authority through a Pension Committee. The Pension Committee in turn has appointed experienced independent experts such as investment advisors, investment managers, actuaries and a custodian for assets.

The percentage distribution of total fair value of assets of the pension plans by major asset category as at December 31 is as follows:

	2022	2021
	%	%
Fixed income fund	**12**	19
Commercial mortgages fund	**2**	3
Annuity buy-in contract	**77**	64
Equity funds — Canadian funds	**2**	3
Equity funds — International and global funds	**5**	7
Emerging market fund	**1**	2
Real estate fund	**1**	2

The Authority's contribution to the defined contribution component of the pension plan is a maximum of 8% of the employee's gross earnings to match employee contributions. Information on this component is as follows:

	2022	2021
	$	$
Employer contributions – defined contribution plan	**1,142**	1,061
Employee contributions – defined contribution plan	**1,272**	1,184
Net expense recognized in salaries and benefits expense	**1,142**	1,061

10. FAIR VALUE MEASUREMENT

Fair values are measured and disclosed in relation to the fair value hierarchy [as discussed in note 2] that reflects the significance of inputs used in determining the estimates.

The Authority has assessed that the fair values of cash and cash equivalents, trade and other receivables, accounts payable and accrued liabilities and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

The Authority's long-term debt, including Revenue Bonds outstanding, is reflected in the financial statements at amortized cost [note 7]. As at December 31, 2022, the estimated fair value of the long-term Series B, Series E Amortizing Revenue Bonds and Series F Revenue Bonds is $109.7 million, $246.2 million and $85.1 million, respectively [2021 — $133.4 million, $313.7 million and $102.2 million for Series B, Series E and Series F, respectively]. Pursuant to the Level 2 valuation methodology as set out in the fair value hierarchy, the fair value of the bonds is estimated by calculating the present value of future cash flows based on year-end benchmark interest rates and credit spreads for similar instruments.

11. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Authority is exposed to a number of risks as a result of the financial instruments on its balance sheet that can affect its operating performance. These risks include interest rate risk, liquidity risk, credit risk and concentration risk. The Authority's financial instruments are not subject to foreign exchange risk or other price risk.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The following financial instruments are subject to interest rate risk as at December 31:

	2022		2021	
	Carrying value	**Effective year-end interest rate**	Carrying value	Effective year-end interest rate
	$	**%**	$	%
Cash and cash equivalents [floating rates][1]	**54,667**	**3.86**	56,012	0.83
Long-term debt [at fixed cost]	**480,491**	**See note 7**	494,274	*See note 7*

[1] *Includes Debt Service Reserve Fund $8,507 [2021 — $8,295]*

The Authority has entered into fixed rate long-term debt and, accordingly, the impact of interest rate fluctuations has no effect on interest payments until such time as this debt is to be refinanced. Changes in prevailing benchmark interest rates and credit spreads, however, may impact the fair value of this debt. The Authority's most significant exposure to interest rate risk relates to its future anticipated borrowings and refinancing.

In addition, the Authority's cash and cash equivalents and its Debt Service Reserve Fund are subject to floating interest rates. Management has oversight over interest rates that apply to its cash and cash equivalents and the Debt Service Reserve Fund. These funds are invested from time to time in short-term bankers' acceptances and guaranteed investment certificates as permitted by the Master Trust Indenture, while maintaining liquidity for purposes of investing in the Authority's capital programs. Management has oversight over interest rates that apply to its bank indebtedness and fixes these rates for short-term periods of up to 90 days based on bankers' acceptance rates.

If interest rates had been 50 basis points [0.50%] higher/lower and all other variables were held constant, including timing of expenditures related to the Authority's capital expenditure programs, the Authority's loss for the year would have increased/decreased by $0.3 million as a result of the Authority's exposure to interest rates on its floating rate assets and liabilities. The Authority believes, however, that this exposure is not significant and that interest income is not essential to the Authority's operations as these assets are intended for reinvestment in airport operations and development, and not for purposes of generating interest income.

Liquidity risk

The Authority manages its liquidity risks by maintaining adequate cash, bank indebtedness and Credit Facilities, by updating and reviewing multi-year cash flow projections on a regular and as-needed basis and by matching its long-term financing arrangements with its cash flow needs. The Authority believes it has a strong credit rating that gives it access to sufficient long-term funds as well as committed lines of credit through Credit Facilities with two Canadian banks.

The Authority has unfettered ability to raise its rates and charges as required to meet its obligations. Under the Master Trust Indenture entered into by the Authority in connection with its debt offerings [note 7[a]], the Authority is required to take all lawful measures to maintain its compliance with the gross debt service coverage ratio of 1.25 and the debt service coverage ratio of 1.0. If this debt service covenant ratio is not met in any year, the Authority is not in default of its obligations under the Master Trust Indenture. Due to the Authority's increased Credit Facilities and together with the unfettered ability to increase rates and charges, it expects to continue to have sufficient liquidity to cover all of its obligations as they come due, including interest payments of approximately $21.4 million per year. The future annual principal payment requirements of the Authority's obligations under its long-term debt are described in note 7[c].

Credit risk and concentration risk

The Authority is subject to credit risk through its cash and cash equivalents, its Debt Service Reserve Fund, and its trade and other receivables. The counterparties of cash and cash equivalents and the Debt Service Reserve Fund are highly rated Canadian financial institutions. The trade and other receivables consist primarily of current aeronautical fees and AIF owing from air carriers. The majority of the Authority's trade and other receivables are paid within 44 days [2021 — 47 days] of the date that they are due. A significant portion of the Authority's revenue, and resulting receivable balances, is derived from air carriers. The Authority performs ongoing credit valuations of receivable balances and maintains an allowance for potential credit losses. The Authority's right under the *Airport Transfer (Miscellaneous Matters) Act* to seize and detain aircraft until outstanding aeronautical fees are paid mitigates the risk of credit losses. ECLs are maintained, consistent with the credit risk, historical trends, general economic conditions and other information, as described below, and are taken into account in the financial statements.

Impairment analysis is performed at each reporting date using a credit loss provision model to measure ECLs. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns [i.e., airlines, concessionaires, land tenants, etc.]. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written off if past due for more than one year and are not subject to enforcement activity.

Methodologies and assumptions applied in the base ECL calculations remain unchanged from those applied in the prior financial year. Over the course of the COVID-19 pandemic, the Authority incorporated estimates, assumptions and judgments specific to the impact of the COVID-19 pandemic with no material recoverability issues. As the Airport gradually recovers from the COVID-19 pandemic, the Authority will continue to monitor for any emergence of recoverability issues.

The Authority has adopted the simplified method to evaluate the required ECL provision for trade and other receivables. Approximately 97% of the Authority's trade and other receivables are in the current category [less than 30 days overdue]. The Authority has recognized $98 in 2022 as an ECL provision [2021 – $50], which is largely represented by the 1.13% [2021 – 1.17%] of ECL rate in the less than 30 days overdue category.

The Authority derives approximately 47% [2021 – 49%] of its landing fee and terminal fee revenues from Air Canada and its affiliates. Management believes, however, that the Authority's long-term exposure to any single air carrier is mitigated by the fact that approximately 97% [2021 – 98%] of the passenger traffic through the Airport is origin and destination traffic and, therefore, other carriers are likely to absorb the traffic of any carrier that ceases operations. In addition, the Authority's unfettered ability to increase its rates and charges mitigates the impact of these risks.

12. LEASES

The Authority as lessee

On January 31, 1997, the Authority signed a 60-year ground lease [as amended, the "Lease"] with the Government of Canada [Transport Canada] for the management, operation and development of the Airport. The Lease contains provisions for compliance with a number of requirements, including environmental standards, minimum insurance coverage, specific accounting and reporting requirements, and various other matters that have a significant effect on the day-to-day operation of the Airport. The Authority believes that it has complied with all requirements under the Lease.

On February 25, 2013, the Minister of Transport for the Government of Canada signed an amendment to the Lease to extend the term from 60 years to 80 years ending on January 31, 2077. At the end of the renewal term, unless otherwise extended, the Authority is obligated to return control of the Airport to the Government of Canada.

The Authority recognizes its ground lease as a short-term lease given the payments are variable in nature. Rent imposed under the ground lease with the Government of Canada is calculated based on airport revenue for the year as defined in the Lease and is considered contingent rent. Ground rent expense is accounted for as a lease in the statement of operations and comprehensive loss. From March 1, 2020 to December 31, 2021, the Authority was granted a ground rent relief waiver that waived all ground rent payments for this period. This waiver is described in more detail in note 13. For 2022, the ground rent payable is computed pursuant to the prescribed calculation for the year ended December 31, 2022.

Based on forecasts of future revenues, which are subject to change depending on economic conditions, passenger volumes and changes in the Authority's rates and fees, estimated rent payments for the next five years are approximately as follows:

	$
2023	10,724
2024	13,512
2025	14,674
2026	15,246
2027	15,819

The Authority as lessor

Finance leases

The Authority has entered into two land lease arrangements as a lessor that are considered finance leases. This is the result of the Authority transferring substantially all of the risks and rewards of ownership of these assets to the lessee and Authority as the lessor recognizes these agreements as a receivable.

Finance lease receivables are classified under non-current assets.

The maturity analysis of the finance lease receivables, including the undiscounted lease payments to be received, are as follows:

	2022 $
Less than 1 year	**527**
1–2 years	**534**
2–3 years	**542**
3–4 years	**550**
4–5 years	**558**
Over 5 years	**23,825**
Total undiscounted lease payments receivable	**26,536**
Unearned finance income	**(14,868)**
Net investment in the leases	**11,668**

Operating leases

In addition, the Authority also leases out, under operating leases, land and certain assets that are included in property, plant and equipment. Many leases include renewal options, in which case they are subject to market price revision. The lessee does not have the possibility of acquiring the leased assets at the end of the lease.

The estimated lease revenue under operating leases for the next five years is approximately as follows:

	$
2023	6,845
2024	6,982
2025	7,121
2026	7,514
2027	7,714

13. GOVERNMENT ASSISTANCE — COVID-19 PANDEMIC

Canada Emergency Wage Subsidy ["CEWS"]

In response to the negative economic impact of COVID-19, the Government of Canada announced the CEWS program in April 2020, which provided a wage subsidy grant to eligible employers based on meeting certain criteria.

During 2021, the Authority qualified for this subsidy from January 1, 2021 to October 23, 2021, and the Authority claimed $5.0 million in subsidy grants for 2021. The program ended in October 2021 and no such subsidy was recognized in 2022.

Government of Canada ground rent relief waiver

Further to the ground rent waiver that was in place in 2021, on November 20, 2020, the Government of Canada announced its decision to extend the waiver of ground rent obligations to the end of December 2021 due to the prolonged decline in air traffic and the significant financial impact on airport authorities. This represents a benefit of $3.3 million in waived ground rent that would have otherwise been payable in 2021 based on the application of prescribed rates throughout the 2021 fiscal year.

For 2022, ground rent payable is computed pursuant to the prescribed calculation for the year ended December 31, 2022 with no rent relief provided.

Airport Relief Fund ["ARF"] program and Airport Critical Infrastructure Program ["ACIP"]

On May 11, 2021, the Government of Canada launched two new contribution funding programs to help Canada's airports recover from the effects of the COVID-19 pandemic:

» ACIP will financially assist Canada's larger airports with investments in critical infrastructure related to safety, security or connectivity.

» ARF will provide financial relief to targeted Canadian airports to help maintain operations in 2021.

ACIP

In 2021, the Authority qualified for a maximum of $9.0 million in federal government ACIP funding to support capital spending on two major construction projects. During 2022, $6.4 million [2021 – $2.6 million] of this subsidy was applied as a reduction to capitalized construction costs included in property, plant and equipment incurred by the Authority. The balance of the ACIP funding will be applied in 2023, pursuant to qualifying criteria, to incurred eligible construction costs on these approved projects.

ARF program

In 2021, the Authority was granted a one-time payment of $5.7 million as part of the program's prescribed funding formula that was based on airport size. This program was not renewed in 2022. These funds are included as other revenue in the statement of operations and comprehensive loss.

14. STATEMENT OF CASH FLOWS

The net change in non-cash working capital balances related to operations consists of the following:

	2022	2021
	$	$
Trade and other receivables	**(5,532)**	(5,080)
Prepaid expenses, advances and consumable supplies	**(1,246)**	6
Accounts payable and accrued liabilities	**7,212**	3,031
	434	(2,043)

Proceeds from bank indebtedness and long-term debt consist of the following:

	2022	2021
	$	$
Bank indebtedness	—	35,000
Long-term debt	—	100,000
	—	135,000

Repayment of bank indebtedness and long-term debt consist of the following:

	2022	2021
	$	$
Bank indebtedness	—	65,000
Long-term debt	**14,023**	13,116
	14,023	78,116

15. RELATED PARTY TRANSACTIONS

Compensation paid, payable or provided by the Authority to key management personnel during the year ended December 31 is recorded at cost and is as follows:

	2022	2021
	$	$
Salaries and short-term benefits	**2,731**	2,550
Post-employment benefits	**164**	210
	2,895	2,760

Key management includes the Authority's Board of Directors and members of the executive team, including the President and CEO, and seven vice-presidents.

The defined benefit pension plan referred to in note 9 is a related party to the Authority. The Authority's transactions with the pension plan include contributions paid to the plan, which are disclosed in note 9. The Authority has not entered into other transactions with the pension plan.

16. COMMITMENTS AND CONTINGENCIES

Ground lease commitments

The Lease requires the Authority to calculate rent payable to Transport Canada utilizing a formula reflecting annual airport revenues [note 12].

Operating and capital commitments

As at December 31, 2022, the Authority has total operating commitments from the ordinary course of business in the amount of $30.0 million [2021 — $11.8 million], for which payments of $10.5 million relate to 2023 and diminishing in each year over the next five years as contracts expire. In addition to these operating commitments, there are further capital investment commitments related to contracts for the purchase of property, plant and equipment of approximately $13.9 million that expire in 2023.

The operating commitments from the ordinary course of business for the next five years are approximately as follows:

	$
2023	10,460
2024	7,586
2025	7,334
2026	4,519
2027	96

Contingencies

The Authority may, from time to time, be involved in legal proceedings, claims and litigation that arise in the ordinary course of business. The Authority does not expect the outcome of any proceedings to have a material adverse impact on the financial position or results of operations of the Authority.

17. COVID-19 PANDEMIC

The COVID-19 pandemic continued to weigh heavily on the Airport and the Canadian and global travel industry throughout 2022. The year began with weakness brought on by the Omicron variant with continuing travel and public health restrictions. With the lifting of restrictions over the course of 2022, passenger volumes have trended higher throughout the year. While the recovery is encouraging, full year passenger volumes are 59% of 2019 levels [pre-pandemic] and the Authority looks forward to continued momentum for 2023 as it moves closer to reaching and exceeding 2019 passenger volumes over the next few years. The Authority remains cautious about potential disruptions from additional variants of concern and impacts from macro-economic trends and outlooks. Furthermore, the Authority continues to monitor the passenger mix flowing through the Airport. The strong return of leisure passenger volumes has anchored the recovery at the Airport and across the industry. Anecdotal evidence suggests that there is a lag in the number of business passengers arriving and departing the Airport as the National Capital Region adjusts for the use of digital meetings and remote work activities. The composition of the Airport's local market with a large component of the community in ongoing remote work arrangements may cause a lag in the return of business passengers as compared to other large airports in Canada in the near term.

Despite encouraging signs of recovery, the full duration of the recovery from the pandemic is yet to be known, and the Authority is focused on the long-term financial sustainability of the Airport. The Authority continues to apply strict cost discipline as it adjusts its operations to expected volumes. The Authority continues to meet its debt service obligations.