Annual Report

OTTAWA INTERNATIONAL AIRPORT AUTHORITY

2020

International Airport Authority
Administration de l'aéroport international
Ottawa

Message from the Chair of the Board of Directors

When I became Chair of the Board of Directors in 2019, I could never have imagined leading the governance function of the Ottawa International Airport Authority through a global pandemic. But, here we are formally wrapping up and reporting on an unprecedented and very challenging 2020.

In March, the federal government responded to the threat of the COVID-19 virus by closing the border with the United States and limiting international travel to only four airports within Canada that did not include Ottawa. These restrictions were put in place to prevent the virus from entering and spreading within the country. As Mark Laroche, the Authority's President and CEO, will share in his letter, the Airport suffered an immediate and significant drop in passengers. The Authority's financial situation also declined dramatically, calling for a swift change in priorities, including reviewing the long list of items that were due to be initiated, advanced and completed during the year. Many projects and programs included in the Authority's Strategic Action Plan were cancelled or deferred in the interest of cutting costs and preserving funds.

The Ottawa International Airport's reputation of being fiscally prudent has served it well during the pandemic. The practice of "sweating the asset" means that despite growing pre-pandemic passenger volumes, the Authority made the most of available space and existing infrastructure to accommodate growth, rather than undergoing a costly expansion. The terminal, which was built in 2003 to accommodate 5 million passengers, exceeded these figures in 2018 and 2019, but we chose not to take on the debt required to add space. In hindsight, these decisions have proven even more critical to the Authority's ability to weather this storm.

As the Board deliberated with Mark and his team through the year, the team impressed us with their ability to shift and reposition as the pandemic's severity and impact increased. The team acted on every public health directive from January to December. These included ever-changing signage, deploying a full physical distancing program –complete with floor decals, plexiglas shields, automated public address system announcements, enhanced cleaning protocols, and launching a COVID-19 micro website with up-to-date information for travellers and campus employees. These activities, coupled with many other health and safety measures, have ensured that all employees and passengers have been kept safe. For this, and so much more, I am extremely grateful.

We all hoped a recovery would begin to happen by the summer of 2020. As we know, that did not occur. Instead, the virus persisted, and additional travel restrictions were implemented to address growing COVID-19 infection rates. Mark will elaborate, but I can tell you that he and his team responded effectively and thoughtfully as many critical decisions were made to safeguard the Airport's future.

I would like to thank Mark and the entire Authority team for their patience, adaptability and resilience in the face of the ongoing changes and constant challenges. Many have continued to work from home with incredible efficiency and dedication. Those who were required to work on-site have done so with extreme caution, following public health directives for the health and safety of their colleagues and passengers alike. I am so proud of all they have done to ensure that the Airport is in the best possible position when the recovery begins.

The Board was also required to shift its focus as financial sustainability became the most critical priority for the Authority. While regular committee work continued, albeit by video conference, all matters were viewed through an even more magnified financial lens. I want to commend each member for their dedication and willingness to adapt to the situation by demonstrating their unwavering commitment to the Authority.

The Board said goodbye to member Brendan McGuinty in 2020. Brendan, who was nominated by the City of Ottawa and joined the Board in 2011, chaired the Governance Committee and provided invaluable counsel on many important files during his tenure. His contributions were appreciated and he will be missed.

I was delighted to welcome a new member to the Board. Mario Cuconato joined us in September and filled the vacant City of Ottawa position. Mario brings a wealth of business experience in the public and private sectors as well as facilities and infrastructure management – all skills that will serve the Authority well.

I look forward to our eventual return to meetings in the Airport's boardroom, where we can provide a proper, in-person welcome to Mario.

By now, it is no mystery that the pandemic will endure through 2021 as efforts to administer approved vaccines continue. I hope at this time next year I can share the news that we are in recovery and that the Authority has resumed work on projects such as YOW+. I also hope to be able to celebrate efforts to rebuild our flight schedule. YOW's route map will look very different for some time. Capturing accurate data will be critical as the airlines determine which markets to serve when meaningful recovery happens.

To that end, we need your help. If travel is essential now, or when public health guidelines deem non-essential travel to be acceptable again, I would ask that you include the Ottawa International Airport in your flight plans. Airlines need to understand actual demand from our community as they consider which routes to re-establish.

The Airport is an essential part of our local tourism ecosystem. Industry devastation has permeated the community, with hoteliers, restaurateurs, retailers and scores of individuals who work in the sector suffering the loss. Our recovery is their recovery and vice versa, and while we know that this will take some time, we will be all-in to help push more inbound tourism and to do what we can to stimulate demand.

We look forward to resuming our role as an economic generator, fueling both the local economy and broader industry recovery. Rest assured that we will be ready to do so safely and responsibly when the time is right.

I will close my remarks with a final thank you to the community. The air travel process has transformed with new measures and protocols at every step. When travel has been necessary, you have been cooperative and kind. We appreciate the role you have and continue to play in safe travel during the pandemic.

Code Cubitt
Chair of the Board of Directors

Message from the President and Chief Executive Officer

When the calendar turned to 2020, we had an exciting year mapped out, filled with optimism and many significant projects underway. Within two months the world changed, and the Ottawa International Airport Authority quickly followed suit. In my letter last year, I mentioned that we immediately shifted our focus to health and safety measures and developed a plan to move forward towards our most important priority: financial sustainability.

In the weeks after the federal government closed the border and funnelled all international traffic through four airports, we knew the impact would be devastating, but we could not have predicted the magnitude. Our year-end results confirm that we dropped from 5.1 million passengers in 2019 to a mere 1.36 million in 2020 – a figure that would have been even worse were it not for a strong pre-pandemic start to the year.

Our first course of action was to slash costs. We consolidated operations to a smaller footprint in the terminal, deferred or cancelled projects altogether, and either froze or drastically cut budgets. We brought work in-house that we may have previously outsourced.

While I typically discuss the year starting with operations, I would like to begin this overview with a discussion about the Authority's fantastic team and how they have responded to the COVID-19 situation. A third of the group relocated their workspaces to their homes from the moment the pandemic was declared. With the Information Technology (IT) team's help, they picked up where they left off and have continued to work productively ever since, finding innovative ways to connect with their clients and colleagues.

Our team comprises many equipment operators, technical staff and skilled trades. Most of them have continued to work on-site, albeit in very different conditions than pre-pandemic. With myriad health and safety measures in place, they have adapted to the change. They have found ways to help the Authority's cost-cutting measures by taking on projects previously outsourced to manufacturers or other third parties.

Whether working remotely or on-site, this team has risen to the challenge, and I cannot say enough about what a difference their commitment and adaptability have made since last March.

The team factored prominently in the projects and work that proceeded despite the downturn and reduced operating costs, while still maintaining a safe and secure operation.

Perhaps the most visible project is the new Canada/International security screening checkpoint, which is now located on Level 3. This critical project was one of the key pillars in the now deferred YOW+ program. The advanced state of the project, coupled with the ongoing need to facilitate physical distancing for the foreseeable future, compelled the Authority to complete the project per all required health and safety guidelines. Working in close partnership with the Canadian Air Transport Security Authority, we opened the space on time and on budget in October. YOW can now offer significantly more space for both queuing and processing, and a more efficient screening service for the travelling public.

Authority staff took advantage of the mostly idle arrivals area to refurbish the terminal's four original baggage carousels. This activity would typically have been outsourced due to workload, and saved the Authority approximately $150,000. This project is one of many in-sourced projects that was undertaken early on to preserve our cash while keeping as many of our employees efficiently employed as possible.

A cross-functional team collaborated throughout the year to ensure compliance with the Canadian Transportation Agency's Accessible Transportation for Persons with Disabilities Regulations, which went into effect in 2020. While the Authority has always prided itself on ensuring barrier-free travel for all, the exercise resulted in the creation of policies and procedures that will ensure curb-to-cabin assistance for passengers who require it and modifications to the airport's website to meet the letter of the regulation. I am pleased to say that we are compliant and will continue to monitor and address any future gaps as the community's needs and regulations evolve. Our compliance complements the RHF Accessibility Certified Gold rating we received from the Rick Hansen Foundation in 2019.

I mentioned the IT group earlier concerning their role in setting up our remote team to work effectively away from the office. Additionally, they rolled out Microsoft Office 365, a suite of products that includes Microsoft Teams and SharePoint, which allows the entire Authority staff to collaborate and stay connected online. They did it in record time with few issues. Add to their plate the mammoth task of working towards ISO27001 certification, including developing a dozen required standard operating procedures, and you have a very productive team.

A quiet terminal allowed the Security and Emergency Management team to spend time planning, training and testing.

A key outcome was the development of a new Security and Emergency Response Training Policy and Program aimed at ensuring the Authority has trained, competent, and confident security and emergency response personnel. The policy outlines the Authority's commitment to ensuring that all staff whose responsibilities are related to security and emergency response have the skills and training needed to respond effectively during actual incidents.

Coincident with introducing the new training policy and program was a full update of the Airport Emergency Response Plans and the transition to the Incident Command System (ICS) for handling incident response. The shift to ICS is particularly important given that the City of Ottawa and the Province of Ontario are also adopting it.

Transport Canada regulations require that Tier 1 Airports in Canada conduct a full-deployment security exercise every two years. We held our exercise on October 27th.

YOW continues to be heavily involved in the drone file, with advancements in the technical trials we told you about last year. While the pandemic has had a devastating impact on commercial travel, it has had the opposite effect on drone activity, with commercial and recreational interest in drones exceeding forecasts. With increased use comes an increased risk to civil aviation if drone operators do not follow regulations.

Building on the drone incident response protocol developed at YOW, our team has been working closely with Transport Canada to develop a national-level response protocol and test it in a series of tabletop exercises.

In 2020, YOW expanded its drone detection initiative by adding InDro Robotics to the previously established memorandum of understanding between the Authority, NAV CANADA and QinetiQ Canada. This expanded agreement added Aeroscope Radio Frequency (RF) drone detection and data analytics of DJI drones (the most popular drones currently in operation) to the micro-Doppler radar provided by QinetiQ. This suite of capabilities provides an incredible level of situational awareness and valuable data that we can share with Transport Canada, NAV CANADA and the Ottawa Police Service.

As I have frequently said since the pandemic began, the impact on our Airport is devastating. With reduced flights and dwindling passengers, our many partners have also been hard-hit. Our Business Development and Marketing (BDM) team, with support from operations, has responded to airline needs by helping them reduce overhead costs by accommodating frequent schedule modifications, as well as the carriers' in-terminal space to meet low demand.

The team also worked with other impacted commercial tenants throughout the year by providing as much flexibility as we could afford. As a result, we scaled down the in-terminal concession offering significantly to match demand. Additionally, by agreeing to rent reductions, eligible tenants took advantage of government commercial assistance programs available to them.

Given the importance of cargo movements throughout the pandemic, we continued to support freight operators to expand their operational areas to meet their growing needs.

Thanks to efforts of the planning arm of BDM, several years of collaboration with the City of Ottawa's Planning Department resulted in the Airport's geographical footprint recognized as an economic development zone in the City's draft Official Plan. As Ottawa grows, this designation will facilitate future development on Airport land and leverage connectivity that the City's Light Rail Transit project will provide upon completion.

Keeping our employees safe and healthy has underpinned many of the decisions taken since March. As mentioned, a segment of our workforce has been working remotely, which has required new programs and policies to support them. The Human Resources Department (HR) and the management team developed and managed these in short order.

With employees scattered both geographically and within the terminal, employee communication and engagement became a priority, understanding that remote work coupled with the need to maintain physical distance in the workplace creates the potential for isolation and other related issues. The HR team has worked diligently to provide the support, tools, and information our employees need to navigate our pandemic reality.

They also worked to ensure the Authority could take advantage of the Canada Emergency Wage Subsidy to ease the payroll burden. Despite the subsidy, when it became clear that the pandemic was going to persist beyond early forecasts, we had to make the difficult decision to implement a workforce adjustment. This decision resulted in the unfortunate loss of 18 Authority staff and the cancellation of 11 vacant positions. We provided all the affected staff with outplacement services. We also provided all supervisors and managers who were involved in the adjustment process with training and support.

The collaboration and engagement mentioned only scratches the surface of HR's efforts to keep the team together, while mostly apart, and no doubt contributed to successfully negotiating a new collective agreement with the Public Service Alliance of Canada (PSAC) – the union representing the bulk of the Authority's employees. We are delighted that the negotiations went smoothly and positioned us to move forward together towards financial sustainability.

It will likely be many months before our remote teams return to the traditional workplace, and we will continue to ensure that every employee is supported, informed and engaged for the duration.

Communication in all its forms has proven to be critical during the pandemic. From sharing public health guidelines, airport measures and other updates with the travelling and general public to keeping our employees updated and sharing the evolving standards and protocols with our campus partners, the Communications department has been actively engaged since the start of the year.

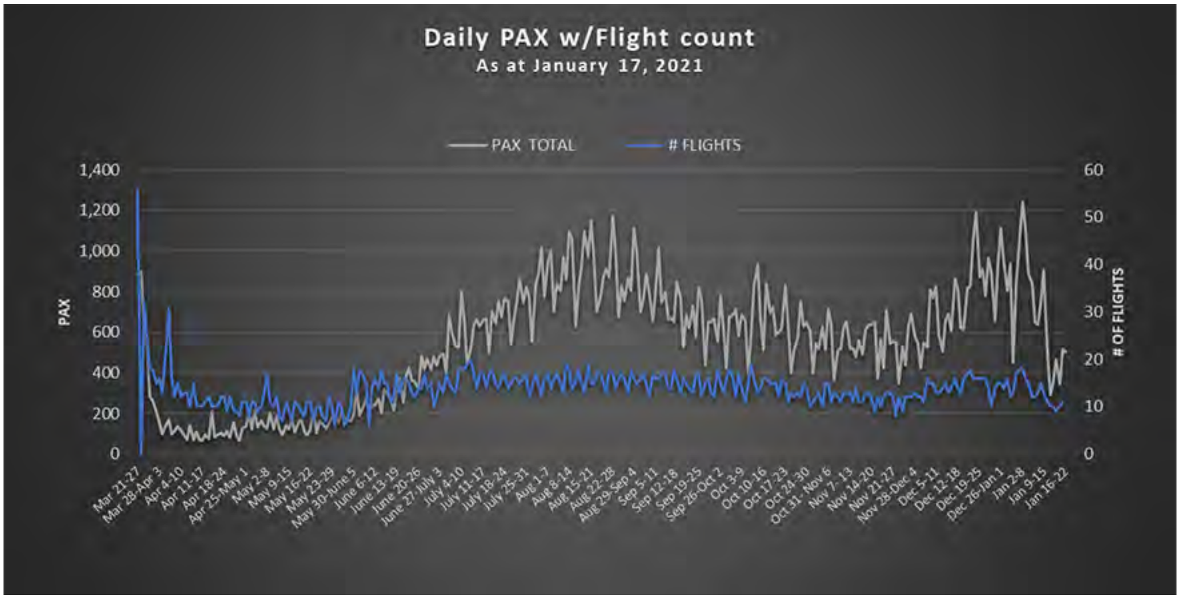
The department has also participated in industry recovery efforts with the Province of Ontario and Airports Council International-North America. Involvement included keeping the impact on airports top of mind in pandemic discussions province-wide and assisting the development and deployment of consistent messaging and health and safety measures across airports, respectively.

The two information kiosks in the Airport have been noticeably empty since March. They were closed out of an abundance of caution for our cherished Infoguide volunteers. Our therapy dog program was also put on hold indefinitely. Many wish to resume their duties at the Airport, however, the programs will only be reinstated once the pandemic is declared over, and passenger volumes return in a meaningful way. Thank you to both volunteer groups for their patience and understanding.

It should come as no surprise that pandemic has caused significant economic contraction that has had, and is expected to continue to have, a negative impact on demand for air travel, and by extension, on the Authority's finances.

YOW experienced an 87.5% decline in passenger volumes during the period from March 2020 to December 2020 compared to the same periods in 2019. This decline is due to widespread public health concerns compounded by travel advisories and restrictions imposed by the federal government to stop the virus' spread.

Air carriers responded by cancelling routes, laying off staff and grounding aircraft. In 2020, total passenger volumes of 1.36 million passengers were 73.3% lower than in 2019; Domestic passenger volumes decreased 74.2%, Transborder volumes declined 76.2%, and International passenger volumes decreased 60.5%. Revenues in 2020 were $48.6 million, which was 64.8% lower than 2019, and all revenue areas, except land and space rentals, were significantly impacted by the devastating decrease in passengers.



The Authority finished 2020 by generating a loss before depreciation of $19.5 million compared to earnings of $36.2 million in 2019. After depreciation, a net loss of $51.2 million was generated in 2020 compared to net earnings of $5.1 million in 2019. The Authority is leveraging its strong credit facility capacity throughout this unprecedented event and continues to meet its regulatory, operational and debt service obligations.

Forecasting and tracking finances has been an exercise in adaptability, given the pandemic's duration and severity and its impact on our industry. I want to thank the team for their efforts to stay on top of the situation and constantly recasting the numbers that we require to make informed and responsible decisions in response to COVID-19.

In addition to the noted activities, the entire senior management team has been collaborating with peers from across the country, sharing best practices and coordinating advocacy efforts on behalf of the industry. YOW has been front and centre in discussions with the federal government to advocate for aviation sector support. These advocacy efforts also include soliciting financial support for the terminal station that will connect the Airport with the LRT in Stage 2 of the City's overall transit project.

As critical infrastructure, the Airport must remain operational in support of cargo, military, medical and other aircraft movements. This status comes at a cost, which is not currently being covered by our meagre operations and revenues. As mentioned in the financial overview, we are using our credit facilities to manage as we work towards financial stability.

Every effort, initiative, and decision mentioned was made with our Board of Directors' support. Under the leadership of Chair Code Cubitt, we have been in lockstep with the Board as we negotiated the twists and turns that have accompanied this unprecedented period in our history. I want to thank members for their trust and support as we responded to every challenge. As Code said, we look forward to meeting again in person when it is safe to do so. In the meantime, we will hone our video conferencing skills together as we press on.

The news of effective vaccines provides us with a glimmer of hope for the future. We look forward to an efficient immunization program rollout to expedite our return to everyday life and eventual industry recovery. We will continue to work with our partners and stakeholders to ensure we are ready when restrictions are lifted and non-essential travel can resume. We will be ready to greet our colleagues and passengers and provide a safe and secure travel experience for all.

Mark Laroche
President and Chief Executive Officer

Strategic Initiatives / Five-year Projections

The Ottawa International Airport Authority (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 2020-2024 timeline, as well as actual results compared to the Business Plan for 2020:

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.

2020 Actual vs. Business Plan

(IN MILLIONS OF CANADIAN DOLLARS)	ACTUAL $	PLAN $	VARIANCE $	
Revenues	48.6	142.1	(93.5)	The unprecedented COVID-19 pandemic caused a significant reduction in passenger volumes [(73.3%) year over year], which caused significantly lower revenue in all areas.
Expenses	99.7	135.3	(35.5)	The COVID-19 pandemic resulted in significant reductions in all expense lines and functions including the elimination of 15% of positions at the Authority.
Capital expenditures	16.8	48.2	(31.4)	COVID-19 caused the cancellation and suspension of most capital investment initiatives with the continuation of core projects related to the CATSA security screening checkpoint relocation and concession enhancement program.

Financial Projections 2021 – 2025

(IN MILLIONS OF CANADIAN DOLLARS)	2021 $	2022 $	2023 $	2024 $	2025 $
Revenues	42.1	88.2	105.5	122.6	141.0
Expenses	95.1	102.7	105.8	109.8	113.5
Capital expenditures	15.0	15.0	15.0	15.0	15.0

Summary of Amounts Spent in the Ottawa Region

(IN MILLIONS OF CANADIAN DOLLARS)	2016 $	2017 $	2018 $	2019 $	**2020 $**	TOTAL $
Wage bill	22.8	23.8	24.4	24.9	**23.7**	119.6

(IN MILLIONS OF CANADIAN DOLLARS)	2016 $	2017 $	2018 $	2019 $	2020 $	TOTAL $
Payments in lieu of municipal taxes	5.0	5.1	5.2	5.5	**5.5**	26.3
Operations costs	36.0	35.0	38.0	40.0	**24.0**	173.0
Capital costs	24.0	35.0	37.0	36.3	**16.8**	149.1
	87.8	98.9	104.6	106.7	**70.0**	468.0

Notes:
The wage bill includes benefits and excludes CEWS 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

		DOMESTIC	%	TRANSBORDER	%	INTERNATIONAL	%	TOTAL	%
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)
FORECAST	2021	733,064	(29.0)	132,449	(18.8)	134,487	(20.1)	1,000,000	(26.7)

		DOMESTIC	%	TRANSBORDER	%	INTERNATIONAL	%	TOTAL	%
	2022	1,822,689	148.6	346,768	161.8	330,543	145.8	2,500,000	150.0
	2023	2,257,110	23.8	406,735	17.3	336,155	1.7	3,000,000	20.0
	2024	2,689,512	19.2	443,523	9.0	366,965	9.2	3,500,000	16.7
	2025	3,150,000	17.1	500,000	12.7	375,000	2.2	4,025,000	15.0
	2030	3,650,000	15.9	580,000	16.0	440,000	17.3	4,670,000	16.0

Key Measurements

		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

		PASSENGERS	ANNUAL GROWTH %	AIRCRAFT MOVEMENTS	ANNUAL GROWTH %	RENT TO TRANSPORT CANADA $	ANNUAL GROWTH %
	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)
FORECAST	2021	1,000,000	(26.7)	16,000	(31.6)	—	(100.0)
	2022	2,500,000	150.0	40,000	150.0	5,152,000	100.0
	2023	3,000,000	20.0	48,000	20.0	6,892,000	33.8
	2024	3,500,000	16.7	56,000	16.7	8,593,000	24.7
	2025	4,025,000	15.0	64,400	15.0	10,381,000	20.8

Notes:
Federal Government Net Book Value at time of transfer: $ 75 million
Total rent projected 1997-2025: $ 235.4 million
Forecast passenger volumes are as provided by outside consultants.
For financial planning purposes, the Authority forecasts on a more conservative basis.

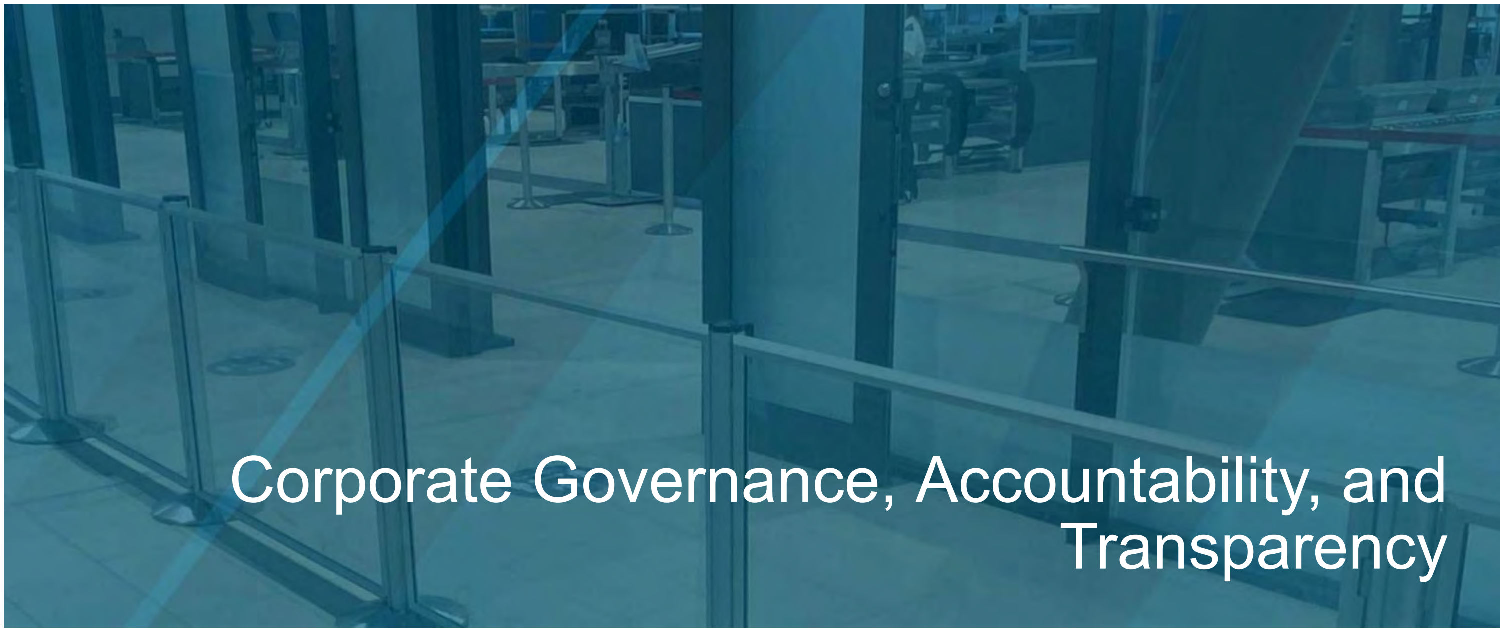
Five-year Review

(IN THOUSANDS OF CANADIAN DOLLARS)	2016 $	2017 $	2018 $	2019 $	2020 $
Revenues	126,806	132,623	138,060	138,062	**48,584**
Expenses before depreciation	104,028	99,801	99,751	101,838	**68,110**
Earnings (loss) before depreciation	22,778	32,822	38,309	36,224	**(19,526)**
Capital expenditures	24,443	35,528	37,027	36,300	**16,853**
AIF revenues	49,915	52,244	54,215	53,988	**14,649**

Daily Nonstop Flights

	DOMESTIC	TRANSBORDER	INTERNATIONAL (WEEKLY)
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**

Origin and destination
97.0% of traffic (estimated)



Corporate Governance, Accountability, and Transparency

The Ottawa International Airport 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 Ottawa International Airport Authority's (Authority) 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 2020, 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

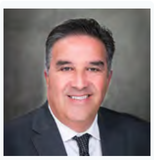
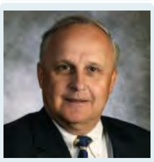
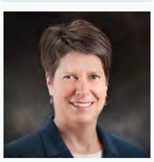
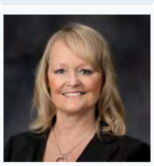
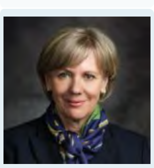
The Authority established by-laws at incorporation in 1995, which have been amended several times over the years. Under the current by-laws, the selecting bodies that provide nominees to the 14-member Board are as follows:

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 qualifications required of a Director are included in the by-laws. Collectively, the Directors shall have experience in the fields of law, engineering, accounting and 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.

The following represents the composition of the Board as at December 31st, 2020.

	NAME AND POSITION	OCCUPATION	SELECTING BODY AND YEAR APPOINTED
	**Code Cubitt** Chair of the Board	Managing Director Mistral Venture Partners	Invest Ottawa 2015
	**Craig Bater** [2] Chair, Governance Committee	Lawyer Augustine Bater Binks	Ottawa Board of Trade 2012
	**Shane Bennett** [3][5]	Vice President Bennett Insurance Agency Limited	Government of Ontario 2019
	**Bonnie Boretsky** [1][2][5] Chair, Ad-Hoc Committee on Board Material	Retired Executive	Transport Canada 2019
	**Dick Brown** [3] Chair, Human Resources and Compensation Committee	Retired Executive	Ottawa Tourism 2016
	**Mario Cuconato** [4]	Associate Partner Avenai	City of Ottawa 2020
	**Scott Eaton** [1][4]	Business Lawyer	At Large 2013
	**Michèle Lafontaine** [4] Chair, Major Infrastructure and Environment Committee	Notary PME Inter Notaires	Ville de Gatineau 2017
	**Kevin McGarr** [4][5]	Executive Vice President VOTI Detection Principal McGarr Advisory Services	At Large 2019
	**Laurel Murray** [1] Chair, Audit Committee	President Murray Consulting Inc.	Transport Canada 2019
	**Carole Presseault** [2][3]	Principal Consultant Presseault Strategies+	Chambre de commerce de Gatineau 2014

	NAME AND POSITION	OCCUPATION	SELECTING BODY AND YEAR APPOINTED
	**Jacques Sauvé** (4)(5)	Independent Engineer Consultant	At Large 2012
	**Lisa Stilborn** (2)	Vice President Canadian Fuels Association	City of Ottawa 2016
	**Janice Traversy** (1)(3)	Retired Airline Executive CPA, CMA	At Large 2013

(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
(5) Member of the Ad-Hoc Committee on Board Material

Director’s Compensation in 2020

Annual Retainer

- Chair: $52,571
- Audit Committee Chair: $25,702
- Committee Chairs: $23,366
- All other Directors: $14,019

Per Meeting Fee

- $644 per meeting
- $233 per teleconference

Attendance at Board and Committee Meetings

BOARD MEMBER	BOARD MEETINGS ATTENDED	COMMITTEE MEETINGS ATTENDED WHILE MEMBER OF A COMMITTEE
Craig Bater	6 out of 6	9 out of 9
Shane Bennett	6 out of 6	5 out of 6
Bonnie Boretsky	6 out of 6	10 out of 10
Dick Brown	6 out of 6	9 out of 9
Code Cubitt	6 out of 6	25 out of 25
Mario Cuconato (2)	2 out of 2	1 out of 1
Scott Eaton	6 out of 6	9 out of 9
Michèle Lafontaine	6 out of 6	8 out of 8
Kevin McGarr	6 out of 6	6 out of 6
Brendan McGuinty (1)	2 out of 2	3 out of 3
Laurel Murray	6 out of 6	7 out of 7
Carole Presseault	6 out of 6	9 out of 10
Jacques Sauvé	5 out of 6	9 out of 9
Lisa Stilborn	4 out of 6	7 out of 10
Janice Traversy	6 out of 6	12 out of 13

(1) Term ended on April 29, 2020
(2) New Board member effective September 16, 2020

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 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 the infrastructure investment plans prepared as part of the annual Business Plan in consultation with the Audit Committee; and
- review the Authority's environmental management reports including issues related to noise.

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 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 incentive plan, pension plans, benefits, and all other aspects of compensation;
- approve at-risk pay envelope pursuant to the Board approved At-Risk Pay Program;
- 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.

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 $122,428 ($75,000 in 1994 dollars adjusted for CPI to December 31st, 2019), 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 $122,428 that were not awarded on the basis of a public competitive process during 2020:

CONTRACTOR	CONTRACT DESCRIPTION	REASON FOR SOLE SOURCE
ARINC	$131,052 Common use system software solutions support	See A below

A. Sole source to ensure integration and functionality with existing systems and equipment originally purchased following a public competitive process.

Executive Management Salary Ranges

The base salary range for the President of the Authority in 2020 was between $314,114 and $366,438. The base salary ranges for Vice Presidents in 2020 was between $125,012 and $253,130.

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.

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 June 26, 2020 that it was increasing its fee to $28 effective October 1, 2020. The purpose of the existing AIF is to pay for the construction of, and the debt 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 Authority's current Business and Strategic Plans;
- the most recent and the previous annual financial statements of the Authority, 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 the Authority's affairs during the previous fiscal year;

- summaries of the Authority’s five most recent Business Plans;
- the Authority’s Articles of Incorporation (its letters patent) and by-laws, including any amendments;
- all signed airport transfer agreements; and
- a summary of the Authority’s Five-year Performance Review document.

2020 Financial Review

This Financial Review reports on the results and financial position of the Ottawa International Airport Authority (Authority) for its year ended December 31, 2020. 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 a loss of $19.5 million before depreciation for the year ended December 31, 2020 and compares to earnings of $36.2 million for the year ended December 31, 2019. The Authority recorded depreciation of $31.7 million in 2020 compared to $31.1 million in 2019, 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 $51.2 million in 2020 compared to net earnings of $5.1 million in 2019.

The Authority's net operating results for the three years ended December 31, 2020 are summarized as follows:

(IN MILLIONS OF CANADIAN DOLLARS)	2020 $	2019 $	2018 $
Revenues	**48.6**	138.1	138.1
Expenses	**68.1**	101.9	99.8
Earnings (loss) before depreciation	**(19.5)**	36.2	38.3
Depreciation	**31.7**	31.1	31.3
Net earnings (loss)	**(51.2)**	5.1	7.0
Total assets	**478.8**	510.7	500.4
Gross – long-term debt	**409.9**	418.7	423.3

The COVID-19 global pandemic and resulting economic contraction has had and is expected to continue to have, a negative impact on demand for air travel. The Ottawa International Airport (Airport) experienced an 87.5% decline in passenger volumes during the period from March 2020 to December 2020 as compared to the same periods in 2019. This is due to a combination of widespread public health concerns compounded by travel advisories and restrictions by governments as well as an emerging economic contraction. Consequently, air carriers responded by cancelling routes, laying off staff and grounding aircraft. There is a range of opinions as to the pace of the air travel recovery but, given the unprecedented nature of this event, there is significant uncertainty on the length and shape of the recovery. The Authority and numerous industry sources predict that passenger aviation may not return to pre-pandemic levels for at least three to five years. This reduced activity is having a significant negative impact on the Authority's business and results of operations, including aeronautical, commercial revenues and airport improvement fees. The pandemic will also impact the cost of capital in the future, which may arise from disrupted credit markets and negative credit rating actions.

The Authority and the Canadian Airports Council are actively engaging with federal, provincial and municipal governments to discuss risks to the sector and related financial support. The Authority has participated in the following COVID-19 pandemic Federal Government support programs that will help reduce costs, preserve liquidity and engage stakeholders:

1. Canada Emergency Wage Subsidy (CEWS): On March 27, 2020, the Government of Canada (GOC) announced the CEWS program which provides a 75% wage subsidy (up to a maximum of $847 per week per employee) to eligible employers for the period from March 15, 2020 to December 19, 2020. The program has been extended to June 2021. For 2020, the Authority qualified with the program's requirements and resulted in benefits of $6.6 million.

2. Ground rent waiver: On March 31, 2020, the GOC announced that, for the period from March 1, 2020 to December 31, 2020, it would waive lease requirements for the payment of ground rent to help the air transportation sector deal with the COVID-19 pandemic. On November 30, 2020, the GOC announced that the requirement for ground rent would also be waived for the Authority for the entire 2021 calendar year. For 2020, the Authority saved $2.2 million in-ground rent that would have been otherwise payable pursuant to its GOC ground lease requirements.

3. Canada Emergency Commercial Rent Assistance Program (CECRA): The CECRA program allows qualifying commercial tenants to benefit from this program and requires the Authority to forgive a proportion of rent receivable from those tenants. The Authority's portion of rent forgiven to qualifying tenants was $0.1 million.

RESULTS OF OPERATIONS

Operating activities

During 2020, the Airport saw a 73.3% decline in passenger volumes compared to 2019 and 2018.

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

				% CHANGE – 2020 VERSUS	
	2020	**2019**	**2018**	**2019**	**2018**
Domestic	**1,032,037**	3,993,553	4,002,209	**(74.2)**	**(74.2)**
Transborder	**163,093**	686,297	720,770	**(76.2)**	**(77.4)**
International	**168,382**	426,637	387,822	**(60.5)**	**(56.6)**
Total	**1,363,512**	5,106,487	5,110,801	**(73.3)**	**(73.3)**

Domestic passenger volumes were 74.2% lower on a year over year basis. Despite seeing favourable growth in passenger volumes in January and February 2020, volumes decreased 86.6% year over year from mid-March to December 2020 due to the COVID-19 pandemic. Since mid-March, Canada's airlines have significantly scaled back air service in response to reduced demand fueled by government travel restrictions, public health concerns and the resulting economic downturn.

Transborder volumes were 76.2% lower in 2020 compared to 2019. After experiencing some erosion in year over year passenger flows early in 2020, the pandemic and the resulting Canada – U.S. border limitations led to the inevitable suspension of all airport non-stop service to the U.S. Only Canada's four largest airports (Toronto, Vancouver, Montreal and Calgary) maintained U.S. access.

International traffic decreased 60.5% from the comparable period in 2019. Despite a strong start in service to many Mexican and Caribbean sunshine destinations by Air Canada, Sunwing and Air Transat, these gains were quickly eroded by the disruption caused by the COVID-19 pandemic and the withdrawal of all international service starting in April 2020.

By sector, a quarterly view of 2020 passenger volumes compared to comparable quarters in 2019 is as follows:

	DOMESTIC	TRANSBORDER	INTERNATIONAL
Q1	Lower by 14.9%	Lower by 24.4%	Lower by 11.1%
Q2	Lower by 96.6%	Lower by 99.4%	Lower by 100.0%
Q3	Lower by 86.9%	Lower by 100.0%	Lower by 100.0%
Q4	Lower by 88.2%	Lower by 100.0%	Lower by 100.0%
Total	Lower by 74.2%	Lower by 76.2%	Lower by 60.5%

By quarter, total passenger volumes were as follows:

	2020	2019	% CHANGE
Q1	**1,068,243**	1,271,207	(16.0)
Q2	**36,359**	1,296,994	(97.2)
Q3	**143,953**	1,317,719	(89.1)
Q4	**114,957**	1,220,567	(90.6)
Total	**1,363,512**	5,106,487	(73.3)

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 2020, the number of landed seats decreased by 67.5% from the comparable period in 2019.

Domestic, transborder and international landed seats decreased 67.5%, 72.9% and 58.7%, respectively, on a year over year basis. Variances in the sectors mirror the variances experienced in passenger volumes, as explained above.

Revenues

Total revenues declined by $89.5 million from $138.1 in 2019 to $48.6 million in 2020.

REVENUES BY CATEGORY (IN THOUSANDS OF CANADIAN DOLLARS)	2020	2019	CHANGE	
	$	$	$	%
Airport improvement fees	**14,649**	53,988	**(39,339)**	**(72.9)**
Terminal fees	**9,440**	28,003	**(18,563)**	**(66.3)**
Landing fees	**5,216**	13,351	**(8,135)**	**(60.9)**
Concessions	**5,191**	15,586	**(10,395)**	**(66.7)**
Car parking	**4,481**	15,980	**(11,499)**	**(72.0)**
Land and space rentals	**6,583**	6,616	**(33)**	**(0.5)**
Other revenue	**3,024**	4,538	**(1,514)**	**(33.4)**
	48,584	138,062	**(89,478)**	**(64.8)**

Airport improvement fees (AIF) of $14.6 million in 2020 decreased by 72.9% from the comparable period in 2019. The decrease is attributable to the 73.3% year over year decrease in passenger volume due to the COVID-19 pandemic. This decrease is offset partially by revenue generated by an increase in AIF from $23 to $28 per enplaned passenger effective October 1, 2020. Passengers connecting through Ottawa are exempt from the AIF. Under an agreement with the air carriers, the AIF is included by the air carriers in the price of a ticket and paid to the Authority on an estimated basis, net of air carrier administration fees of 7% (6% in 2019), 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 $14.7 million, including terminal and landing fees, loading bridge charges and security fees charged to air carriers are 64.6% lower than the comparable period in 2019. The year-over-year decrease of 67.5% in landed seats in 2020 is offset partially by the impact of the 3% increase in aeronautical fee rates effective February 1, 2020.

Revenues of $5.2 million from concessions decreased by 66.7% in 2020 as compared to the same period in 2019. The decrease was attributable to the impact of the COVID-19 pandemic and the lower passenger volumes as described above and the corresponding decreases in spending on food, retail and ground transportation services.

Parking revenues of $4.5 million are $11.5 million lower in 2020 compared to 2019 and the 72% decrease year over year is largely in line with the 73.3% decline in passenger volumes in 2020.

Other revenues decreased by $1.5 million from 2019. Lower utility recoveries from tenants, employee parking and lower interest on reduced cash balances were the main contributors to the year-over-year decrease.

Expenses

Total expenses before depreciation decreased by 33.1% to $68.1 million from $101.8 million in 2019.

EXPENSES BY CATEGORY (IN THOUSANDS OF CANADIAN DOLLARS)	2020	2019	CHANGE	
	$	$	$	%
Interest	**20,189**	20,531	**(342)**	**(1.7)**
Ground rent	**439**	10,530	**(10,091)**	**(95.8)**
Materials, supplies and services	**24,596**	40,429	**(15,833)**	**(39.2)**
Salaries and benefits	**17,384**	24,873	**(7,489)**	**(30.1)**
Payments in lieu of municipal taxes	**5,502**	5,475	**27**	**0.5**
	68,110	101,838	**(33,728)**	**(33.1)**

Interest expense reflected in the statement of operations results from borrowing to invest in the Authority's capital programs and includes interest incurred on bank indebtedness. Interest expense has decreased $0.3 million in 2020. The lower cost of debt service is a direct benefit of the year over year decline in long-term debt achieved through the scheduled semi-annual principal instalments on the Series B and E Amortizing Revenue Bonds.

The amount reflected as ground rent expense is estimated based on the prescribed rent formula as outlined below. On March 31, 2020, the GOC announced its decision to waive ground rent obligations for the period from March 1, 2020 to December 31, 2020. Accordingly, ground rent payable pursuant to the adjusted calculation for the months of January and February was recognized as the total ground rent for the year ended December 31, 2020. This represents a benefit of $2.2 million in waived ground rent that would have otherwise been payable in 2020 based on the application of prescribed rates on total 2020 revenues.

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% 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:

2021	Nil
2022	$5.2 million
2023	$6.9 million
2024	$8.6 million
2025	$10.4 million

The cost of materials, supplies and services decreased $15.8 million to $24.6 million in 2020. Costs associated with the 2020 winter season decreased $1.5 million over the prior year as there was a lower number of snow events and complex weather conditions that required less airfield maintenance expenses including fuel, winter maintenance runway and apron chemicals, materials and repairs. Contract and professional fees decreased by $7.0 million as all non-essential spending was suspended combined with major reductions in expenses related to terminal building operations and service providers to correspond with the significant reduction in passenger volumes. Reduced utility and repair expenses and AIF handling fees paid to air carriers as a result of a decrease in AIF revenues also contributed to lower expenses in 2020.

The cost of salaries and benefits decreased by $7.5 million in 2020 compared to the same period in 2019 including $6.2 million in benefits from the CEWS federal government pandemic support program. Furthermore, the Authority reduced the cost of salaries and benefits through a 15% cut in Authority positions as part of the effort to align staffing given the significant negative impact of the COVID-19 pandemic.

Payments in lieu of municipal taxes (PILT) have increased by 0.5% year over year and reflect the impact of the provincial legislation, which prescribes the calculation of this payment. Under this legislation, PILT is based on a fixed legislated rate per passenger for the Authority, multiplied by the previous year's passenger numbers, but to a maximum increase of 5% over the previous year's amount. The $5.5 million paid for 2020 reflects this prescribed calculation. PILT will decrease in 2021 by $3.9 million or 73.3% from the 2020 amount based on this prescribed calculation.

Depreciation reflects the allocation of cost over the useful life of the assets and investments in property, plant and equipment. In 2020, depreciation of $31.7 million was $0.6 million higher than 2019. Incremental depreciation related to capital projects completed in 2019 and 2020 include departure check-in upgrade, Canadian Air Transport Security Authority (CATSA) security screening checkpoint relocation project, apron and taxiway reconstruction and refurbishment, major fleet vehicles, and information technology initiatives. Contributing to the increase in 2020 are amounts related to the disposal of certain infrastructure assets related to the CATSA relocation project that were written off prior to being fully depreciated.

SUMMARY OF QUARTERLY RESULTS

The Authority's quarterly results are influenced by passenger activity, aircraft movements, federal government travel restrictions 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 (IN MILLIONS OF CANADIAN DOLLARS)	2019 $				2020 $			
	MARCH	JUNE	SEPT.	DEC.	MARCH	JUNE	SEPT.	DEC.
Revenues	35.4	34.3	34.5	33.9	**31.7**	**6.6**	**3.9**	**6.4**
Expenses	26.8	24.8	23.1	27.2	**23.3**	**17.2**	**13.3**	**14.3**
Earnings (loss) before depreciation	8.6	9.5	11.4	6.7	**8.4**	**(10.6)**	**(9.4)**	**(7.9)**
Depreciation	7.5	7.6	7.7	8.3	**7.7**	**7.5**	**8.8**	**7.7**
Net earnings (loss)	1.1	1.9	3.7	(1.6)	**0.7**	**(18.1)**	**(18.2)**	**(15.6)**

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.

As a result of the unprecedented COVID-19 pandemic, the Authority took immediate steps at the outset of the pandemic to reduce planned capital expenditures by $31.4 million to focus on a limited number of essential projects. During the year, the Authority invested $16.8 million in core projects including the CATSA security screening checkpoint relocation at $7.2 million, concession base building centre court at $2.1 million, major fleet additions at $2.0 million, LRT Phase 2 – station infrastructure at $0.9 million and main terminal building enhancements and upgrades at $4.6 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	2021	2022	2023	2024	2025	THEREAFTER
Long-term debt [1]	409,914	13,116	14,023	14,988	16,014	17,107	334,666
Operating commitments	18,013	10,498	4,553	2,089	581	292	
Capital commitments	46,862	15,000	15,000	15,000	1,862		
Total contractual obligations	474,789	38,614	33,576	32,077	18,457	17,399	334,666

[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 $140.0 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, 2020 (IN MILLIONS OF CANADIAN DOLLARS)	DEC 31, 2019 (IN MILLIONS OF CANADIAN DOLLARS)	MATURITY	PURPOSE
Revolver – 364-Day	**40.0**	40.0	October 13, 2021	General corporate and capital expenditures
USD Contingency (US$10 million)	**14.0**	14.0	October 13, 2021	Interest rate hedging
Letter of Credit	**6.0**	6.0	October 13, 2021	Letter of credit and guarantee
Revolver – 3-Year	**40.0**	—	June 4, 2023	General corporate and capital expenditures
Revolver – 5-Year	**40.0**	80.0	May 31, 2025	General corporate and capital expenditures
Total	**140.0**	140.0		

The Authority's cash and cash equivalents decreased by $11.0 million during 2020 to $10.7 million as at December 31, 2020.

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, 2020, the balance of cash and qualified investments held in the Debt Service Reserve Fund for the Series B Amortizing Revenue Bonds was $6.9 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 has been drawn from the available Credit Facilities. As of February 2, 2021, the value of the letter of credit has been increased from $5.9 million to $9.5 million in order to return to compliance on current and future debt service obligations.

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, 2020, $12.1 million of the Authority's Credit Facilities had been allocated exclusively to the Operating and Maintenance Reserve Fund.

As at December 31, 2020, due to the impact of COVID-19 pandemic on the Authority's 2020 financial results, the Authority was not compliant with the debt service coverage ratio, however, the Authority remains in compliance with the gross debt service coverage ratio. Pursuant to the Authority's corporate documents, the Authority has the unfettered ability to raise its rates and charges as required to meet its obligations. Under the Master Trust Indenture, the Authority is required to take all lawful measures to revise its schedule of rates and charges necessary to achieve the ratios and has already taken action to increase rates in 2020 and 2021. Notwithstanding the temporary non-compliance with the debt service coverage ratio, the Authority continues to meet its debt service obligations. Except for the items discussed above, the Authority is compliant with all other provisions of its debt facilities, including the Master Trust Indenture provisions related to reserve funds, the flow of funds and rate covenant requirements.

During 2020, S&P Global and Moody's reaffirmed the Authority's credit ratings in respect of the Authority's Bonds under the Master Trust Indenture at A+ and Aa3, respectively. On January 28, 2021, S&P Global issued event-based ratings action on the Authority and several other large airport authorities in Canada. The result of their latest review and expectations of the air travel industry and related financial analysis over the next twelve to twenty-four months caused S&P Global to downgrade the rating for the Authority from A+ to A. This is not expected to cause any material impact to the Authority.

BALANCE SHEET AND OTHER HIGHLIGHTS

Accounts receivables decreased $4.9 million to $5.2 million at December 31, 2020 as balances were impacted by lower revenues as a result of the pandemic. The Authority continues to monitor trade and other receivable balances during the COVID-19 pandemic and has made reasonable allowances for doubtful accounts and will adjust as conditions warrant. This decline was offset by $2.2 million in prepayments to the GOC made prior to the March 2020 announcement of the GOC COVID-19 ground rent relief measures. The Authority expects these amounts to be repaid in early 2021.

Accounts payable and accrued liabilities decreased $1.8 million to $14.3 million as at December 31, 2020. The decrease reflects reduced trade and capital program payables due to lower spending levels for both operating and capital expenditures in 2020.

RISKS AND UNCERTAINTIES

COVID-19 Pandemic

Given the rapidly evolving situation with the COVID-19 pandemic and the emerging economic contraction, Management continues to analyze the extent of the financial impact, which is and continues to be material. While the full duration and scope of the pandemic is yet to be known, the Authority is focused on the long-term financial sustainability of the Airport. The Authority has implemented significant reductions in its operating expenditures, resource levels and capital investment programs. The Authority frequently reviews future operating, resource and capital requirements to align spending levels with emerging trends on the recovery of the air transportation sector to ensure long-term financial sustainability.

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 government funding. 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 have all emphasized the volatile nature of aviation. A multitude of external factors impact the commercial aviation sector and include economic conditions, health epidemics, geopolitical trends, government regulation, price of airfares, additional taxes on airline tickets, leakage of passengers to nearby airports, alternative modes of travel and 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. As travel advisories and governmental restrictions are lifted over time, these actions, combined with increased consumer confidence, should result in increased flight frequencies and passenger volumes. The Authority cautions that the recovery will take years and that a number of factors including different pace of recovery for business and leisure travellers, traveller 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 (96.9% – 2020; 93.2% – 2019) 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 Ottawa Macdonald-Cartier International Airport 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 24, 2021

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, 2020, and the statement of operations and comprehensive income (loss), statement of changes in equity 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, 2020, 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

Chartered Professional Accountants, Licensed Public Accountants
Ottawa, Canada
February 24, 2021

Balance sheet [expressed in thousands of dollars]

As at December 31

	2020 $	2019 $
ASSETS		
Current		
Cash and cash equivalents	**10,647**	21,677
Trade and other receivables *[note 11]*	**5,209**	10,124
Consumable supplies	**3,511**	3,362
Prepaid expenses and advances	**951**	1,772
Total current assets	**20,318**	36,935
Debt Service Reserve Fund *[note 7(a)]*	**6,867**	6,746
Finance lease receivables *[note 12]*	**11,612**	11,575
Property, plant and equipment, net *[note 3 and 13]*	**434,738**	449,583
Post-employment pension benefit asset, net *[note 9]*	**—**	581
Other assets *[note 4]*	**5,226**	5,289
	478,761	510,709
LIABILITIES AND EQUITY		
Current		
Bank indebtedness *[note 5]*	**30,000**	—
Accounts payable and accrued liabilities *[note 9]*	**14,315**	16,161
Current portion of long-term debt *[note 7]*	**13,116**	8,753
Total current liabilities	**57,431**	24,914
Other post-employment benefit liability *[note 9]*	**9,337**	11,085
Long-term debt *[note 7]*	**394,450**	407,427
Total liabilities	**461,218**	443,426
Commitments and contingencies *[note 16]*		
Equity		

	2020 $	2019 $
ASSETS		
Retained earnings	**27,945**	79,109
Accumulated other comprehensive loss	**(10,402)**	(11,826)
Total equity	**17,543**	67,283
	478,761	510,709

See accompanying notes

On behalf of the Board:

Director

Director

Statement of operations and comprehensive income (loss) [expressed in thousands of dollars]

Year ended December 31

	2020 $	2019 $
REVENUE		
Airport improvement fees *[note 8]*	**14,649**	53,988
Terminal fees and loading bridge charges	**9,440**	28,003
Landing fees	**5,216**	13,351
Concessions	**5,191**	15,586
Car parking	**4,481**	15,980
Land and space rentals *[note 12]*	**6,583**	6,616
Other revenue	**3,024**	4,538
	48,584	138,062
EXPENSES		
Interest *[note 7(b)]*	**20,189**	20,531

	2020 $	2019 $
Ground rent *[note 12]*	**439**	10,530
Materials, supplies and services	**24,596**	40,429
Salaries and benefits *[note 9 and 13]*	**17,384**	24,873
Payments in lieu of municipal taxes	**5,502**	5,475
	68,110	101,838
Earnings (loss) before depreciation	**(19,526)**	36,224
Depreciation	**31,638**	31,159
Net earnings (loss) for the year	**(51,164)**	5,065
Other comprehensive income (loss)		
Item that will never be reclassified subsequently to net earnings (loss)		
Remeasurement of defined benefit plans *[note 9]*	**1,424**	(1,494)
Total comprehensive income (loss)	**(49,740)**	3,571

See accompanying notes

Statement of changes in equity [expressed in thousands of dollars]

	2020 $	2019 $
Retained earnings, beginning of year	**79,109**	62,408
Net earnings (loss) for the year	**(51,164)**	5,065
Impact of transition to IFRS 16 *[note 2]*	**—**	11,636
Retained earnings, end of year	**27,945**	79,109
Accumulated other comprehensive loss		
Items that will never be recycled into net earnings (loss)		
Balance, beginning of year	**(11,826)**	(10,332)
Income (loss) on remeasurement of defined benefit plan *[note 9]*	**(1,424)**	(1,494)
Balance, end of year	**(10,402)**	(11,826)
Total equity	**17,543**	67,283

See accompanying notes

Statement of cash flows [expressed in thousands of dollars]

	2020 $	2019 $
OPERATING ACTIVITIES		
Net earnings (loss) for the year	**(51,164)**	5,065
Add (deduct) items not involving cash		
Depreciation	**31,638**	31,159
Amortization of deferred financing costs	**139**	224
Interest expense	**20,189**	20,531
Decrease (increase) in other assets	**63**	(39)
Increase (decrease) in other post-employment benefit liability	**257**	(111)
	1,122	56,829
Net change in non-cash working capital balances related to operations *[note 14]*	**2,456**	(5,578)

	2020 $	2019 $
Cash provided by operating activities	**3,578**	51,251
INVESTING ACTIVITIES		
Purchase of property, plant and equipment *[note 3]*	**(16,853)**	(36,300)
Proceeds on disposal of property, plant and equipment	**60**	162
Lease payments received from finance leases	**504**	497
Change in accounts payable and accrued liabilities related to investing activities	**391**	11
Interest received	**267**	673
Cash used in investing activities	**(15,631)**	(34,957)
FINANCING ACTIVITIES		
Increase in bank indebtedness	**30,000**	—
Increase in Debt Service Reserve Fund *[note 7(a)]*	**(121)**	(141)
Interest paid	**(20,103)**	(20,332)
Repayment of long-term debt	**(8,753)**	(4,643)
Cash provided by (used in) financing activities	**(1,023)**	(25,116)
Net decrease in cash during the year	**(11,030)**	8,822
Cash and cash equivalents, beginning of year	**21,677**	30,499
Cash and cash equivalents, end of year	**10,647**	21,677

See accompanying notes

Notes to financial statements
December 31, 2020
[expressed in thousands of dollars]

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 [Transport Canada – see 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 24, 2021. 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 income (loss) as 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, 2020 and 2019, 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. Assets under construction 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 as an adjustment of depreciation expense when the item is derecognized.

Borrowing costs

Borrowing costs are capitalized during the construction phase of qualifying assets, which are assets that take a substantial period of time to get ready for their intended use. The capitalization rate is the weighted average cost of capital of outstanding loans during the period, other than the borrowings made especially for the purpose of obtaining the asset. All other borrowing costs are recognized in interest expense on a gross basis in the statement of operations and comprehensive income (loss) in the period in which they are incurred. As noted above, no such amounts were capitalized during the years ended December 31, 2020 and 2019.

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 amounts 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. While the impact of the coronavirus disease ["COVID-19"] has been significant to the Authority in 2020, given the decline in usage of airport operations and facilities, management 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

The Authority has applied IFRS 16, *Leases* ["IFRS 16"], using the modified retrospective approach.

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 the 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.

This policy is applied to contracts entered into, or changed, on or after January 1, 2019.

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-values assets, including photocopy photocopiers equipment 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 income (loss).

COVID-19-related rent concessions

The Authority has applied *COVID-19-Related rent concessions – Amendment to IFRS 16*. The Authority has applied the practical expedient where rent concessions that are a direct consequence of the COVID-19 pandemic are not subject to further assessment as possible “lease modifications” as defined in IFRS 16. All other rent concessions are evaluated in accordance with IFRS 16 criteria.

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 *Revenue from Contracts with Customers* [“IFRS 15”] 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, airport improvement fees [“AIF”], 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 are 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 revenues is recognized on the accrual basis and calculated using agreed percentages of reported concessionaire sales, with specified minimum annual guarantees. In 2020, the minimum annual guarantees for concessionaires were temporarily waived by the Authority due to the significant decline in passenger volumes at the airport.

Operating land and space rental revenue are 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 effective January 1, 2019 [prior to 2019 as a reduction of rental revenues].

Other income includes income from other operations 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 pension 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 income (loss). Pension expense is included in salaries and benefits on the statement of operations and comprehensive income (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 loss ["OCI"] without recycling to the statement of operations and comprehensive income (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

Effective January 1, 2018, with the adoption of IFRS 9, *Financial Instruments* ["IFRS 9"], 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.

1. 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 income (loss) for such instruments. Gains and losses arising on derecognition are recognized directly in the statement of operations and comprehensive income (loss) and presented in other gains.

2. 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 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 income. 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.

3. 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 income (loss) or at amortized cost using the effective interest rate method.

The Authority's financial liabilities including bank indebtedness, 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 income (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 ECL 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 income (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 individual customer creditworthiness, 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 income (loss)

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

Current accounting changes

We actively monitor new standards and amendments to existing standards that have been issued by the International Accounting Standards Board ["IASB"]. Except for the changes below, the Authority has consistently applied the accounting policies to all periods presented in these financial statements.

In the current year, the Authority has applied the below amendments to IFRS Standards and Interpretations issued by the IASB. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

Amendments to IAS 1, *Presentation of Financial Statements* ["IAS 1"] and IAS 8, A*ccounting Policies, Changes in Accounting Estimates and Errors*.

These standards were amended to use a consistent definition of materiality throughout all accounting standards, clarify the explanation of the definition of materiality and incorporate some of the guidance in IAS 1 about immaterial information. The amendments are effective for annual periods beginning on or after January 1, 2020.

COVID-19-Related Rent Concessions-Amendments to IFRS 16

The amendment is effective for annual reporting periods beginning on or after June 1, 2020. This amendment introduces a practical expedient to IFRS 16 that provides practical relief to lessees in accounting for rent concessions occurring as a direct consequence of COVID-19. The practical expedient permits a lessee to elect not to assess whether a COVID-19-related rent concession is a lease modification. A lessee that makes this election shall account for any change in lease payments resulting from the COVID-19-related rent concession the same way it would account for the change as if the change were not a lease modification.

The practical expedient applies only to rent concessions occurring as a direct consequence of COVID-19 and only if all of the following conditions are met:

(a) The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
(b) Any reduction in lease payments affects only payments originally due on or before June 30, 2021 (a rent concession meets this condition if it results in reduced lease payments on or before June 30, 2021 and increased lease payments that extend beyond June 30, 2021); and
(c) There is no substantive change to other terms and conditions of the lease.

The Authority has adopted *COVID-19-Related Rent Concessions – Amendment to IFRS 16* issued on June 1, 2020. The Authority has applied the amendment retrospectively. The amendment has no impact on retained earnings at January 1, 2020.

Future changes in accounting policies

The IASB has issued new amendments to existing standards. The Authority has reviewed these amendments and has concluded that they are minor in nature and will not be adopted early. Furthermore, management has determined that none of these amendments will have a material impact on the Authority’s accounting policies and impact on future periods.

3. PROPERTY, PLANT AND EQUIPMENT

2019	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, 2019	502,123	118,765	50,198	35,418	11,088	14,367	731,959
Additions	—	—	645	1,428	—	34,227	36,300
Transfer	13,827	5,568	5,438	—	96	(24,929)	—
Disposals	(1,278)	(39)	(1,346)	(1,985)	—	—	(4,648)
As at December 31, 2019	514,672	124,294	54,935	34,861	11,184	23,665	763,611
ACCUMULATED DEPRECIATION							
As at – January 1, 2019	194,829	38,436	30,898	15,367	7,825	—	287,355
Depreciation	19,448	4,344	4,682	2,231	454	—	31,159
Disposals	(1,278)	(39)	(1,346)	(1,823)	—	—	(4,486)
As at December 31, 2019	212,999	42,741	34,234	15,775	8,279	—	314,028
NET BOOK VALUE							
As at December 31, 2019	301,673	81,553	20,701	19,086	2,905	23,665	449,583

2020	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, 2020	514,672	124,294	54,935	34,861	11,184	23,665	763,611
Additions	—	—	102	2,338	—	14,413	16,853
Transfer	20,389	367	1,678	1,309	99	(23,842)	—
Disposals	(2,323)	—	(132)	(725)	—	—	(3,180)
As at December 31, 2020	532,738	124,661	56,583	37,783	11,283	14,236	777,284
ACCUMULATED DEPRECIATION							
As at – January 1, 2020	212,999	42,741	34,234	15,775	8,279	—	314,028
Depreciation	20,257	4,436	4,326	2,165	454	—	31,638
Disposals	(2,323)	—	(132)	(665)	—	—	(3,120)
As at December 31, 2020	230,933	47,177	38,428	17,275	8,733	—	342,546
NET BOOK VALUE							
As at December 31, 2020	301,805	77,484	18,155	20,508	2,550	14,236	434,738

4. OTHER ASSETS

	2020 $	2019 $
Interest in future proceeds from 4160 Riverside Drive, at cost	**2,930**	2,930
Tenant improvements and leasehold inducements, net of amortization	**2,296**	2,359
	5,226	5,289

Interest in future proceeds from 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, 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. 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 materials, supplies and services expense effective January 1, 2019 [prior to 2019 as a reduction of land and space rental revenues].

5. CREDIT FACILITIES

The Authority maintains access to an aggregate of $140.0 million [2019 – $140.0 million] in committed credit facilities [“Credit Facilities”] with two Canadian banks. The 364-day Credit Facilities that expired on October 13, 2020 have been extended for another 364-day term expiring on October 13, 2021. 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 available under each of the Credit Facilities, along with their related expiry dates and intended purposes:

TYPE OF FACILITY	MATURITY	PURPOSE	2020 $ MILLIONS	2019 $ MILLIONS
Revolver – 364-day	October 13, 2021	General corporate and capital expenditures	**40**	40
USD contingency [US$10 million]	October 13, 2021	Interest rate hedging	**14**	14
Letter of credit	October 13, 2021	Letter of credit and letter of guarantee	**6**	6
Revolver – 3-year	June 4, 2023	General corporate and capital expenditures	**40**	—
Revolver – 5-year	May 31, 2025	General corporate and capital expenditures	**40**	80
			140	140

The bank indebtedness under these facilities as at December 31, 2020 bears interest at an average rate of 0.49% [December 31, 2019 – nil].

As at December 31, 2020, $12.1 million [2019 – $16.3 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 has been drawn from the available Credit Facilities. The value of the letter of credit has been increased from $5.9M to $9.5M in order to satisfy the Debt Service Reserve Fund requirements for current and future debt service obligations on the Series E Amortizing Revenue Bonds.

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 bank indebtedness, long-term debt and accumulated income included on the Authority’s balance sheet as retained earnings.

The Authority incurs debt, including bank indebtedness and 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

	2020 $	2019 $
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	**113,494**	118,667
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	**296,420**	300,000
	409,914	418,667
Less deferred financing costs	**2,348**	2,487
	407,566	416,180
Less current portion	**13,116**	8,753
Long-term debt	**394,450**	407,427

(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 a $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 a $300.0 million Amortizing Revenue Bonds, Series E, which bear interest at a rate of 3.933% 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 was repaid on May 2, 2017.

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 and 0.42% for the Series E Amortizing 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.

As at December 31, 2020, due to the impact of COVID-19 pandemic on the Authority's 2020 financial results, the Authority was not compliant with the debt service coverage ratio, however, the Authority remains in compliance with the gross debt service coverage ratio. Furthermore and as it relates to the Debt Service Reserve Fund on the Series E Amortizing Revenue Bonds, the Authority increased its standby letter of credit to $9.5 million on February 2, 2021 in order to return to compliance on current and future debt service obligations. Except for the items discussed above, the Authority is compliant with all other provisions of its debt facilities, including the Master Trust Indenture provisions related to reserve funds, the flow of funds and rate covenant requirements.

Pursuant to the Authority's corporate documents, the Authority has the unfettered ability to raise its rates and charges as required to meet its obligations. Under the Master Trust Indenture, the Authority is required to take all lawful measures to revise its schedule of rates and charges necessary to achieve the ratios and has already taken action to increase rates in 2020 and 2021. Notwithstanding the temporary non-compliance with the debt service coverage ratio, the Authority continues to meet its debt service obligations.

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, 2020, the balance of cash and qualified investments held to satisfy the Series B Amortizing Revenue Bonds Debt Service Reserve Fund requirement is $6.9 million [2019 – $6.7 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 twelve [12] months. As at December 31, 2020, $12.1 million [2019 – $16.3 million] of the Credit Facilities has been designated to the Operating and Maintenance Reserve Fund *[note 5]*.

(b) Interest expense

	2020 $	2019 $
Bond interest	**19,942**	20,287
Other interest and deferred financing expense	**247**	244
	20,189	20,531

(c) Future annual principal payments for all long-term debt

	$
2021	13,116
2022	14,023
2023	14,988
2024	16,014
2025	17,107

	$
Thereafter	334,666
	409,914

(d) Deferred financing costs

	2020 $	2019 $
Deferred financing costs	**4,751**	4,751
Less accumulated amortization	**2,403**	2,264
	2,348	2,487

8. AIRPORT IMPROVEMENT FEES

AIF is collected by the air carriers in the price of a ticket and is paid to the Authority on an estimated basis, net of air carrier administrative fees of 7% [2019 – 6%], 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 income (loss). Administrative fees paid to the air carriers were $1.0 million [2019 – $3.2 million].

AIF funding activities in the year are outlined below:

	2020 $	2019 $
Earned revenue	**14,649**	53,988
Air carrier administrative fees	**(1,026)**	(3,239)
Net AIF revenue earned	**13,623**	50,749
Eligible capital asset purchases	**(16,686)**	(35,123)
Eligible interest expense	**(21,853)**	(21,993)
Eligible other expenses	**(272)**	(309)
	(38,811)	(57,425)
Deficiency of AIF revenue over AIF expenditures	**(25,188)**	(6,676)

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

	2020 $	2019 $
Earned revenue	**710,904**	696,256
Air carrier administrative fees	**(42,801)**	(41,775)
Net AIF revenue earned	**668,103**	654,481
Eligible capital asset purchases	**(736,110)**	(719,424)
Eligible interest expense	**(402,837)**	(380,984)
Eligible other expenses	**(1,707)**	(1,436)
	(1,140,654)	(1,101,844)
Deficiency of AIF revenue over AIF expenditures	**(472,551)**	(447,363)

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:

	2020 $	2019 $
Post-employment pension benefit asset, net	**—**	581
Post-employment pension benefit liability, net [Included in Accounts payable and accrued liabilities]	**38**	—
Other post-employment benefit liability	**9,337**	11,085

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, 2019, that was completed and was filed in June 2020 as required by law, the plan had a surplus on a funding [going concern] basis of $5,528 assuming a discount rate of 4.00% [2018 – $3,503 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, 2019, the plan had a deficit on a solvency basis of $2,438 [2018 – $4,893] before considering the present value of additional solvency payments required under the Act. In 2020, the Authority made additional solvency payments of $488 [2019 – $979] to amortize this deficiency.

The next required actuarial valuation of the defined benefit pension plan, which will be as at December 31, 2020, is scheduled to be completed and filed by its June 2021 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 2021 will be $488 [2020 – $488]. In addition, the Authority expects to contribute approximately $337 [2020 actual – $443] on account of current service in 2021 to the defined benefit component of the pension plan for the year ending December 31, 2021.

Based on the most recent actuarial determination of pension plan benefits completed as at December 31, 2019 and extrapolated to December 31, 2020 by the Authority's actuaries, the estimated status of the defined benefit pension plan is as follows:

	2020 $	2019 $
ACCRUED BENEFIT OBLIGATION – DEFINED BENEFIT PENSIONS		
Balance, beginning of year	**65,653**	56,564
Employee contributions	**97**	112
Benefits paid	**(2,246)**	(2,154)
Current service cost	**571**	510
Interest cost on accrued benefit obligation	**1,956**	2,242
Actuarial loss – change in economic assumptions	**5,046**	8,751
Actuarial gain – change in plan experience	**(394)**	(372)
Balance, end of year	**70,683**	65,653

	2020 $	2019 $
PLAN ASSETS – DEFINED BENEFIT PENSIONS		
Fair value, beginning of year	**67,543**	58,564
Employee contributions	**97**	112
Employer contributions	**443**	547
Employer contributions, special solvency payments	**488**	979
Benefits paid	**(2,246)**	(2,154)
Interest on plan assets [net of administrative expenses]	**1,804**	2,120
Actuarial gain on plan assets	**2,516**	7,375
Fair value – plan assets	**70,645**	67,543
Effect of limiting the net defined benefit asset to the asset ceiling	**—**	(1,309)
Fair value, end of year	**70,645**	66,234
Post-employment pension benefit asset (liability), net	**(38)**	581

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

	2020 $	2019 $
Current service cost	**571**	510
Interest cost on accrued benefit obligation	**1,956**	2,242
Interest on plan assets [net of administrative expenses]	**(1,765)**	(2,041)
Defined benefit pension plan expense recognized in salaries and benefits expense in net earnings (loss)	**762**	711

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:

	2020 $	2019 $
ACCRUED BENEFIT OBLIGATION – OTHER POST-EMPLOYMENT BENEFITS		
Balance, beginning of year	**11,085**	9,121
Benefits paid	**(440)**	(112)
Current service cost	**541**	443
Interest cost	**363**	373
Actuarial loss (gain) – change in economic assumptions	**(1,012)**	1,260
Actuarial loss – change in demographic assumptions	**(167)**	—
Actuarial loss – change in plan experience	**(1,033)**	—
Balance, end of year	**9,337**	11,085

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

	2020 $	2019 $
Current service cost	**541**	443
Interest cost	**363**	373
Expense recognized in salaries and benefits expense in net earnings	**904**	816

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

	2020 $	2019 $
DEFINED BENEFIT PENSION PLANS		
Actuarial loss – change in economic assumptions	**5,046**	8,751
Actuarial gain – change in plan experience	**(394)**	(372)
Actuarial loss (gain) on plan assets	**(2,516)**	(7,375)
Effect of limiting the net defined benefit asset to the asset ceiling	**(1,348)**	(770)
OTHER POST-EMPLOYMENT BENEFIT PLANS		
Actuarial loss (gain) – change in economic assumptions	**(1,012)**	1,260
Actuarial gain – change in demographic assumptions	**(167)**	—
Actuarial gain – change in plan experience	**(1,033)**	—
Total (income) loss recognized in other comprehensive loss	**(1,424)**	1,494

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:

	2020 %	2019 %
DEFINED BENEFIT PENSION PLAN		
Discount rate to determine expense	**3.00**	4.00
Discount rate to determine year-end obligations	**2.50**	3.00
Interest rate on plan assets	**3.00**	4.00
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	**3.25**	4.00
Severance program	**3.00**	3.75
Discount rate to determine year-end obligation		
Health care	**2.50**	3.25
Severance program	**2.25**	3.00
Rate of average compensation increases	**3.00**	3.00
Rate of increases in health care costs		
Trend rate for the next fiscal year	**5.40**	7.10
Ultimate trend rate	**4.00**	5.00
Fiscal year the ultimate trend rate is reached	**2036**	2028

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. 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%	(9,548)	12,078
Inflation	1%	10,909	(8,893)
Compensation	1%	263	(259)
Life expectancy	1 year	2,497	—
Discount rate – solvency liability at December 31, 2019	1%	(10,638)	13,505
OTHER POST-EMPLOYMENT BENEFIT PLANS			
Discount rate			
Health care	1%	(1,090)	1,461
Severance program	1%	(263)	311
Health care costs	1%	1,387	(1,060)
Life expectancy	1 year	311	(314)

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, 2020 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 and all other members. This approach involved setting up a liability-matching fund for retirees and a balanced growth fund for managing the assets related to the liabilities of all other members. Under this strategy, the proportion of liability matching assets [fixed income funds and indexed annuity arrangements] will be increased and the proportion of growth assets [equity and other funds] will be decreased over time as the average age of members rises. Under the liability matching fund, the pension plan purchased, in late 2020, a fully indexed buy-in annuity contract for five additional retired members as at December 31, 2020. For future retirements of active members, additional buy-in 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, 2019, the average age of the 16 active members was 55 years of age. The average age of the 60 retired members was 69 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:

	2020 %	**2019 %**
Fixed income fund	**11**	14
Annuity buy-in contract	**68**	60
Equity funds – Canadian funds	**4**	6
Equity funds – International and global funds	**9**	12
Emerging market fund	**2**	3
Real estate fund	**6**	5

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:

	2020 $	**2019 $**
Employer contributions – defined contribution plan	**1,174**	1,205
Employee contributions – defined contribution plan	**1,311**	1,347
Net expense recognized in salaries and benefits expense	**1,174**	1,205

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, bank indebtedness, 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 Amortizing Revenue Bonds outstanding, is reflected in the financial statements at amortized cost *[note 7]*. As at December 31, 2020, the estimated fair value of the long-term Series B and Series E Amortizing Revenue Bonds is $148.3 million and $323.0 million, respectively [2019 – $151.2 million and $332.9 million for Series B and Series E, respectively]. 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:

	2020		2019	
	CARRYING VALUE $	EFFECTIVE YEAR-END INTEREST RATE %	CARRYING VALUE $	EFFECTIVE YEAR-END INTEREST RATE %
Debt Service Reserve Fund [floating rates]	**6,867**	**1.06**	6,746	2.41
Cash and cash equivalents [floating rates]	**10,647**	**0.70**	21,677	2.25
Bank indebtedness	**30,000**	**0.49**	—	—
Long-term debt [at fixed cost]	**394,450**	**See note 7**	407,427	See note 7

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 earnings (loss) for the year would have increased/decreased by $0.1 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 including pre funding debt repayment through a segregated sinking fund. 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 COVID-19 pandemic caused significant reductions in revenue-generating activities from mid-March 2020 to December 31, 2020. The Authority has taken and continues to take actions to mitigate the impact, including significant reductions in capital investments, eliminating all discretionary operating expenses and considerable focus on essential operational expenditures. In addition, the Authority announced employee lay-offs as further measures to reduce operating expenses. The Authority believes that the negative effects of the COVID-19 pandemic on its operations and financial condition will persist through the containment phase of the COVID-19 pandemic with recovery anticipated as air travel volumes recover in future periods. As a consequence, the Authority's liquidity position has been negatively impacted and the Authority has leveraged its strong credit facility capacity to support the organization through this period.

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 significant negative financial impact of the COVID-19 pandemic, the Authority did not comply with the debt service covenant ratio as at December 31, 2020 and will continue to monitor and put in place measures to return to compliance. The Authority is compliant with the gross debt service coverage ratio as at December 31, 2020. Because of the Authority's strong 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 $19.9 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 46 days [2019 – 24 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 is 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.

The impact of COVID-19 on the recoverability of receivables from contracts has been considered. While the methodologies and assumptions applied in the base ECL calculations remain unchanged from those applied in the prior financial year, the Authority has incorporated estimates, assumptions and judgments specific to the impact of the COVID-19 pandemic and the associated customer support packages provided. While there have been no material recoverability issues identified, there is a risk that the economic impacts of COVID-19 could be deeper or more prolonged than anticipated, which could result in higher credit losses than those modelled under the base case.

The Authority is focused on supporting tenants who are experiencing financial difficulties as a result of the COVID-19 pandemic and has offered financial assistance measures including temporary rent deferrals and participation in pandemic Federal Government tenant-focused programs where program qualification criteria was met by the tenant. The Authority has granted rent relief based on each tenant's circumstances. As at December 31, 2020, the gross carrying value of rent deferrals included in trade and other receivables that are subject to a COVID-19 financial assistance package total $0.1 million and comprise of rent deferrals expiring at certain dates up to June 30, 2021.

The Authority has adopted the simplified method to evaluate the required ECLs provision for trade and other receivables. Approximately 96% of the Authority's trade and other receivables are in the current category [less than 30 days overdue]. The Authority has recognized $50 in 2020 as an ECL provision [2019 – $260], which is largely represented by the 1.02% [2019 – 2.52%] of ECL rate in the less than 30 days overdue category.

The Authority derives approximately 47% [2019 – 52%] 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% [2019 – 94%] 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 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 income (loss).

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:

	$
2021	—
2022	5,152
2023	6,892
2024	8,593
2025	10,381

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 pursuant to the IFRS 16 standard.

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:

	2020 $
Less than 1 year	**512**
1–2 years	**519**
2–3 years	**527**
3–4 years	**534**
4–5 years	**542**
Over 5 years	**24,932**
Total undiscounted lease payments receivable	**27,566**
Unearned finance income	**(15,954)**
Net investment in the leases	**11,612**

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:

	$
2021	6,762
2022	6,930
2023	7,099
2024	7,520
2025	7,795

13. GOVERNMENT ASSISTANCE

Canada Emergency Wage Subsidy

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

During 2020, the Authority qualified for this subsidy from the effective date of March 15, 2020 through to December 31, 2020. Accordingly, the Authority has claimed $6.6 million in subsidy grants for 2020. This subsidy grant has been recorded as a reduction of $6.2 million to the eligible remuneration expenses under salaries and benefits in the statement of operations and comprehensive income (loss) and $0.4 million as a reduction in capitalized compensation costs included in property, plant and equipment incurred by the Authority during this period.

The CEWS program has been extended to June 2021 and the Authority intends to apply for all subsequent application periods, subject to continuing to meet the applicable qualification criteria.

Government of Canada ground rent relief waiver

On March 31, 2020, the Government of Canada announced its decision to waive ground rent obligations for the period from March 1, 2020 to December 31, 2020. Accordingly, ground rent payable pursuant to the prescribed calculation for the months of January and February was recognized as the total ground rent for the year ended December 31, 2020. This represents a benefit of $2.2million in waived ground rent that would have otherwise been payable in 2020 based on the application of prescribed rates throughout the fiscal year.

Furthermore, the Government of Canada announced on November 30, 2020 that, in response to the prolonged decline in air traffic and in recognition of the significant financial impact on airport authorities, the ground rent waiver for the Airport was extended for the entire 2021 fiscal year.

Canada Emergency Commercial Rent Assistance Program

The Authority participated in the Canada Emergency Commercial Rent Assistance Program where the Authority's qualifying commercial tenants benefited from this program. The Authority agreed to reduce qualifying small business lessees rent by 25% for the period of April to September 2020. This program has resulted in a $0.1 million reduction in operating lease revenue for 2020.

14. STATEMENT OF CASH FLOWS

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

	2020 $	2019 $
Trade and other receivables	**4,107**	(2,643)
Prepaid expenses, advances and consumable supplies	**673**	(283)
Accounts payable and accrued liabilities	**(2,324)**	(2,674)
Other	**—**	22
	2,456	(5,578)

15. RELATED PARTY TRANSACTIONS

Compensation paid, payable or provided by the Authority to key management personnel during the year ended December 31 was as follows:

	2020 $	2019 $
Salaries and short-term benefits	**2,525**	2,401
Post-employment benefits	**199**	196
	2,724	2,597

Key management includes the Authority's Board of Directors and members of the executive team, including the President and CEO, and six Vice-Presidents.

The defined 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 and has no outstanding balances with the pension plan as at the balance sheet date.

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, 2020, the Authority has total operating commitments from the ordinary course of business in the amount of $18.0 million [2019 – $25.2 million]. For which payments of $10.5 million relate to 2021 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 $46.9 million.

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. POST-REPORTING-DATE EVENTS

No adjusting events have occurred between the reporting date and February 24, 2021, when the financial statements were authorized for issue. As disclosed in Note 7, the Authority increased the value of the standby letter of credit to $9.5 million on February 2, 2021 to return to compliance for payment obligations on the Series E Amortizing Revenue Bonds.

18. COVID-19 PANDEMIC

In March 2020, the World Health Organization declared a global pandemic due to the widespread contagion of a coronavirus named “COVID-19”. This deadly contagious disease outbreak, which has continued to spread, has resulted in widespread public health concerns with governments worldwide enacting restrictions and measures to combat the spread of the virus. These measures include travel advisories/bans, border closures, quarantine periods, COVID-19 testing requirements and wide-ranging public health protection measures. These requirements have caused material disruption globally resulting in an economic slowdown. Some governments and central banks have provided significant monetary and fiscal interventions designed to stabilize economic conditions. The COVID-19 pandemic and resulting economic contraction had, and are expected to continue to have, a negative impact on demand for air travel globally. In reaction to the ongoing public health concerns and measures put in place globally, air carriers responded by cancelling routes, laying off staff and grounding aircraft. The Authority has experienced material declines in revenue, passengers and flight activity during the last nine months of 2020, as compared to the same periods in 2019.

As a result, the Authority has implemented significant reductions to operating and capital expenditures, including the $31.4 million reduction in planned 2020 capital investment from $48.2 million to $16.8 million, significant reductions in contracted and temporary resources and the temporary closure and suspension of activity in several areas of its terminal facilities. In addition, the elimination of 18 positions announced in June 2020 combined with the cancellation of 11 vacant roles, which represents a 15 per cent reduction of the Authority’s full time roles.

The Authority has access to strong liquidity through Credit Facilities with two Canadian banks *[note 5]*.

The Government of Canada has waived ground rent for the period of March 2020 to December 2020 *[note 13]* and has extended the program for the 2021 calendar year. The Authority has also benefited from the CEWS program *[note 13]*.

Given the rapidly evolving situation with the COVID-19 pandemic and the emerging economic contraction, management continues to analyze the extent of the financial impact, which is and continues to be material. The emergence of several highly effective vaccines provides some visibility to a path to recovery later in 2021. In the meantime, the Authority continues to evaluate numerous scenarios involving macro-economic factors, government regulation and support for the sector, consumer travel sentiment and air carrier forward-looking schedules.

While the full duration and scope of the pandemic is not yet known, the Authority believes in the long-term resilience of the air travel industry and is focused on the long term financial sustainability of the Airport.The Authority continues to review its operating expenditures, resource commitments and capital programs and will continue to review future requirements to better align itself with air travel activity and cash flow requirements.