YOW 2018

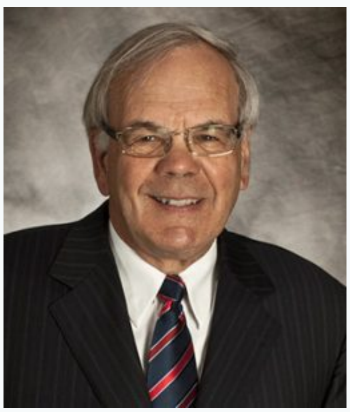
OTTAWA INTERNATIONAL AIRPORT AUTHORITY
ANNUAL REPORT

International Airport Authority
Ottawa
Administration de l'aéroport international

YOW.CA

MESSAGE FROM THE CHAIR

OF THE BOARD OF DIRECTORS



I am pleased to share the results of 2018, which was another impressive year for the Ottawa International Airport.

I was delighted to learn that YOW had retained its 1st place title in Airports Council International's Airport Service Quality (ASQ) customer service benchmarking program for airports that serve between 2 and 5 million passengers. It is a testament to the hard work of not only the Authority team but also the many companies across the airport campus that interact with our passengers and have the opportunity to delight them every day. I extend our thanks to all. This award means the world to our airport community because it comes directly from our clients. As such, I would also like to express our collective appreciation to every passenger who participated in the survey while waiting for a departing flight.

Since joining the Board of the Ottawa International Airport Authority in 2010, I have marveled at the accomplishments of a relatively small but dedicated team. When we worked with the CEO, Mark Laroche, and his team to develop the Strategic Plan and companion Action Plan, there was no doubt that the list of projects and priorities was extensive; the team has not only checked many completed projects off the list, it has also added many new and exciting projects over the years.

I have watched complex runway reconstruction projects successfully completed with minimal impact on the community. There have been notable development deals struck, resulting in new hotels and other facilities on airport property. Moreover, the planning, design, and engineering for the projects associated with the YOW+ terminal enhancement program that you will read more about in the Year in Review, has been impressive. The Authority team may be modest, but it is capable, tenacious and committed to excellence in every aspect of airport operations – I applaud them.

I would also like to commend the CEO for his leadership and passion for innovation and growth for the airport. He and his team have blazed a path forward on many fronts, including safety and security, and advocacy and I do not doubt that their tradition of excellence will continue well into the future.

There is one area in particular where I would like to highlight Mark's leadership – cybersecurity. He is forging the path forward to ensure that fulsome and regular conversation is taking place among airports in Canada to both raise the profile of the ever-evolving cyber threat issue, and to mitigate possible impacts to the aviation ecosystem. His efforts were recognized in the Fall of 2018 when he was appointed to the Board of Directors of the Aviation Information Sharing and Analysis Centre (A-ISAC) to widen the scope of the organization's reach into the Canadian aviation sector. Mark will play an essential role in strengthening the security of the industry and act as a conduit to airports and other aviation partners in Canada. Bravo!

I want to thank my colleagues on the Board for contributing to what has been a rewarding and enriching experience. Your desire to dive into the issues, to ensure that every option is explored and that the chosen path is what is best for the airport and the community was appreciated, and I encourage you to keep up the good work and never lose your devotion to the airport's success.

As my term ends, and I leave the Board in the capable hands of Code Cubitt, I will take away many fond memories of the accomplishments and awards that the Authority achieved over the past nine years. More importantly, I will leave with a tremendous sense of pride knowing that Canada's Capital Region is served by an airport that is focused on the well-being of the community while always pushing itself to provide the best service and the highest level of safety and security possible.

My final word of thanks goes to the community for the opportunity to serve as one of their representatives on the Board of Directors.

I wish my fellow Directors from a most talented Board, Mark, and his team continued success and will be cheering them on from the sidelines as they bring YOW+ and many other exciting projects to fruition.

Chris Carruthers
Chair of the Board of Directors

MESSAGE FROM THE PRESIDENT

AND CHIEF EXECUTIVE OFFICER

It gives me great pleasure to discuss 2018 and the results achieved during a record-breaking year.

Growth in our passenger volumes over the past several years has been limited to the domestic segment, and it was slow and steady at best. The 5.6% jump in 2018 was long-awaited and exciting, mainly since we had the 5 million-passenger milestone anxiously in our sights all year. By the end of December, we had surpassed it, serving 5,110,801 passengers during the year. Perhaps the best news of all was that the increase was not limited to domestic passengers, but spread across Domestic, Transborder and International segments with 4.9%, 11.3%, and 2.5% growth respectively.

To mark this important milestone, we engaged the community in a campaign called Sparty on the Shelf; customers and airport employees alike had fun finding the stuffed version of Ottawa Senators' mascot, Spartacat, throughout the airport and posting selfies on our various social channels. Congratulations to Tanya J who was our grand prize winner – we hope she escaped the seemingly never-ending winter to one of our non-stop sunshine destinations!

Reaching the 5 million-passenger mark is further support for the extensive construction program the Authority is set to embark on in 2019. We announced the YOW+ terminal enhancement program in the fall of 2018, including four pillars that represent the various projects that will transform the terminal over the next five years.

As mentioned in last year's Annual Report, we have been looking at options for our domestic/international pre-board screening checkpoint. After careful consideration, it was determined that the best option would be to move it to Level 3 where the current food court and sit-down restaurant are situated, from its current Level 2 location. The project, which will begin in May of 2019, will start with the construction of a floor over the Gate 18 area, which will accommodate screening equipment and additional queuing space. Once completed in 2020, the ultimate solution will provide a more comfortable, efficient screening process.

In 2018, we finalized the design of a revitalized and reimagined concessions program. The redesign includes replacing the infrastructure that supports our restaurant facilities, which has been in place since the terminal opened in 2003 and is at the end of its useful life. To complete the revitalization plan, we also issued requests for proposals to the food and beverage, and retail concession trades, in search of new Master Concession partners. We encouraged the participation of local retailers and restaurateurs and hope some familiar flavours will be included in our final offering. The combined pre-board screening move and concession revitalization projects represent a $25 million investment in the terminal.

In December 2018, we announced that we had signed an agreement with Group Germain Hotels for the construction of a terminal-connected hotel under the Alt brand. Alt will offer clients unique and sought-after comfort amenities, a full-service restaurant and a level of check-in/check-out flexibility that pairs perfectly with air travel. We are very proud to be working with this highly successful Canadian company that is investing $40 million in their third Ottawa property, which is, in my opinion, a strong vote of confidence for Ottawa and the region.

Finally, we are following through on our commitment to support the airport link in Stage 2 of the City of Ottawa's Light Rail Transit (LRT) plan. We are proceeding with plans to build an airport terminal station at the north end of the terminal, and have been working closely with the City to negotiate an agreement for the lands required to accommodate the line. In the end, we will be contributing $25 million to the project, including the total cost of the station, as well as the land value that we are donating in-kind. We will continue to collaborate to ensure that construction of the station will coincide with the completion of the airport link.

The projects I mentioned add up to more than $100 million of investment by the Authority and our partners, which is excellent news for the airport and the community.

We recognize that the projects described above will touch various areas of the terminal, and disrupt flow and process over an extended period. A key element of the YOW+ project is ensuring that any impact is minimized through effective communication and wayfinding, and by planning certain construction phases during the quiet hours. We will continue to update the YOW+ website and will post the information that matters most to our customers and stakeholders there and on our social media channels.

While the planning associated with these projects consumed a good deal of the team's time, we accomplished much more in 2018 that you will read about in the Year in Review. I am pleased to share a few highlights here.

Efforts to attract more air service development to YOW did not diminish in 2018. Additional service to Philadelphia, Newark and Washington-Dulles by American and United respectively, helped our Transborder traffic grow. Sunwing's introduction of Miami and Los Cabos, along with their significant service to Florida and the Caribbean helped grow our Transborder and International segments. We will continue our efforts to increase the variety of non-stop destinations served by working with our airline partners, who ultimately make the decisions where aircraft deployment is concerned.

Building on previous years' efforts, the Authority completed the requirements for Level 3 Airport Carbon Accreditation. Level 1 involved mapping our carbon footprint, and Level 2, a reduction in greenhouse gas emissions resulting from our operation. To achieve Level 3, the Authority was required to widen the scope of the carbon footprint map to include third-party emissions, and engage its partners at and around the airport and work with them to reduce their emissions. We are very proud of our level of accreditation and our wider efforts in environmental stewardship.

Security continued to be a priority – both physical and cyber. The Authority has been actively involved in engaging other airports in Canada to embrace the urgency of cybersecurity and has hosted discussions concerning events and trends that could have a profound impact on the aviation ecosystem on the cyber side. YOW initiated regular discussion with other airports and partners to share best practices and mitigation strategies. The goal is to harden the airport's technology and systems just as we would harden our facilities and structures.

On the physical security side, as new threats such as drones operating close to our airfield occur, we remain vigilant and work with our partners in order to mitigate any impact to airport operations that these threats may cause.

On the airfield, apron renewal work was completed north of Hangar 11 to allow for more overnight aircraft parking. Reconstruction of taxiways Juliet and Echo was completed, including the installation of runway pavement sensors and a weather station system. The project to install Simplified Short Approach Lighting System approach lights and towers for Runway 14 was also finished. These projects required the closure of Runway 14/32 until early fall, and every effort was made to minimize the impact on the community caused by increased traffic on Runway 07/25.

The airside and groundside maintenance teams have had, in my opinion, one of the more challenging winters to deal with in terms of treating runways for freezing rain, snow removal, and general winter weather. With every challenge Mother Nature threw their way, they responded like the pros they are and kept aircraft and people moving throughout. Well done!

We identified these and many other projects as priorities in the Strategic Plan and Action Plan that we created, and have kept updated with the collaboration of our Board of Directors, under the leadership of Chair, Chris Carruthers. The involvement of the entire Board in this process is essential, and together, we ensure that the airport is managed responsibly, and with the community's best interest at the forefront.

In closing, I would like to thank the Airport Authority team for their hard work and dedication. Their efforts have kept the Authority on the customer service excellence podium with another 1st place finish among airports that serve between 2 and 5 million passengers. The next five years will bring an aggressive project agenda that will require everyone's participation and commitment if we are to remain a leader in customer satisfaction – if any team is up to the challenge, it's the YOW team.

Mark Laroche
President and Chief Executive Officer

In November, YOW hosted more than 250 marketing, communications and customer service professionals from across the continent at the Airports Council International – North America's annual MarCom conference. With the city's first snowfall underway, Mark Laroche welcomed delegates in true Canadian fashion.

YOW hosted both announcements by the federal government concerning the passenger rights legislation. Mark Laroche offered words of welcome at the first one, in May.

2018 IN REVIEW

WELL, WE DID IT – 5 MILLION PASSENGERS TRAVELLED THROUGH YOW IN 2018!

This milestone is important for many reasons, and it validates many of the projects we worked on throughout the year that will allow continued growth. We have often said that our passenger volumes are closely linked to the local economy; our results confirm that Ottawa-Gatineau is in growth mode.

PASSENGER TERMINAL BUILDING CELEBRATES

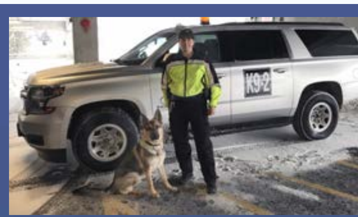
15 YEARS!

On October 13, 2003, YOW's new Passenger Terminal Building quietly opened for business in the early hours of the morning after much anticipation from passengers, employees, and the community at large. The airport went from an antiquated, inefficient and cramped 1960s-era building to an airy, architecturally beautiful, and award winning, state-of-the-art terminal. In the 15 years that followed, we opened a second phase of the terminal, expanded parking facilities several times, upgraded many systems, and been honoured year over year for providing a great customer experience in a clean, efficient terminal building.

If the past 15 years are any indication, the next 15 will be as exciting, if not more so. As you will read in this report, YOW is set to embark on multiple projects that will span the next five+ years. Individually, they are enormous and complex. Together, they will transform the airport and the customer experience for decades to come.

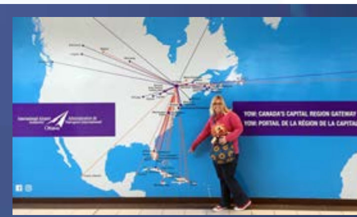
TO INCREASE THE ECONOMIC FOOTPRINT OF THE AIRPORT WITHIN THE NATIONAL CAPITAL REGION

Our last Economic Impact Study confirmed that the airport is an essential economic engine in Ottawa-Gatineau, injecting more than $2.2 billion in the local economy.



TO OPTIMIZE OPERATIONAL PERFORMANCE, ENSURING SAFE AND SECURE OPERATIONS

The safety and security of all passengers, employees, and facilities continues to be the Authority's top priority.

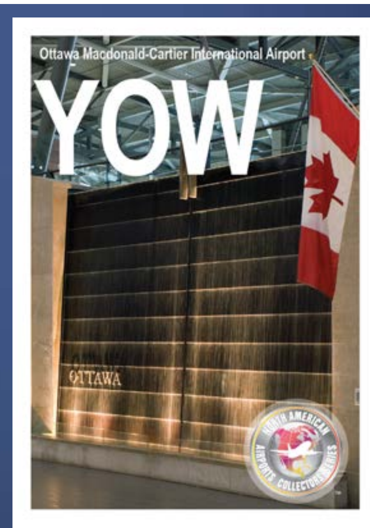


TO PROVIDE ADDITIONAL FLIGHT FREQUENCIES AND DESTINATIONS

YOW's effort to attract additional capacity and destinations is determined and ongoing. We meet with airlines to discuss the benefits of serving the National Capital Region.

STRATEGIC INITIATIVES / FIVE-YEAR PROJECTIONS

The Authority's Strategic Plan was collaboratively developed with the Board of Directors and Senior Management Team, and is based on five key Strategic Directions that are still the focus of Airport Authority activity.



New roadway banners were installed that feature architectural elements of the terminal, overlaid with our airport code.

The Airport Authority's fourth trading card, launched in November, features the three-level water feature in the terminal.

2018 IN REVIEW

TO GROW STRATEGICALLY

The Authority firmly believes that airport growth must make sense – both operationally and financially. Growth must address actual and forecasted need rather than an unrealistic and unsustainable build-it-and-they-will-come approach. Passenger growth must contribute to increased non-aeronautical revenues so that we can keep aeronautical fees as low as possible and keep the cost of flying as low as possible for the benefit of the community. The following projects are representative of measured growth that will enhance customer experience, and meet the needs of the airport's increasing passenger base.

Master Concession RFP

Fifteen years have passed since the terminal building opened, putting many of the concession outlets well beyond their expected life of 8 to 10 years. With the Master Concession agreements for both retail as well as food and beverage services expiring, the Authority seized the opportunity to take a more holistic view of the program, and to reimagine it in today's context, with growing customer demand in mind. After working with consultants and architects who helped define the optimal mix of services for our size, and design the spaces, respectively, the Authority issued requests for proposal in both categories. We also connected with the community to make them aware that we are encouraging a local flavour in the final product. We look forward to working through the evaluation process, and announcing partnerships in both retail, and food and beverage.

Construction of the new spaces will begin in 2019. The $12 million project, which is one pillar in the YOW+ campaign, will be staged to ensure continuity of services to passengers and employees throughout the process.

Connected Airport Hotel

The Authority is pleased to have finalized a contract with Quebec-based Group Germain Hotels for the construction of a full-service hotel adjacent to the terminal. Under the Alt brand, the hotel will feature conference facilities and a full-service restaurant. Construction is expected to begin in the fall of 2019.

Lyft Added to Customer Transportation Offering

The Authority successfully secured its second major ride-sharing contract and added Lyft to its already extensive customer transportation mix. Ridesharing continues to grow in popularity and consumer demand since Uber, Canada's first licensed airport ridesharing service, was introduced at YOW. In March, Ottawa became Lyft's second Canadian market following its Toronto launch. The airport continues to focus on providing convenient and safe transportation options for its valued clients.

Summary of amounts spent in the Ottawa region

(IN MILLIONS OF CANADIAN DOLLARS)	2014 $	2015 $	2016 $	2017 $	2018 $	TOTAL $
Wage bill	20.9	21.5	22.8	23.8	**24.4**	113.4
Payments in lieu of municipal taxes	4.9	5.0	5.0	5.1	**5.2**	25.2
Operations costs	32.0	34.0	36.0	35.0	**38.0**	175.0
Capital costs	54.0	31.2	24.0	35.0	**37.0**	181.2
	111.8	91.7	87.8	98.9	**104.6**	494.8

Notes:
Wage bill includes benefits;
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.

2018 IN REVIEW

TO INCREASE THE ECONOMIC FOOTPRINT OF THE AIRPORT WITHIN CANADA'S CAPITAL REGION

Our last Economic Impact Study confirmed that the airport is an essential economic engine in Ottawa-Gatineau, injecting more than $2.2 billion in the local economy. We understand the significance of this role, and consider it in our decision-making and planning processes as we work to positively impact Canada's Capital Region.

Airport Planning

As mentioned in the 2017 Annual Report, the Authority commenced the 2018 Airport Master Plan and related Land Use Plan update process in 2016. This included extensive stakeholder outreach that was used to revise aviation forecasts, identify support facility requirements, and potential development options to meet forecasted needs. The Authority submitted the final Airport Master Plan and updated Land Use Plan to Transport Canada in early 2018; the Master Plan was accepted, and the Land Use Plan was approved in August.

LIGHT RAIL TRANSIT – PLANNING AND DEVELOPMENT OF THE AIRPORT STATION

As the City of Ottawa progresses with plans for Stage 2 of the Light Rail Transit project, the Authority is proceeding with its plan to construct a $15 million elevated airport station at the North end of the terminal, on Level 3, to receive the rail spur. Design work is underway and construction will commence once the City has signed the Stage 2 contracts, with completion expected to meet the City's timeline for service.

FAIRFIELD INN AND SUITES OPENS ON CAMPUS

The Fairfield Inn and Suites by Marriott at the Ottawa Airport opened for business at the end of October. The 232-room select-service hotel features oversized guestrooms and suites, a continental breakfast bar, swimming pool, and fitness room and airport shuttle.

The new hotel offers yet another choice to travellers within the immediate vicinity of the terminal, bringing the total number of on-airport hotel properties to three with a total of 639 rooms.

PROJECT CLEAR SKIES

In June, the Project Clear Skies Evaluation Committee allocated just over $116,000 to 21 charitable organizations in Ottawa-Gatineau. This funding wave brings the total invested in important projects in Canada's Capital Region since 2004 to more than $1.7 million through the Authority's charitable giving program. To learn about the organizations that benefited from Project Clear Skies funding, please visit www.yow.ca/ClearSkies

Photo: Erin Kelly and her son Ryan Mantha (both on left) presented a cheque for $10,000 to Christie Lake Kids' Liam McGuire and Natalie Benson (both on right).

YOW Showcase

In 2017, the Authority established the YOW Showcase in the arrivals area where local community partners' innovations, events and contributions to the fabric of our region are featured. Located in the highest traffic area of the airport, this is a unique opportunity for great exposure to our visitors and passengers.

In 2018, Searidge Technologies Inc. was our featured partner. Searidge develops innovative technology to improve safety and efficiency in the aviation market. With technology at over 35 sites in 20 countries, they are a global leader for Remote Tower and digital airport solutions. Their technology has helped improve YOW's airside situational awareness since integrating our surface management and other airport-centric data into a single user interface through a strategic partnership with Searidge that was announced in 2016. The partnership provided Searidge with a model that has helped it grow its airport business around the world.

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%

		DOMESTIC	%	TRANSBORDER	%	INTERNATIONAL	%	TOTAL	%
	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%
FORECAST	2019	4,110,269	2.7%	740,952	2.8%	406,825	4.9%	5,258,046	2.9%
	2020	4,192,500	2.0%	755,839	2.0%	423,099	4.0%	5,371,438	2.2%
	2021	4,276,350	2.0%	770,955	2.0%	437,908	3.5%	5,485,213	2.1%
	2022	4,361,877	2.0%	786,374	2.0%	451,045	3.0%	5,599,296	2.1%
	2023	4,449,115	2.0%	802,102	2.0%	462,321	2.5%	5,713,538	2.0%
	2025	4,628,884	2.0%	834,567	2.0%	481,026	2.0%	5,944,477	2.0%
	2030	5,110,738	2.0%	921,478	2.0%	531,115	2.0%	6,563,331	2.0%

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%

		PASSENGERS	ANNUAL GROWTH	AIRCRAFT MOVEMENTS	ANNUAL GROWTH	RENT TO TRANSPORT CANADA $	ANNUAL GROWTH
	2007	4,088,528	7.4%	72,342	10.6%	11,546,000	-7.5%
	2008	4,339,225	6.1%	79,777	10.3%	10,134,120	-12.2%
	2009	4,232,830	-2.5%	81,120	1.7%	7,310,208	-27.9%
	2010	4,473,894	5.7%	86,009	6.0%	6,118,244	-16.3%
	2011	4,624,626	3.4%	90,949	5.7%	7,341,116	20.0%
	2012	4,685,956	1.3%	90,697	-0.3%	7,700,000	4.9%
	2013	4,578,591	-2.3%	83,567	-7.9%	7,420,000	-3.6%
	2014	4,616,448	0.8%	78,073	-6.6%	8,317,000	12.1%
	2015	4,656,360	0.9%	75,107	-3.8%	8,737,000	5.0%
	2016	4,743,091	1.9%	74,345	-1.0%	8,994,000	2.9%
	2017	4,839,677	2.0%	74,755	0.6%	9,626,000	7.0%
	2018	5,110,801	5.6%	77,728	4.0%	10,553,000	9.6%
FORECAST	2019	5,258,045	2.9%	78,972	1.6%	11,064,000	4.8%
	2020	5,371,438	2.2%	79,761	1.0%	11,528,000	4.2%
	2021	5,485,213	2.1%	80,559	1.0%	11,944,000	3.6%
	2022	5,599,296	2.1%	81,365	1.0%	12,306,000	3.0%
	2023	5,713,538	2.0%	82,178	1.0%	12,668,000	2.9%

Notes:
Federal Government Net Book Value at time of transfer: $75M
Total rent projected 1997-2023: $252.9M
Forecast passenger volumes are estimated based on a variety of data points including external consultants, available air carrier network schedules and economic trends.

2018 IN REVIEW

TO OPTIMIZE OPERATIONAL PERFORMANCE, ENSURING SAFE AND SECURE OPERATIONS

The safety and security of all passengers, employees, and facilities continues to be the Authority's top priority. From security exercises to process improvements, taking a leadership role in new security domains to reducing the impact our operation has on the environment, we are tireless in our quest for innovation and best practices to ensure performance at its best. The following are vital projects we worked on in 2018 to this end.

SAFETY

Emergency Response Planning and Training

In 2018, Airport Emergency Response Services (ERS) responded to 19 aircraft-related incidents (in-flight and on the ground) and over 130 medical emergencies.

The ERS crews, in conjunction with the Airport Operations Coordination Centre (AOCC) and On-scene Commander (OSC) conducted 48 exercises, including two equipment deployment exercises involving airfield maintenance teams. Additionally, they worked closely with the National Research Council to complete two joint research projects related to thermal imagery and firefighting stream application.

ERS equipment improvements in 2018 include the purchase of a new Aircraft Rescue and Firefighting vehicle: a Rosenbauer Panther – 3000 gallon – 6 x 6 vehicle. We expect to take delivery of the new vehicle in 2019. In addition to the new Panther, all ERS vehicles have been equipped with a new "P-25 compliant" radio system, improving communications with first responder partners from the City of Ottawa.

SECURITY

Annual Emergency Exercise

Exercise Integrated Response was a two-part, full deployment security exercise held in May. The Authority designed the first portion of the exercise to test the airport's capacity to respond to a cyber attack. Authority staff quickly identified and isolated the threat, leading to a successful conclusion. The second portion of the exercise involved a vehicle-borne incident on the Departures curb, which escalated into an active shooter scenario. Members of the Ottawa Police Service, Airport Policing Section, Patrol Services, Tactical Unit, Canine, and the Explosives Disposal Units, worked with the Ottawa Paramedic Service, and the Airport Authority to address the rapidly expanding incident. More than 100 first responders, Airport Authority staff, and volunteers took part in the exercise.

OSC Training

In 2018, the Airport Authority restructured the Transport Canada-regulated position of On-Scene Controller (OSC) to allow the airport's ERS resources to focus directly on an emergency at hand, while the OSC is now a new, separate resource. The Authority hosted more than 30 classroom and airfield training sessions with the OSC, Airport Policing Section, the Authority's ERS, operations and airfield staff to ensure proficiency with this new concept.

Cannabis Legalization

Legislative changes to allow the possession of cannabis in Canada came into effect in October. The possession of cannabis outside the country, however, remains illegal. To prevent our passengers from coming into conflict with the law as they travel abroad, the Authority installed cannabis amnesty bins at both of the airport's pre-board screening checkpoints. Although rarely utilized, these bins allow passengers to dispose of their drugs safely and legally before travelling outside of Canada.

In addition to bin deployment, the Authority supported the federal government's efforts to communicate the regulations and educate passengers through the deployment of regulatory signage and social media amplification.

Pass Control Office

The Pass Control Office underwent a historical change in 2018, as the longstanding contract with Commissionaires Ottawa ended in March, and the airport's new security contractor, Paladin Security, took over the duties.

Security Operations Improvements and Enhancements

To enhance safety and security for passengers and employees, the Authority installed bollards and planters along the Arrivals and Departures roadway traffic curbs to prevent intentional vehicle ramming attacks similar to the type that was staged in Exercise Integrated Response earlier in the year. We also added emergency blue phones on each level of the Parkade increasing access to such services.

Canine Unit

Every organization requires a comprehensive succession plan to address the needs and changes of its workforce. The Authority's Canine Unit is no different. In 2018, the Unit welcomed three new German Shepherds Eevi, Tank, and Ares, as a succession plan to replace aging canines. The rigorous training program required to certify the dogs, which is done in conjunction with regular airport patrol duties, takes the better part of a year to complete; to date, one of the new canines is certified, while the other two continue their training regime towards certification.

Eevi and canine handler Danielle Fox

The three canine teams took turns participating in various training and exercise events. These included a Canine Terrorist Explosive Scent Detection Seminar conducted at Dallas International Airport, the Canadian Police Canine Association Trials in Vancouver, British Columbia, training exercises with both Canada Border Services Agency and Via Rail canine teams, and a Homemade Explosive Detection Seminar with the Ontario Provincial Police in Kingston, Ontario. The Unit also took possession of two new fully outfitted trucks to replace their aging vehicles.

CYBER SECURITY LEADERSHIP

NAV CANADA Cyber Summit

Ensuring the safety and security of our passengers, employees, and facilities have been key priorities of the Authority since its inception. As the threat and risk in the area of cybercrime increases in frequency, complexity, and cost to affected individuals and organizations, the Authority has embraced the need to increase its cybersecurity awareness and resilience accordingly. It has taken a leadership role among Canadian airports in several ways.

In May, the Authority played a key role in NAV CANADA's 4th Annual Cyber Summit. Organized initially as an internal NAV CANADA discussion about the ever-changing cybersecurity landscape, the conference has evolved to include partners and stakeholders who have a shared interest in building cyber resilience.

After engaging in discussion with NAV CANADA, YOW took the lead in developing an Aviation Stream in the conference agenda that brought 15 Canadian airports to the conference for the first time. Twelve experts/speakers also participated, speaking about a variety of threats to the industry at large as well as mitigation strategies to protect and preserve system and private information. Other participants included five airlines, and representatives from Public Safety Canada and Transport Canada. This event set the stage for continued discussion and collaboration on this critically important topic. Planning is already underway for the 2019 Summit.

A-ISAC Appointment

In September, the Aviation Information Sharing and Analysis Centre (A-ISAC) appointed Mark Laroche to its Board of Directors. A-ISAC is the premier global aviation membership association that works to protect global aviation businesses, operations, and services through cyber threat intelligence and information sharing. Cyber threats know no borders, and this appointment will expand A-ISAC's international reach into the airport sector and act as a conduit to airports and other aviation partners in Canada.

AIRSIDE

After multiple years of runway reconstruction, the Authority has shifted its focus to taxiway and apron renewal, as well as improvements to enhance the safety and efficiency of our airside facilities.

Airfield

As a part of its ongoing commitment to airside safety, the Authority completed several airside construction projects during the spring and summer. We worked with our contractors to schedule several projects in parallel to minimize operational disruptions and community impact.

The taxiway reconstruction project is part of a multi-year project to restore apron and taxiway surfaces and airside infrastructure that has reached end of life. The project scope included the reconstruction of taxiways Juliet and a section of Echo, the installation of runway pavement sensors, and the installation of a weather station system.

We installed a Simplified Short Approach Lighting System (SSALR) approach lights and towers for Runway 14 improving visibility for pilots landing on this runway. SSALR lighting is already available for runways 07, 25, and 32.

Runway 14/32 was closed May 22nd and remained so until August 22nd, moving commercial traffic to most-used Runway 07/25, although we opened it at the start of each day and again in the early evening to accommodate Air Canada's Vancouver departures, which require the longer surface. The Authority team worked closely with its construction partners to keep the project to a very tight schedule and to mitigate any unnecessary impact on the airport campus and community at large.

Apron Renewal

The apron area north of Hangar 11 that is used for overnight aircraft parking was constructed in 1951, and was well past its end of life. In conjunction with a plan to expand north of this area, we confirmed a long-standing need to accommodate additional overnight parking, through a third-party study. The apron renewal, expansion and paving project created eight new spaces, which will allow us to adequately accommodate overnight requirements during peak periods as well as three positions for future growth.

TERMINAL IMPROVEMENTS

Moving Domestic/International Pre-board Screening

Increased demand coupled with next-generation screening processes, requires additional space at the Domestic/International pre-board screening checkpoint. The existing area will be increasingly stretched to its maximum capacity and efficiency, which prompted the Authority to explore other possibilities. After analyzing several growth scenarios, the Authority settled on the one that would provide the best return on its investment, and that complements the changes to the airport's concession program.

The pre-board screening operation will be moved from its current location on Level 2, to an expanded area on Level 3. To accommodate this move, we are constructing a new floor over the Gate 18 area, extending from what is now the southern-most area of the Rideau Bar and Grill restaurant. Much of the existing food court area on Level 3 will be relocated to new post-security space on Level 2, however; we are keeping retail and food and beverage service available on Level 3 pre-security for passengers, visitors, and employees.

The $15 million project, which is already underway and will become more visible to passengers and visitors in the summer, will be carried out in phases to ensure uninterrupted security screening services. We will complete the entire Level 3 operation before closing the existing pre-board screening checkpoint.

ENVIRONMENTAL RESPONSIBILITY

ACI Carbon Accreditation — Level 2

Krista Kealey, VP Communications & Public Affairs, accepts Airport Carbon Accreditation Level 2 on behalf of the Airport Authority.

The Airport Authority received Level 2 Accreditation of the Airports Council International-North America (ACI-NA)'s four-level Airport Carbon Accreditation program. The program, which launched in Europe in 2009 and expanded to North America in 2014, independently assesses and recognizes airports' efforts to manage and reduce their greenhouse gas (GHG) emissions. It certifies airports at four levels of accreditation, including mapping, reduction, optimization, and neutrality. Ottawa joins 217 Airport Carbon Accreditation-certified airports across the world, including 34 in North America.

The Authority had developed its carbon footprint mapping to obtain Level 1 Accreditation in October 2016. The Authority's Environmental Services team then directed its efforts to achieving Level 2. To do so, they developed and implemented a GHG emission reduction target and plan. The accreditation body reviewed these in late 2017, and we received confirmation of Level 2 Accreditation on January 18th. Throughout the rest of the year, the Authority team implemented the approved GHG Management Plan, continued the reduction process, and was recertified.

Our focus in 2018 was on achieving Level 3 Accreditation. This required us to help our campus tenants find ways to reduce GHG emissions attributed to their operations. We learned early in 2019 that our efforts were successful; we expect to receive formal Accreditation for Level 3 in the Fall.

Saving Energy

The Authority undertook an extensive list of energy-saving initiatives in the terminal, roadways, parking facilities and the Hendrick Building in 2018, including:

- Modification of holding room metal halide luminaires with LED
- Modification of on-airport street lights to LED
- Modification of surface parking lots lights to LED
- Replacement of metal halide fixtures to LED – Hendrick Building

When the Authority was first accredited in 2015, YOW's carbon footprint was 5,728 tonnes of CO_2 equivalent. In 2016 and 2017, it was calculated at 5,354 tonnes and 4,987 tonnes respectively. The 2018 figure of 5,254 tonnes is higher than last year's, but our intensity factor (emissions divided by the number of passengers divided by 1,000) of 1.013 is lower than 2017's 1.030 and 2016's 1.129; while our passenger number climbed by 5.6%, confirming that our collective efforts to reduce the airport's footprint are working.

Light Rail to the Airport

As the City of Ottawa's Light Rail Transit project progresses, and Stage 2 construction is set to begin in 2019, the Authority is preparing to fulfill its commitment to the project. Detailed plans for the airport terminal station are being finalized, and construction at the south end of Level 3 will begin by the fall of 2019.

FINANCE

The Financial Year at a Glance

The Canadian economy experienced growth in 2018 with key financial indicators and employment trends moving positively throughout the year despite tightening financial conditions and volatility in financial markets in the latter stages of the year. Nonetheless, this growth throughout 2018 was a backdrop for a positive impact on the results for the airport where 2018 passenger volumes again broke previous years' records, surpassing 5.1 million passengers, an increase of 5.6% over 2017. Domestic passenger growth increased 4.9% with increased frequencies to Vancouver, Edmonton, Toronto and Fredericton. Transborder and International passenger volume grew 11.3% and 2.5%, respectively, through increased frequencies by U.S. air carriers to their hubs while increased frequencies to warm weather destinations had a positive impact on international passenger volumes.

Revenues in 2018 were 4.1% higher at $138.1 million compared to $132.6 million in 2017 due to continued strength in ground transportation and parking volumes, higher fees charged to airlines and higher passenger volumes which impacted revenues positively. As a result, the Authority finished 2018 by generating earnings before depreciation of $38.3 million compared to $32.8 million in 2017 and net earnings after depreciation of $7.0 million compared to net earnings of $3.8 million in 2017. As always, any earnings will be reinvested in airport operations and development in the interests of improved safety, efficiency, and the customer experience.

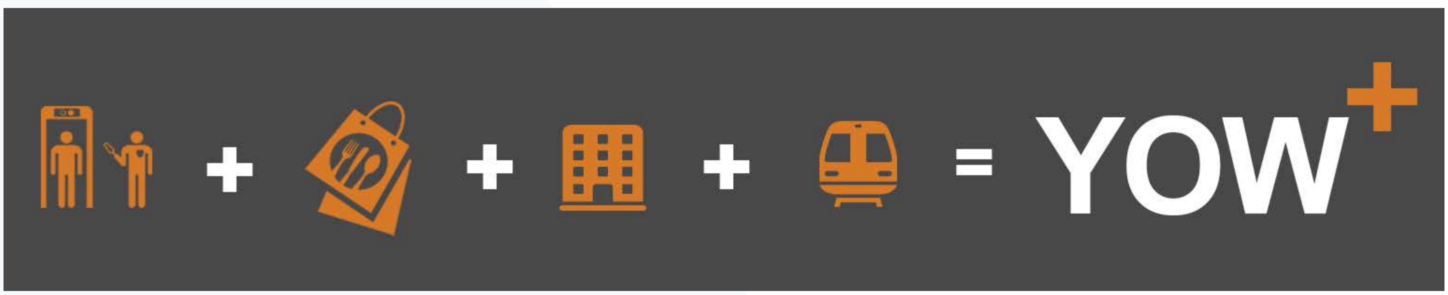
Five-year Review

(IN THOUSANDS OF CANADIAN DOLLARS)	2014 $	2015 $	2016 $	2017 $	2018 $
Revenues	115,116	123,322	126,806	132,623	**138,060**
Expenses before depreciation	85,919	95,492	104,028	99,801	**99,751**
Earnings before depreciation	29,197	27,830	22,778	32,822	**38,309**
Capital expenditures	54,752	31,206	24,443	35,528	**37,027**
AIF revenues – Gross	46,474	48,384	49,915	52,244	**54,215**

2018 IN REVIEW

TO PURSUE EXCELLENCE

Finding new and better ways to engage with our customers, employees, campus partners, and airport stakeholders all contribute to our pursuit of excellence. Engagement with these groups happens during meaningful conversation, by following up on comments and complaints, by sharing news and by never taking our collective eyes off the goal of ensuring a positive customer experience.



YOW+

Reaching the 5 million passenger mark, coupled with the growing needs of the city and region, means that the airport must also evolve. Our clients demand modernized and more diverse amenities, improved access, added convenience, and more choice. To meet these needs, the Authority is set to embark on a multi-year, multi-phased project that will transform and enhance the airport the customer experience, and Ottawa’s image as a world-class city and destination. Phases of the project include:

- Pre-board screening;
- Concessions;
- Airport Hotel; and
- Light Rail Transit Station.

Because construction will affect multiple areas of the terminal, and there will be an impact to the existing travel process, the Authority has launched the **YOW+** marketing and awareness campaign to provide our clients and campus employees with up-to-date information. Through **YOW+**, the Authority will provide information about each project, what is changing, how passengers will be affected at various points in the project, and what they can look forward to once each is complete. The campaign will evolve to include creative executions in the terminal using construction hoarding, wayfinding signage, and on the campaign website: www.yow.ca/yow+, to name a few.

Service is Golden

Early March of this year brought the great news that YOW had retained it's 1st place title for customer satisfaction in 2018 for airports in North America that serve between 2 and 5 million passengers per year in the Airports Council International (ACI) Airport Service Quality (ASQ) customer satisfaction benchmarking program. YOW was among 376 airports in more than 90 countries around the world that surveyed departing passengers to measure 34 key performance indicators.

Earning top spot was a major accomplishment. Keeping it is confirmation that the entire airport community remained committed to providing gold standard service to its passengers throughout the year. It could not have been done without every individual, volunteer and organization that played a role in this important achievement.

Heartfelt thanks to the passengers whose feedback acknowledged the effort. The airport community will keep striving to ensure a friendly, efficient curb to cabin experience, in an inviting, well-appointed airport environment. And, as the projects in the YOW+ program are launched, every effort possible will be made to minimize any disruption or change that might impact the customer experience.

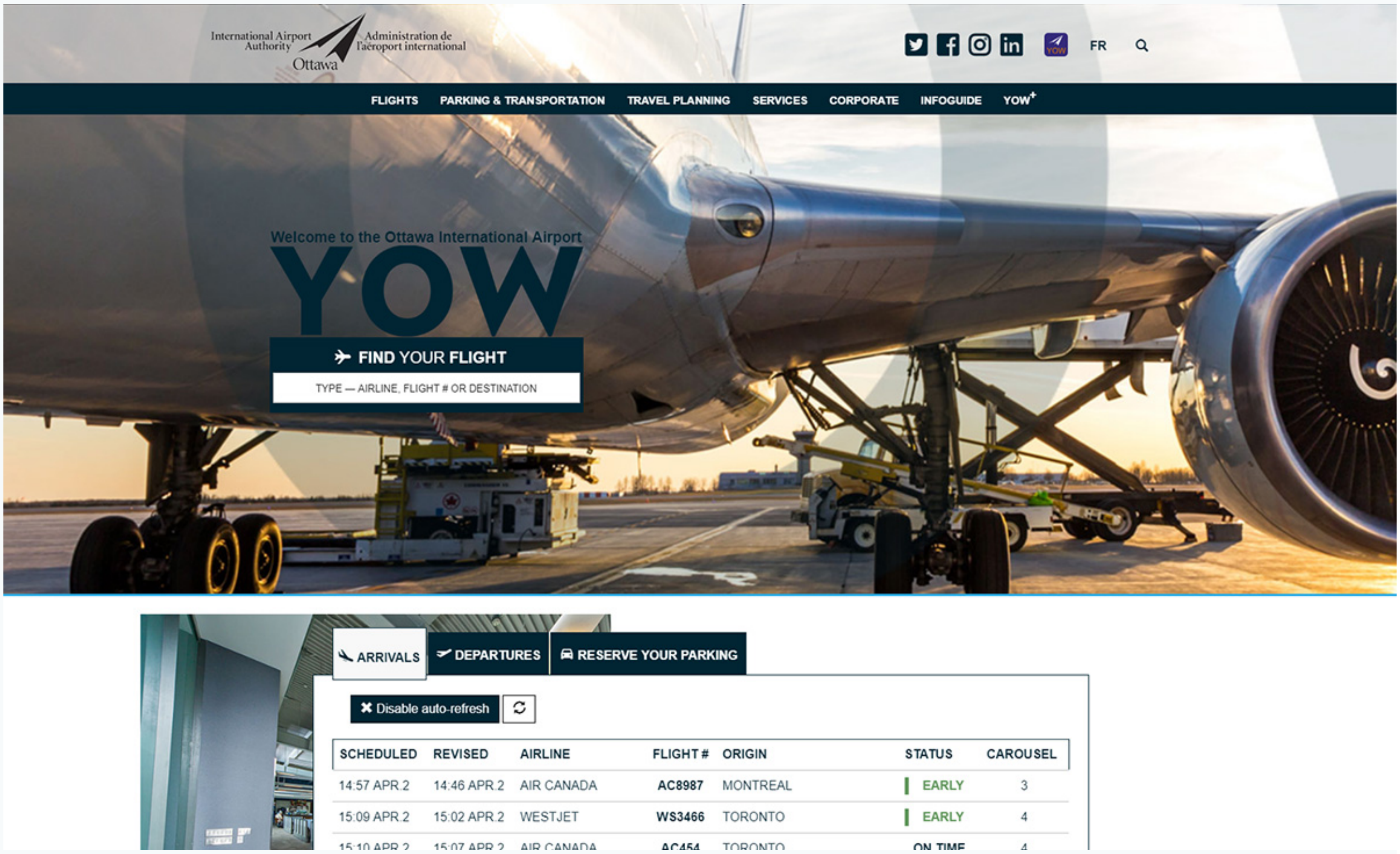
Top Flight

The Authority launched the Top Flight employee recognition program in 2013 as a tool for employees to recognize outstanding acts by their co-workers. Authority employees review the nominations and vote for the nominee they think is most worthy for the Employee of the Year each December.

Top Flight Employees of the Year, Lyann Lemieux and Lianne Degen

In August, a colleague in the Authority's Administration office suffered a life-threatening medical episode at her desk. Thanks to the early intervention of several of her co-workers, she survived and came back to work in November. Two Authority employees were nominated for their response to the emergency. Lianne Degen, Operations Responder, and Lyann Lemieux, Operations Responder, in training at the time, administered cardiopulmonary resuscitation (CPR) and used a portable automated external defibrillator (AED) until the airport's Emergency Response Service and Ottawa Paramedic Service personnel took over rescue efforts.

As the nomination stated, "although it may be part of their job responsibilities to be first aid providers, in this case, they both stepped up above and beyond in order to save her life…they have both proven a true passion and commitment for helping others." Congratulations to Lianne and Lyann!



New Airport Website

The Authority launched its new, fully accessible website in July. We streamlined content and presented it in a more intuitive layout, resulting in positive feedback from passengers and partners. The site, which had nearly 1,675,000 visits last year is the go-to source of flight information, parking options and online booking, and career opportunities across the campus, to name a few of the more popular pages.

Infoguides

The airport is fortunate to have more than 85 kind and caring individuals who volunteer their time to ensure that visitors and passengers who pass through YOW are welcomed and offered the assistance they might need. From answering questions about attractions in the region to providing assistance with hotel rooms or ground transportation options, the Infoguide volunteers go above and beyond everyday and are excellent ambassadors for Ottawa-Gatineau and the airport. In 2018, they volunteered more than 7,500 hours at information kiosks in Arrivals and Departures.

We celebrated many volunteer milestones in 2018: 11 marked 15 years with the program, two celebrated 20, and one reached the incredible 25-year mark! The entire airport community applauds our fearless volunteers!

Infoguide volunteers Kathy Mitchell, Lorraine Rooney, Maria Beaulne and Maura Giuliani

Airport Activity Book

The Authority recently collaborated with local artist Jennifer Nicol to create a new airport activity book that chronicles a class trip to Toronto. As Professor Uplands explains the airport process, he also introduces the students to many of the airport's iconic features and their historical significance, including the water feature, birchbark canoe, and Inukshuk. As kids colour their way through the airport, they learn about various elements of the travel process such as check-in and baggage handling, NAV CANADA's control tower and parts of an aircraft. Activity books are available at both of the airport's information kiosks, located in Arrivals and Departures.

2018 IN REVIEW

TO PROVIDE ADDITIONAL FLIGHT FREQUENCIES AND DESTINATIONS

YOW's effort to attract additional capacity and destinations is determined and ongoing. We meet with airlines to discuss the benefits of serving the National Capital Region. We also maintain dialogue with business organizations to understand travel needs and work together to attract sustainable routes. Aircraft are valuable assets, and airlines make their deployment decisions carefully, based on a market's volume, its yield, and how that geographic location fits into their network strategy.

#YOW5million grand prize winner, Tanya J.

5 MILLION!

In December, the airport reached the very significant 5 million-passenger milestone. To mark the occasion, the Authority launched an online advertising and promotion campaign, called "Sparty on the Shelf" to drive engagement and awareness. In collaboration with the Ottawa Senators, we hid 19 Spartacat dolls in locations throughout the airport, pre- and post-security. Participants were encouraged to find Sparty, take a selfie with him, share it on Facebook or Twitter, tagging @FlyYOW and including the hashtag #YOW5million. Four raffle prizes were awarded, along with the grand prize featuring two round trip economy class flights to anywhere an airline flies non-stop from YOW, and $5,000 spending money.

From the nearly 1,000 entries received between December 12, 2018 and January 2, 2019, we drew the winning name. It looks like our winner, Tanya J. from the Smiths Falls area, is planning a getaway to one of our sunshine destinations in the near future. Congratulations to everyone who entered and won!

AIR SERVICE DEVELOPMENT

Hitting the 5 million-passenger mark can be attributed to many factors, not the least of which was the resurgence in Transborder traffic. After several years of decline, this segment grew an impressive 11.3%. Delta's service to LaGuardia has proven to be successful; American added an additional frequency to Philadelphia bringing their daily total to three; United added capacity to Newark and Washington-Dulles, also increasing the daily total for each destination to three.

Domestic traffic, which is still the airport's strongest segment, grew 4.9%. This increase is due to Air Canada's increase in capacity to Toronto-Pearson, and Calgary; Porter's increased frequency to Toronto-Billy Bishop; and WestJet's additional daily frequency to Vancouver and Halifax.

International traffic also saw gains to the tune of 2.5%. Air Canada's year-round non-stop service to London, Heathrow continues to perform well, as does their seasonal Frankfurt service. Both Air Canada and WestJet reduced winter service to warm weather destinations; however, Sunwing filled the void announcing new routes to Miami, U.S. and Los Cabos, Mexico, for 2018, as well as serving an additional eight Florida and Caribbean destinations.

Total Nonstop Destinations

	TOTAL
1997	20
1998	21
1999	25
2000	26
2001	29
2002	30
2003	32
2004	25
2005	39
2006	44
2007	49
2008	49
2009	49
2010	50
2011	49
2012	49
2013	49
2014	50
2015	49
2016	46
2017	46
2018	**47**

Commercial Aircraft Movements

	TOTAL
1997	68,000
1998	77,202
1999	81,808
2000	78,301
2001	72,630
2002	68,499
2003	69,798
2004	69,626
2005	66,146
2006	65,396
2007	72,342
2008	79,777
2009	81,120
2010	86,009
2011	90,949
2012	90,697
2013	83,567
2014	78,073
2015	75,107
2016	74,345
2017	74,755
2018	**77,728**

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**

Origin and destination
94.0% of traffic (estimated)

2018 IN REVIEW

STRATEGIC INITIATIVES / FIVE-YEAR PROJECTIONS

The Authority's Strategic Plan was collaboratively developed with the Board of Directors and Senior Management Team, and is based on five key Strategic Directions that are still the focus of Airport Authority activity.

The following identifies the initiatives within each Strategic Direction across the 2018-2022 timeline:

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.

2018 Actual vs. Business Plan

(IN MILLION OF CANADIAN DOLLARS)	ACTUAL $	PLAN $	VARIANCE $	
Revenues	138.1	135.1	3.0	Increase in passenger volumes with notable increases in car rental, ground transportation and other concession volumes and revenues.
Expenses	131.1	131.3	(0.2)	Lower than expected operational and contract services expenses offset by higher airfield maintenance expenses related to complex weather conditions and extended winter operations.
Capital expenditures	37.0	48.9	(11.9)	Initiatives related to fleet vehicles, check-in hall, apron and taxiway expansion and campus building finishes and upgrades had longer than expected project timelines together with some elements slipping into the next fiscal year.

Financial Projections 2019 – 2023

(IN MILLION OF CANADIAN DOLLARS)	2019 $	2020 $	2021 $	2022 $	2023 $
Revenues	143.4	147.5	151.5	155.2	159.0
Expenses	134.3	137.1	139.2	140.7	142.2
Capital expenditures	49.3	43.2	32.6	30.2	30.4

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 who were tasked with overseeing the management of their local facility.

The Ottawa International Airport Authority's Board of Directors 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 Airport 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 2018, 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

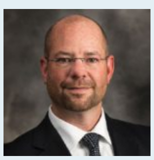
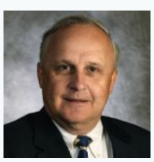
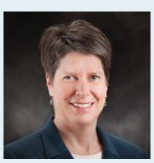
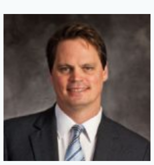
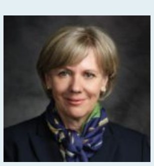
The Authority established by-laws at incorporation in 1995, which were amended in 2003, in 2010, and again in 2014, following its continuance under the Canada Not-for-profit Corporations Act. Under the current by-laws, the selecting bodies that provide nominees to the 14-member Board are as follows:

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 air carrier 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 of Directors as at December 31st, 2018.

	NAME AND POSITION WITH AUTHORITY	OCCUPATION	SELECTING BODY AND YEAR APPOINTED
	**Chris Carruthers** Chair of the Board	Health Care Consultant Corporate Director	At Large 2010
	**Craig Bater**(2)(4) Chair, Major Infrastructure and Environment Committee	Lawyer	Ottawa Board of Trade 2012
	**John Boyd**(1)	Partner Client First Group	Government of Ontario 2010
	**Dick Brown**(3)(4)	Retired Executive	Ottawa Tourism 2016
	**Code Cubitt**(2)(3)	Managing Director Mistral Venture Partners	Invest Ottawa 2015
	**Scott Eaton**(1) Chair, Audit Committee	Business Lawyer	At Large 2013
	**Michèle Lafontaine**(4)	Notary PME Inter Notaires	Ville de Gatineau 2017
	**Brendan McGuinty**(2) Chair, Governance Committee	President Strategies 360 Inc.	City of Ottawa 2011
	**Carole Presseault**(3) Chair, Human Resources and Compensation Committee	Principal Consultant Presseault Strategies+	Chambre de commerce de Gatineau 2014

	NAME AND POSITION WITH AUTHORITY	OCCUPATION	SELECTING BODY AND YEAR APPOINTED
	**Jacques Sauvé**(1)(4)	Consulting Engineer	At Large 2012
	**Lisa Stilborn**(1)(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 & Compensation Committee
(4) Member of Major Infrastructure and Environment Committee

Director's Compensation in 2018

Annual Retainer

- Chair: $50,679
- Audit Committee Chair: $24,777
- Committee Chairs: $22,525
- All other Directors: $13,514

Per meeting fee

- **$621** per meeting
- **$225** per teleconference

Attendance at Board and Committee Meetings

BOARD MEMBER	BOARD MEETINGS ATTENDED	COMMITTEE MEETINGS ATTENDED WHILE MEMBER OF A COMMITTEE
Craig Bater	9 out of 9	10 out of 10
Thom Bennett (1)	2 out of 2	2 out of 2
John Boyd	9 out of 9	6 out of 6
Dick Brown	9 out of 9	11 out of 11
Chris Carruthers	9 out of 9	20 out of 21

BOARD MEMBER	BOARD MEETINGS ATTENDED	COMMITTEE MEETINGS ATTENDED WHILE MEMBER OF A COMMITTEE
Code Cubitt	8 out of 9	6 out of 6
Scott Eaton	8 out of 9	6 out of 6
Michèle Lafontaine	9 out of 9	5 out of 6
Brendan McGuinty	9 out of 9	4 out of 4
Carole Presseault	9 out of 9	5 out of 5
Jacques Sauvé	9 out of 9	9 out of 9
Lisa Stilborn	7 out of 9	9 out of 10
Janice Traversy	9 out of 9	11 out of 11

(1) Term ended April 25, 2018

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;
- evaluate and recommend nominees 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 composition of the Committees of the Board and appointment o 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; and
- review the Authority's structures and procedures to ensure the Board is able to function independent from management.

Major Infrastructure and Environment Committee

- oversee the Authority's major infrastructure projects;
- oversee best practices in the area of environmental stewardship;
- review reports and other documents related to the design, cost, quality, schedule, risk, and construction of proposed major infrastructure projects;
- review updates to the Authority's Master Plan;
- review the infrastructure investment plans prepared as part of the annual Business Plan; 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 risk management, financial reporting and audi functions;
- review and report to the Board with regard to the independence and performance of the external auditor;
- review selection, appointment, compensation, retention, and termination and oversee the work of the Authority's external auditor. Recommend to the members the appointment of the external auditor for approval. Monitor audit engagement partne rotation requirements. The external auditor reports to the Audit Committee;
- annually review with the external auditors and management matters relating to conduct of the annual audit and any recommendations of the auditors regarding internal controls;
- 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 quarterly financial statements of the Authority;
- review the appointment and performance of the chief internal auditor and all matters relating to the work plan of the internal audit function, including significant reports prepared by internal audit together with management's response and follow-up to these reports;
- oversee the Authority's processes for enterprise risk management; and
- review matters having a material financial impact on the Authority, including financing requirements and options, and recommendation to the Board.

Human Resources & 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;
- recommend to the Board the remuneration plan for excluded employees as well as changes to collective agreements for unionized employees; and
- review the results of the tri-annual employee satisfaction survey.

Other ad-hoc committees may be formed from time to time that include members of the Board of Directors.

Accountability

The Authority's policy is to be accountable to the community and to be transparent in relations with its business 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 Macdonald-Cartier International Airport, the premises of which will be leased to the Authority by Transport Canada, 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;
- 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 which 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 again in early 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 $116,305 ($75,000 in 1994 dollars adjusted for CPI to December 31st, 2018), 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 $116,305 that were not awarded on the basis of a public competitive process during 2018:

CONTRACTOR	CONTRACT DESCRIPTION	REASON FOR SOLE SOURCE
Plan Group	**$318,731 Supply, deliver and install upgrade to security door/fire alarm program logic controller interfaces**	**See A below**
ThyssenKrupp Airport Systems Inc.	**$252,230 Supply, deliver and install upgraded operating systems on the Phase II Terminal Passenger Boarding Bridges**	**See B below**

A – Sole source to ensure integration and functionality with existing systems and equipment originally purchased following a public competitive process.
B – Single source – specialized proprietary equipment and/or services available from only one supplier.

Executive Management Salary Ranges

The base salary range for the President of the Authority in 2018 was between $298,979 and $365,543. The base salary range for Vice Presidents in 2018 was between $118,988 and $235,727.

In addition, under the management incentive plan for non-represented employees, the President and the Vice Presidents receive pay at risk following fiscal year end which payments are based on achieving 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 airport improvement fees (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 December 14th, 2013 that it was increasing its fee to $23 effective March 1st, 2014. The purpose of the existing AIF is to pay for the construction of, and the debt associated with, the Airport Authority's major infrastructure construction programs.

The process for adjusting AIFs 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 Airport 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.

The Board of Directors (from left to right): Scott Eaton, Carole Presseault, Dick Brown, Craig Bater, Michèle Lafontaine, Code Cubitt, Mark Laroche (President & CEO), Christopher Carruthers (Chair), Janice Traversy, Jacques Sauvé, Brendan McGuinty, John Boyd, Lisa Stilborn

FINANCIAL REVIEW — 2018

This Financial Review reports on the results and financial position of the Ottawa Macdonald-Cartier International Airport Authority ("Authority") for its year ended December 31, 2018. 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

Earnings before depreciation for the year ended December 31, 2018 were $38.3 million compared to $32.8 million for the year ended December 31, 2017. The Authority recorded depreciation of $31.3 million in 2018 compared to $29.0 million in 2017, reflecting depreciation of the terminal building, airfield facilities and other assets over their estimated economic lives. After subtracting depreciation, the Authority generated net earnings of $7.0 million in 2018 compared to net earnings of $3.8 million in 2017.

The Authority's net operating results for the three years ended December 31, 2018 are summarized as follows:

(IN MILLIONS OF CANADIAN DOLLARS)	2018 $	2017 $	2016 $
Revenues	**138.1**	132.6	126.8
Expenses	**99.8**	99.8	104.0
Earnings before depreciation	**38.3**	32.8	22.8
Depreciation	**31.3**	29.0	28.1
Net earnings (loss)	**7.0**	3.8	(5.3)

(IN MILLIONS OF CANADIAN DOLLARS)	2018 $	2017 $	2016 $
Total assets	**500.4**	495.0	698.9
Gross – long-term debt	**423.3**	427.5	631.2

RESULTS OF OPERATIONS

Operating activities

During 2018, the Ottawa Macdonald-Cartier International Airport (the "Airport") saw positive passenger volumes with increases of 5.6% over 2017 and 7.8% over 2016. The Canadian economy experienced solid growth with key financial indicators and employment trends moving positively throughout the year with economic forecasts suggesting continued positive trends for 2019, albeit at a slightly slower pace than 2018.

Continued positive trends in population growth, government fiscal and monetary policies and strong employment despite tightening financial conditions should contribute to incremental passenger growth in 2019 and beyond. Nevertheless, the impact of unpredictability in energy prices, increasing short term interest rates, variability in the Canadian dollar, and evolving political trends nationally in an election year and throughout global markets will be monitored over the course of the coming year.

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

				% CHANGE – 2018 VERSUS	
	2018	2017	2016	2017	2016
Domestic	**4,002,209**	3,813,672	3,679,232	**4.9%**	**8.8%**
Transborder	**720,770**	647,574	673,434	**11.3%**	**7.0%**
International	**387,822**	378,431	390,425	**2.5%**	**(0.1%)**
Total	**5,110,801**	4,839,677	4,743,091	**5.6%**	**7.8%**

Domestic passenger volumes were 4.9% higher on a year over year basis with increases in flows noted to Vancouver, Edmonton, Toronto, Fredericton and Saint-John.

Transborder volumes have increased 11.3% as compared to 2017. United increased capacity to Newark, Washington-Dulles and Chicago. American increased frequency to Philadelphia. Air Canada experienced higher frequencies to Newark, Tampa and Orlando while WestJet decreased capacity to Florida (Fort Lauderdale, Fort Myers, Orlando and Tampa).

International traffic increased 2.5% as compared to 2017. Air Canada experienced increases in flows to its Mexican itineraries as compared to the prior year while Sunwing saw higher frequencies to warm weather destinations.

By sector, a quarterly view of 2018 passenger volumes compared to comparable quarters in 2017 is as follows:

	DOMESTIC	TRANSBORDER	INTERNATIONAL
Q1	Higher by 4.9%	Higher by 13.5%	Lower by 1.4%
Q2	Higher by 5.5%	Higher by 8.2%	Lower by 6.8%
Q3	Higher by 7.9%	Higher by 15.5%	Higher by 6.2%
Q4	Higher by 1.3%	Higher by 8.1%	Higher by 17.0%
Total	Higher by 4.9%	Higher by 11.3%	Higher by 2.5%

By quarter, total passenger volumes were as follows:

	2018	2017	% CHANGE
Q1	**1,248,517**	1,185,327	5.3%
Q2	**1,252,447**	1,191,719	5.1%
Q3	**1,355,155**	1,246,839	8.7%
Q4	**1,254,682**	1,215,792	3.2%
Total	**5,110,801**	4,839,677	5.6%

The size of an aircraft (based on maximum takeoff weight) and the number of “landed” seats on an aircraft (regardless of whether those seats are occupied by passengers) are the most significant drivers of aeronautical revenue. In 2018, the number of landed seats increased by 2.7% as compared to 2017. Domestic landed seats increased 2.0% on a year over year basis and transborder and international increased by 8.5% and 1.4%, respectively. Variances by sector mirror largely the variances experienced in passenger volumes as explained above.

Revenues

Total revenues increased by 4.1% to $138.1 million in 2018 compared to $132.6 million in 2017.

REVENUES BY CATEGORY (IN THOUSANDS OF CANADIAN DOLLARS)	2018	2017	CHANGE	
	$	$	$	%
Airport improvement fees	**54,215**	52,244	**1,971**	**3.8%**
Terminal fees and loading bridge charges	**28,511**	27,350	**1,161**	**4.2%**
Landing fees	**13,472**	13,005	**467**	**3.6%**
Concessions	**15,291**	14,255	**1,036**	**7.3%**
Car parking	**16,082**	15,320	**762**	**5.0%**
Land and space rentals	**6,623**	6,453	**170**	**2.6%**
Other revenue	**3,866**	3,996	**(130)**	**(3.3%)**
	138,060	132,623	**5,437**	**4.1%**

Airport improvement fee ("AIF") revenues of $54.2 million in 2018 increased by 3.8% from $52.2 million in 2017. The increase is attributed to the 5.6% year over year increase in passenger volume in 2018 offset by a lower average number of departing passengers originating their flight in Ottawa in 2018 at 94% as compared to 96% in 2017. Passengers connecting through Ottawa are exempt from the AIF. Under an agreement with the air carriers, AIF is collected by the air carriers in the price of a ticket and are paid to the Authority on an estimated basis, net of air carrier administration fees of 6%, on the first of the month following the month of enplanement of passengers. Final settlement based on actual passenger volumes occurs at the end of the month following the month of enplanement.

At $42.0 million in 2018, total aeronautical revenues, which include terminal fees, loading bridge charges and landing fees charged to air carriers, were 4.0% higher than revenues of $40.4 million in 2017. The year over year increase reflects the benefit of the 2.7% year over year increase in landed seats combined with the increase in aeronautical rates and charges of 2.5% effective February 1, 2018. For 2019, the Authority has strived to balance operational expense growth with revenue growth while continuing to monitor ongoing cost pressures resulting from uncontrollable increases that are beyond inflation. Forecasted passenger growth in 2019 combined with prudent fiscal management are expected to offset these increased expenses and accordingly, the Authority is holding its 2019 aeronautical rates and charges at 2018 levels.

Concession revenues of $15.3 million increased 7.3% as compared to 2017. Strong passenger volumes favourably impacted the various concession areas with solid results in food services, car rentals, retail and duty free concessions. In particular, the Ground Transportation segment experienced favourable transaction volumes in taxi brokerage and private transportation company services.

Car parking revenues increased to $16.1 million from $15.3 million in 2017, an increase of $0.8 million or 5.0%. The year over year increase was attributable to continued strength in online and long-term transaction volumes combined with the year over year impact of parking rate price increases in February 2018. The ongoing effort to adjust the rate structure is based on optimizing pricing models and revenues based on passengers' profiles and their specific needs as domestic passengers tend to park for shorter periods for business purpose day-trips while leisure, transborder and international passengers tend to park at the Airport for longer periods of time.

Land and space rental revenues of $6.6 million increased 2.6% as compared to 2017. Increases are attributable to favourable lease renewal activities with existing tenants and inflationary adjustments embedded within land leases.

Expenses

Total expenses before depreciation of $99.8 million in 2018 was the same as in 2017.

EXPENSES BY CATEGORY (IN THOUSANDS OF CANADIAN DOLLARS)	2018	2017	CHANGE	
	$	$	$	%
Interest	**20,818**	24,318	**(3,500)**	**(14.4%)**
Ground rent	**10,553**	9,626	**927**	**9.6%**
Materials, supplies and services	**38,741**	36,973	**1,768**	**4.8%**
Salaries and benefits	**24,425**	23,774	**651**	**2.7%**
Payments in lieu of municipal taxes	**5,214**	5,110	**104**	**2.0%**
	99,751	99,801	**(50)**	**(0.0%)**

Interest expense reflected in the statement of operations results from borrowing to invest in the Authority's capital programs and offset by interest income earned on bank and investment account balances. Interest expense has decreased $3.5 million in 2018 due to the maturity and repayment of the $200 million Series D Revenue Bonds on May 2, 2017.

Rent payable to the Government of Canada increased by 9.6% to $10.6 million in 2018 due to higher revenues. The Authority operates the Airport under the terms of a ground lease (as amended, the "Lease") with the Government of Canada that sets out the formula for calculating annual rent. The amount reflected as rent expense is estimated based on that formula. The formula calculates rent as a royalty based on a percentage of gross annual revenues on a progressive scale. Rent is calculated as a percentage of gross annual revenues as defined in the Lease, with no rent payable on the Authority's first $5 million in annual revenue and an increasing rent percentage payable as revenue increases, on a cumulative basis. Rent is levied at a maximum 12.0% rate on annual revenues in excess of $250 million as follows:

GROSS REVENUES	RENT PAYABLE	CUMULATIVE MAXIMUM RENT
On the first $5 million of revenues	0.0%	$0
On the next $5 million	1.0%	$50 thousand
On the next $15 million	5.0%	$800 thousand
On the next $75 million	8.0%	$6,800 thousand
On the next $150 million	10.0%	$21,800 thousand
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:

2019	$11.1 million
2020	$11.5 million
2021	$11.9 million
2022	$12.3 million
2023	$12.7 million

The cost of materials, supplies and services increased to $38.7 million in 2018 as compared to $37.0 million in 2017, an increase of 4.8%. The $1.8 million increase over 2017 is due to annual rate increases in contracted services in 2018 for policing and security, building cleaning, maintenance and other outsourced and professional services together with increases in repair, utilities and airfield maintenance expenses. Significant snow events early and late in 2018 and a mixture of complex weather conditions required more airfield maintenance including fuel, winter maintenance chemicals and materials than experienced in 2017.

The cost of salaries and benefits increased $0.7 million to $24.4 million in 2018, an increase of 2.7%. The increase was a result of contracted increases for salaries and related benefits, the successful hiring of planned new and replacement positions combined with higher usage of seasonal on-call staff and overtime as a result of more snow events and complex weather conditions throughout 2018.

Payments in lieu of municipal taxes have increased by 2.0% and reflect the prescribed impact of the provincial legislation, which dictates the calculation of this payment. Under this legislation, payments in lieu of municipal taxes are based on a fixed legislated rate for the Authority, multiplied by the previous year's passenger numbers, but to a maximum increase of 5.0% over the previous year's amount. The $5.2 million paid for 2018 reflects this prescribed calculation given that the number of passengers travelling through the Airport in 2017 increased 2.0% over 2016 levels. Payments in lieu of taxes will increase in 2019 by the maximum of 5.0% from the 2018 amount based on this prescribed calculation reflecting the increase in passenger volumes that occurred in 2018.

Depreciation reflects the allocation of cost over the useful life of the assets and investments in property, plant and equipment. In 2018, depreciation of $31.3 million was $2.4 million higher than 2017. The incremental depreciation is related to capital projects completed in 2018 and in 2017 including departure check-in upgrade, apron and taxiway reconstruction and expansion, non-passenger screening – vehicle facilities, major fleet vehicles, apron drainage, runway approach lighting and information technology initiatives.

SUMMARY OF QUARTERLY RESULTS

The Authority's quarterly results are influenced by passenger activity, aircraft movements, maintenance project decisions, and other factors such as weather conditions 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)	**2017 $**				**2018 $**			
	MAR	**JUNE**	**SEPT**	**DEC**	**MAR**	**JUNE**	**SEPT**	**DEC**
Revenues	33.4	32.5	33.3	33.4	**34.5**	**33.7**	**35.3**	**34.6**
Expenses	27.8	24.3	22.7	25.0	**25.2**	**24.1**	**23.1**	**27.4**
Earnings before depreciation	5.6	8.2	10.6	8.4	**9.3**	**9.6**	**12.2**	**7.2**
Depreciation	7.0	6.9	7.5	7.6	**7.5**	**7.4**	**8.2**	**8.2**
Net earnings (loss)	(1.4)	1.3	3.1	0.8	**1.8**	**2.2**	**4.0**	**(1.0)**

CAPITAL EXPENDITURES

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

During 2018, the Authority invested $37.0 million in its capital expenditure programs. This includes significant spending of $13.6 million on apron and taxiway reconstruction and expansion, $5.1 million on terminal and combined services building improvements, $3.6 million on major fleet vehicles, $2.3 million in development costs related to CATSA screening and LRT station projects, $2.1 million on the departure check-in upgrade, $1.8 million on fixed bridge window replacement and $1.1 million on runway lighting.

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:

(IN THOUSANDS OF CANADIAN DOLLARS)	PAYMENTS FOR YEARS ENDING DECEMBER 31						
	TOTAL	2019	2020	2021	2022	2023	THEREAFTER
Long-term debt (Note 1)	423,311	4,643	8,753	13,116	14,023	14,988	367,788
Operating commitments	30,660	14,166	6,108	5,293	3,633	1,460	
Capital commitments	32,247	32,247					
Total contractual obligations	486,218	51,056	14,861	18,409	17,656	16,448	367,788

Note 1 – Further information on interest rates and maturity dates on long-term debt are provided in Note 8 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 related to the Authority's major infrastructure investment programs including Airport expansion projects. The Authority finances major infrastructure expenditures by borrowing in the capital markets and by using bank credit.

The Authority maintains access to an aggregate of $140 million in committed credit facilities ("Credit Facilities") with two Canadian banks. The 364-day Credit Facilities that expired on October 13, 2018 have been extended for another 364-day term expiring on October 13, 2019. 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, 2018 (IN MILLIONS OF CANADIAN DOLLARS)	DEC 31, 2017 (IN MILLIONS OF CANADIAN DOLLARS)	MATURITY	PURPOSE
Revolver – 364-Day	**40.0**	40.0	October 13, 2019	General corporate and capital expenditures
USD Contingency ($10 million USD)	**14.0**	14.0	October 13, 2019	Interest rate hedging
Letter of Credit	**6.0**	6.0	October 13, 2019	Letter of credit and guarantee
Revolver – 5-Year	**80.0**	80.0	May 15, 2020	General corporate and capital expenditures
Total	**140.0**	140.0		

The Authority's cash and cash equivalents increased by $1.0 million during 2018 to $30.5 million as at December 31, 2018.

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 (the "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, 2018, the balance of cash and qualified investments held in the Debt Service Reserve Fund for the Series B Amortizing Revenue Bonds was $6.6 million. Furthermore, in order to satisfy the Debt Service Reserve Fund requirement for the Series E Amortizing Revenue Bonds, $5.9 million of the Authority's Credit Facility had been designated to an irrevocable standby letter of credit in favour of the Trustee.

The Master Trust Indenture also requires that the Authority maintain an operating fund ("Operating and Maintenance Reserve Fund") in an amount equal to 25.0% 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, 2018, $15.8 million of the Authority's Credit Facilities had been allocated exclusively to the Operating and Maintenance Reserve Fund.

At December 31, 2018, the Authority was in full compliance with the provisions of its debt facilities, including the Master Trust Indenture provisions related to reserve funds, the flow of funds and the rate covenant.

During 2018, S&P Global and Moody's reaffirmed the Authority's credit ratings with stable outlooks in respect of the Authority's Bonds under the Master Trust Indenture at A+ and Aa3, respectively.

BALANCE SHEET AND OTHER HIGHLIGHTS

The Authority's accounts receivable of $8.6 million decreased by $0.8 million from the prior year and was due to the receipt of a payment from one major carrier in late December 2018 instead of receiving the payment early in January 2019.

Accounts payable and accrued liabilities increased by $3.7 million to $18.6 million at December 31, 2018 and was due to higher accrued liabilities as a result of the completion of several capital projects at the end of 2018 together with some higher trade payables.

The Authority's pension plan purchased a fully indexed buy-in annuity contract late in December 2018 for all retired members as at December 31, 2018. Favourable market conditions allowed for a $2.7 million reduction in the pension plan's solvency liability by while also de-risking future defined benefit pension obligations for retired members.

RISKS AND UNCERTAINTIES

Aviation Activity

The Authority will continue to face certain risks beyond its control which may or may not have a significant impact on its financial condition. Airport revenue is largely a function of passenger volumes. Passenger volumes are driven by air travel demand. The events of the past several years have emphasized the volatile nature of air travel demand and the impact of external factors such as 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 the financial uncertainty of the airline industry.

The financial uncertainty of the airline industry, although currently relatively stable in Canada, remains an ongoing risk to the Authority. This is mitigated by the fact that approximately 94% (96% in 2017) of the passenger activity originates or terminates at the Airport, as opposed to connecting through the Airport. Connecting passenger volumes are more vulnerable to fluctuation due to routing and scheduling changes by airlines. In addition, a greater percentage of the traffic through the Airport is business and government travellers, whose travel decisions are less discretionary than those of leisure travellers.

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.

FINANCIAL STATEMENTS

December 31, 2018

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 20, 2019

INDEPENDENT AUDITOR'S REPORT

To the Directors of
Ottawa Macdonald-Cartier International Airport Authority

Opinion

We have audited the accompanying financial statements of **Ottawa Macdonald-Cartier International Airport Authority,** which comprise the balance sheet as at December 31, 2018, and the statement of operations and comprehensive income, 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 **Ottawa Macdonald-Cartier International Airport Authority** as at December 31, 2018, 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 **Ottawa Macdonald-Cartier International Airport 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 **Ottawa Macdonald-Cartier International Airport 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 **Ottawa Macdonald-Cartier International Airport Authority** or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing **Ottawa Macdonald-Cartier International Airport 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 **Ottawa Macdonald-Cartier International Airport 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 **Ottawa Macdonald-Cartier International Airport 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 **Ottawa Macdonald-Cartier International Airport 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 th 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 20, 2019

Balance sheet [expressed in thousands]

As at December 31

	2018 $	2017 $
ASSETS		
Current		
Cash and cash equivalents	**30,499**	29,454
Trade and other receivables	**8,613**	9,462
Consumable supplies	**3,372**	3,499
Prepaid expenses and advances	**1,480**	1,368
Total current assets	**43,964**	43,783
Debt Service Reserve Fund *[note 8(a)]*	**6,604**	6,495
Property, plant and equipment, net *[note 4]*	**444,604**	438,985
Post-employment pension benefit asset, net *[note 10]*	**—**	367
Other assets *[note 5]*	**5,250**	5,328
	500,422	494,958
LIABILITIES AND EQUITY		
Current		
Accounts payable and accrued liabilities	**18,625**	14,967
Current portion of long-term debt *[note 8]*	**4,643**	4,152
Total current liabilities	**23,268**	19,119
Other post-employment benefit liability *[note 10]*	**9,121**	9,233
Long-term debt *[note 8]*	**415,957**	420,377
Total liabilities	**448,346**	448,729
Commitments and contingencies *[note 16]*		
Equity		
Retained earnings	**62,408**	55,448

	2018 $	2017 $
ASSETS		
Accumulated other comprehensive loss	**(10,332)**	(9,219)
Total equity	**52,076**	46,229
	500,422	494,958

See accompanying notes

On behalf of the Board:

Chris Carruthers,
Chair of the Board of Directors

Scott Eaton,
Chair, Audit Committee

Statement of operations and comprehensive income [expressed in thousands]

	2018 $	2017 RESTATED *[NOTE 2]* $
REVENUE		
Airport improvement fees *[note 9]*	**54,215**	52,244
Terminal fees and loading bridge charges	**28,511**	27,350
Landing fees	**13,472**	13,005
Concessions	**15,291**	14,255
Car parking	**16,082**	15,320
Land and space rentals *[note 13]*	**6,623**	6,453
Other revenue	**3,866**	3,996
	138,060	132,623

	2018 $	2017 RESTATED *[NOTE 2]* $
EXPENSES		
Interest *[note 8(b)]*	**20,818**	24,318
Ground rent *[note 13]*	**10,553**	9,626
Materials, supplies and services *[note 9]*	**38,741**	36,973
Salaries and benefits *[note 10]*	**24,425**	23,774
Payments in lieu of municipal taxes	**5,214**	5,110
	99,751	99,801
Earnings before depreciation	**38,309**	32,822
Depreciation	**31,349**	28,986
Net earnings for the year	**6,960**	3,836
Other comprehensive loss		
Item that will never be reclassified subsequently to net earnings		
Remeasurement of defined benefit plans *[note 10]*	**(1,113)**	(1,767)
Total comprehensive income	**5,847**	2,069

See accompanying notes

Statement of changes in equity [expressed in thousands]

	2018 $	2017 $
Retained earnings, beginning of year	**55,448**	51,612
Net earnings for the year	**6,960**	3,836
Retained earnings, end of year	**62,408**	55,448
Accumulated other comprehensive loss		
Remeasurement of defined benefit plans [that will never be recycled into net earnings]		

	2018 $	2017 $
Balance, beginning of year	**(9,219)**	(7,452)
Other comprehensive loss for the year *[note 10]*	**(1,113)**	(1,767)
Balance, end of year	**(10,332)**	(9,219)
Total equity	**52,076**	46,229

See accompanying notes

Statement of cash flows [expressed in thousands]

	2018 $	2017 $
OPERATING ACTIVITIES		
Net earnings for the year	**6,960**	3,836
Add (deduct) items not involving cash		
Depreciation	**31,349**	28,986
Amortization of deferred financing costs	**222**	271
Interest expense	**20,818**	24,318
Decrease in other assets	**78**	71
Decrease in other post-employment benefit liability	**(858)**	(1,229)
	58,569	56,253
Net change in non-cash working capital balances related to operations *[note 14]*	**2,950**	4,214
Cash provided by operating activities	**61,519**	60,467
INVESTING ACTIVITIES		
Purchase of property, plant and equipment *[note 4]*	**(37,027)**	(35,528)
Proceeds on disposal of property, plant and equipment	**80**	21
Maturity of Sinking Fund investments *[note 3]*	**—**	200,000
Change in accounts payable and accrued liabilities related to investing activities	**716**	(2,204)

	2018 $	2017 $
Interest received	**641**	1,231
Cash provided by (used in) investing activities	**(35,590)**	163,520
FINANCING ACTIVITIES		
Decrease (increase) in Debt Service Reserve Fund *[note 8(a)]*	**(109)**	4,826
Interest paid	**(20,623)**	(25,619)
Repayment of long-term debt	**(4,152)**	(203,695)
Cash used in financing activities	**(24,884)**	(224,488)
Net increase (decrease) in cash during the year	**1,045**	(501)
Cash and cash equivalents, beginning of year	**29,454**	29,955
Cash and cash equivalents, end of year	**30,499**	29,454

See accompanying notes

NOTES TO FINANCIAL STATEMENTS

[TABULAR AMOUNTS IN THOUSANDS, UNLESS OTHERWISE NOTED]

December 31, 2018

1. DESCRIPTION OF BUSINESS

Ottawa Macdonald-Cartier International Airport Authority ["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 objects of the Authority are:

(a) to manage, operate and develop the Ottawa Macdonald-Cartier International Airport ["Airport"], the premises of which are leased to the Authority by the Government of Canada [Transport Canada – see note 13], 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 Board of Trade, 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 20, 2019. 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.

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, 2018 and 2017, 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 in the period in which they are incurred. As noted above, no such amounts were capitalized during the years ended December 31, 2018 and 2017.

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.

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

Leases or other arrangements entered into for the use of an asset are classified as either finance or operating leases.

The Authority as lessee – Except for the ground lease, the Authority typically only enters into operating leases for minor items such as photocopy machines and printers. As these leases are classified as operating leases, the payments are recognized as an expense on a straight-line basis over the lease term.

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 an operating lease in the statement of operations and comprehensive income.

The Authority as lessor – The Authority subleases land and space to other entities under operating leases. Lease income from these operating leases is recognized in income on a straight-line basis over the term of the lease.

Revenue recognition

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

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

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

Concession revenues are recognized on the accrual basis and calculated using agreed percentages of reported concessionaire sales, with specified minimum annual guarantees.

Land and space rental revenues 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 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 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, those assets are valued at fair value.

The post-employment pension benefit asset recognized on the balance sheet is the present value of the defined pension benefit obligation as at the balance sheet date less the fair value of plan assets. 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 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. Pension expense is included in salaries and benefits on the statement of operations and comprehensive income.

Actuarial gains and losses [experience gains and losses that arise because actual experience for each year will differ from the beginning-of-year assumptions used for purposes of determining the cost and liabilities of these plans] and the effect of the asset ceiling are recognized in full as remeasurements of defined benefit plans in the period in which they occur in other comprehensive income ["OCI"] without recycling to the statement of operations and comprehensive income 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 salaries, at-risk pay 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 fo such instruments. Gains and losses arising on derecognition are recognized directly in the statement of operations and comprehensive income 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 unt the financial asset is derecognized, at which point cumulative gains or losses previously recognized in OCI are reclassified from accumulated other comprehensive income ["AOCI"] 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 which is essentially unchanged from IAS 39, *Financial Instruments: Recognition and Measurement* ["IAS 39"]. 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 or at amortized cost using the effective interest rate method, respectively.

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

Fair value hierarchy

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

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

Level 2: Valuation techniques with significant observable market parameters including quoted prices for assets in markets tha 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 expected credit losses

Expected credit loss 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 accounts receivable 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.

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 expected credit losses 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 ECLs on a lifetime 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 revenues 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 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 the useful lives of property, plant and equipment, valuation adjustments including expected credit losses, the cost of employee future benefits and provisions for contingencies.

Useful lives of property, plant and equipment

Critical judgments are used to determine depreciation rates, and 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 accounts receivable 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.

The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns [i.e., by geography, product type, customer type and rating and coverage by letters of credit and other forms of credit insurance], initially based on the Authority's historical observed default rates.

The provision calculation will adjust the historical credit loss experience by also considering forward-looking information. Accordingly, at every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates and their impact are analyzed.

The assessment of the correlation between historical observed default rates and forecast economic conditions will impact the ECL calculation. The Authority's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

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 municipal 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.

Comprehensive income (loss)

Comprehensive income (loss) is defined to include net earnings plus or minus other comprehensive income (loss). Other comprehensive income (loss) includes actuarial gains and losses related to the Authority's pension plan and other post-employment benefits. Other comprehensive income (loss) is accumulated in 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"].

IAS 7, Statement of Cash Flows ["IAS 7"]

Amendments made to IAS 7 were part of a major initiative to improve presentation and disclosure in financial reports. The Authority has adopted the standard and has reflected the required disclosures in the financial statements.

IFRS 9, Financial instruments

The Authority adopted IFRS 9 in these financial statements effective January 1, 2018. This new standard introduces a revised approach for the classification of financial assets based on the characteristics of the cash flows of the financial assets and the business model in which financial assets are held. IFRS 9 also introduces a new hedge accounting model that is more closely aligned with risk-management activities and a new ECL model for calculating impairment on financial assets. Furthermore, additional disclosure is required with regards to an entity's risk management strategy, its cash flows for hedging activities and the impact of hedge accounting on its financial statements. As the Authority currently does not have any active hedging activities, this new amendment related to hedging has no impact on the financial statements. Disclosures to reflect the differences between IAS 39 and IFRS 9 include transitional disclosures, which have been disclosed in these financial statements along with expanded quantitative and qualitative credit risk disclosures presented in note 11.

Reclassification of assets pursuant to IFRS 9 – On January 1, 2018, management has assessed which business models apply to the financial assets held by the Authority and has classified its financial instruments into the appropriate IFRS 9 categories. Cash and cash equivalents and trade and other receivables were reclassified from the loans and receivable category under IAS 39 to the amortized cost category under IFRS 9. There were no reclassifications of financial liabilities. The reclassification under IFRS 9 did not have an impact on the financial statements.

The new requirements are presented in note 2, Financial instruments and the following table summarizes the classification changes:

Liabilities

FINANCIAL INSTRUMENT TYPE	IAS 39		IFRS 9	
	CLASSIFICATION	CARRYING AMOUNT $	CLASSIFICATION	CARRYING AMOUNT $
ASSETS				
Cash and cash equivalent	Loans and receivables [1]	29,454	Amortized cost	29,454
Trade and other receivables	Loans and receivables [1]	9,462	Amortized cost	9,462
Debt Service Reserve Fund	Loans and receivables [1]	6,495	Amortized cost	6,495
Other assets	N/A	449,547	N/A	449,547
Total assets		**494,958**		**494,958**
Accounts payable and accrued liabilities	Other financial liabilities [1]	14,967	Amortized cost	14,967
Current portion of long-term debt	Other financial liabilities [1]	4,152	Amortized cost	4,152
Long-term debt	Other financial liabilities [1]	420,377	Amortized cost	420,377
Other liabilities	N/A	9,233	N/A	9,233
Total liabilities		**448,729**		**448,729**

[1] Financial instruments reclassified to new categories under IFRS 9 with no changes to their measurement basis. Previous categories under IAS 39 were "retired".

Impairment of financial assets – Effective January 1, 2018, the Authority assessed on a forward-looking basis the expected credit losses associated with its financial instruments carried at amortized cost. 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. There was no material impact on the loss allowance recognized on the financial statements.

The Authority has not restated comparative figures for financial instruments for dates and periods before January 1, 2018 as permitted by IFRS 9, and therefore the comparative information for 2017 is reported in accordance with IAS 39. Any differences in classification of financial instruments were not material.

IFRS 15, Revenue from Contracts with Customers [“IFRS 15”]

The Authority adopted IFRS 15 for the year beginning on January 1, 2018. IFRS 15 replaces IAS 18, *Revenue*, IAS 11, *Construction Contracts* and related interpretations. IFRS 15 sets out the requirements for recognizing revenue that apply to all contracts with customers [except for contracts that are within the scope of the standards on leases, insurance contracts and financial instruments].

The Authority has adopted IFRS 15 using the fully retrospective method. Therefore, comparative information for 2017 has been restated.

As a result of the adoption of the standard, the Authority is now reporting the air carrier administration fees charged on AIF collected on behalf of the Authority in the materials, supplies and services expense on the statement of operations and comprehensive income rather than an offsetting impact to gross AIF revenue [2018 – $3.3 million [2017 – $3.1 million]].

There were no other changes to the financial statements except for expanded disclosure requirements as a result of the adoption of IFRS 15.

Future changes in accounting policies

The following new standards and interpretations issued by the IASB are currently being assessed as having a possible impact on the Authority in the future. The Authority intends to adopt each of these standards and related interpretation guidance, if applicable, as at the required effective dates indicated below and is currently assessing the impact on its financial statements.

IFRS 16, *Leases* [“IFRS 16”], effective for annual periods beginning on or after January 1, 2019. This standard was issued in January 2016 and sets out the principles for the recognition, measurement, presentation and disclosure of leases. This standard will replace the current IAS 17, *Leases*. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of the entity.

The accounting for lessors will not significantly change, and the Authority has evaluated the quantitative impact of this standard on the ground lease, and as such there will be no impact on the financial statements with respect to accounting for the ground lease under the new standard as lease payments are contingent based on revenue inflows and therefore the expense will continue to be recognized in the statement of operations and comprehensive income on an accrual basis. The Authority is currently assessing other leases and subleases for potential impact on the financial statements. The Authority intends to adopt IFRS 16 using the modified retrospective approach, whereby the cumulative effect of initially applying the standard would be recognized as an adjustment to the opening balance of equity at January 1, 2019, and comparative information, which will not be restated, will continue to be reported under IAS 17 and related interpretations. The Authority will also apply the transition relief whereby it is not required to reassess and reflect in the prior periods whether a contract is, or contains, a lease at the date of contract origination.

Amendments to IAS 19, *Employee Benefits*. This standard was amended to modify the guidance in connection with defined benefit plans and accounting for plan amendments, settlements or curtailments. The amendments are effective for annual periods beginning on or after January 1, 2019. The adoption of these amendments will not have an impact on the financial statements at this time.

3. SINKING FUND INVESTMENTS

On June 9, 2015, the Authority completed the issuance of $300.0 million of Series E Amortizing Revenue Bonds under the Master Trust Indenture *[note 8]*. Of the net proceeds from this issuance, $200.0 million was placed in a segregated fund ["Sinking Fund"] maintained by the trustee under the Master Trust Indenture ["Trustee"] and was invested in accordance with the Board-approved investment policy. These investments matured prior to the Authority's Series D Revenue Bonds maturing on May 2, 2017.

4. PROPERTY, PLANT AND EQUIPMENT

2018	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, 2018	491,577	109,165	40,325	32,274	11,155	14,741	699,237
Additions	896	—	10	—	—	36,121	37,027
Transfer	12,848	9,610	10,328	3,627	82	(36,495)	—
Disposals	(3,198)	(10)	(465)	(483)	(149)	—	(4,305)
As at December 31, 2018	502,123	118,765	50,198	35,418	11,088	14,367	731,959
ACCUMULATED DEPRECIATION							
As at – January 1, 2018	177,559	33,995	27,526	13,777	7,395	—	260,252
Depreciation	20,468	4,451	3,837	2,014	579	—	31,349
Disposals	(3,198)	(10)	(465)	(424)	(149)	—	(4,246)
As at December 31, 2018	194,829	38,436	30,898	15,367	7,825	—	287,355
NET BOOK VALUE							
As at December 31, 2018	307,294	80,329	19,300	20,051	3,263	14,367	444,604

2017	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, 2017	475,429	103,995	38,053	30,043	10,817	9,889	668,226
Additions	71	—	1,347	2,348	34	31,728	35,528
Transfer	17,402	5,170	3,573	427	304	(26,876)	—
Disposals	(1,325)	—	(2,648)	(544)	—	—	(4,517)
As at December 31, 2017	491,577	109,165	40,325	32,274	11,155	14,741	699,237
ACCUMULATED DEPRECIATION							
As at – January 1, 2017	160,159	29,668	26,619	12,431	6,906	—	235,783
Depreciation	18,725	4,327	3,555	1,890	489	—	28,986
Disposals	(1,325)	—	(2,648)	(544)	—	—	(4,517)
As at December 31, 2017	177,559	33,995	27,526	13,777	7,395	—	260,252
NET BOOK VALUE							
As at December 31, 2017	314,018	75,170	12,799	18,497	3,760	14,741	438,985

5. OTHER ASSETS

	2018 $	2017 $
Interest in future proceeds from 4160 Riverside Drive, at cost	**2,930**	2,930
Tenant improvements and leasehold inducements, net of amortization	**2,320**	2,398
	5,250	5,328

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 a reduction of rental revenues. The value of these tenant inducements is being recognized as a reduction in rent during the first 20 years of the 47-year term of the lease.

6. CREDIT FACILITIES

The Authority maintains access to an aggregate of $140.0 million [2017 – $140.0 million] in committed credit facilities ["Credit Facilities"] with two Canadian banks. The 364-day Credit Facilities that expired on October 13, 2018 have been extended for another 364-day term expiring on October 13, 2019. The Credit Facilities are secured under the Master Trust Indenture *[note 8]* 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	2018 (IN MILLIONS OF CANADIAN DOLLARS)	2017 (IN MILLIONS OF CANADIAN DOLLARS)
Revolver – 364-day	October 13, 2019	General corporate and capital expenditures	**40**	40
USD contingency [USD10 million]	October 13, 2019	Interest rate hedging	**14**	14
Letter of credit	October 13, 2019	Letter of credit and letter of guarantee	**6**	6
Revolver – 5-year	May 15, 2020	General corporate and capital expenditures	**80**	80
			140	140

As at December 31, 2018, $15.8 million of the Credit Facilities has been designated to the Operating and Maintenance Reserve Fund *[note 8(a)]*.

In order to satisfy the Debt Service Reserve Fund requirement for the Series E Bonds, $5.9 million of the Credit Facilities had been designated to an irrevocable standby letter of credit in favour of the Trustee.

7. 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 debt, long-term debt and accumulated income included on the Authority's balance sheet as retained earnings.

The Authority incurs debt, including bank debt 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 8(a)]* and to maintain its credit ratings in order to secure access to financing at a reasonable cost.

8. LONG-TERM DEBT

	2018 **$**	**2017** **$**
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	**123,311**	127,462
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	**300,000**	300,000
	423,311	427,462
Less deferred financing costs	**2,711**	2,933
	420,600	424,529

	2018 $	2017 $
Less current portion	**4,643**	4,152
Long-term debt	**415,957**	420,377

(a) Bond issues

The Authority issues revenue bonds [collectively, "Bonds"] under a trust indenture dated May 24, 2002 [as amended or supplemented, 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 Bond issue, in part to refinance the Series A Revenue Bonds repaid on May 25, 2007. On May 2, 2017, $200 million of Series D Revenue Bonds at 4.733% matured and were repaid as planned. $200 million of funds raised as part of the Series E financing in June 2015 and set aside in a segregated Sinking Fund were used to redeem the Series D Bonds.

On June 9, 2015, the Authority completed a $300.0 million Amortizing Revenue Bonds, Series E issue, 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 Series D Bonds by depositing $200.0 million into a segregated fund held by the Trustee under the Master Trust Indenture *[note 3]*.

The Series B Revenue Bonds are redeemable, in whole or in part, at the option of the Authority at any time, and the Series E 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 Bonds and 0.42% for the Series E Bonds. If the Series E Bonds are redeemed within six months of the maturity date, the Series E 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.

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 action, such as increasing its rates, should its projected debt service coverage ratio fall below 1.0. If this debt service covenant is not met in any year, the Authority is not in default of its obligations under the Master Trust Indenture as long as the test is met in the subsequent year.

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, 2018, the balance of cash and qualified investments held to satisfy the Series B Bonds in the Debt Service Reserve Fund requirement is $6.6 million. Furthermore, in order to satisfy the Debt Service Reserve Fund requirement for the Series E Bonds, $5.9 million of the Credit Facilities has been designated to an irrevocable standby letter of credit in favour of the Trustee. 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 months. As at December 31, 2018, $15.8 million [2017 – $14.4 million] of the Credit Facilities has been designated to the Operating and Maintenance Reserve Fund *[note 6]*.

As at December 31, 2018, the Authority is in full compliance with the provisions of its debt facilities, including the Master Trust Indenture's provisions related to reserve funds, the flow of funds and the rate covenant.

(b) Interest expense

	2018 $	2017 $
Bond interest	**20,589**	24,044
Other interest and deferred financing expense	**229**	274
	20,818	24,318

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

	$
2019	4,643
2020	8,753
2021	13,116
2022	14,023
2023	14,988
Thereafter	367,788

(d) Deferred financing costs

	2018 $	2017 $
Deferred financing costs	**4,751**	4,751
Less accumulated amortization	**2,040**	1,818
	2,711	2,933

9. 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 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 gross on the statement of operations and comprehensive income, and administrative fees paid to the air carriers were $3.3 million [2017 – $3.1 million].

AIF funding activities in the year are outlined below:

	2018 $	2017 $
Earned revenue	**54,215**	52,244
Air carrier administrative fees	**(3,253)**	(3,134)
Net AIF revenue earned	**50,962**	49,110
Eligible capital asset purchases	**(35,557)**	(32,747)
Eligible interest expense	**(22,168)**	(24,755)
Eligible other expenses	**(220)**	(142)
	(57,945)	(57,644)
Deficiency of AIF revenue over AIF expenditures	**(6,983)**	(8,534)

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

	2018 $	2017 $
Earned revenue	**642,268**	588,053
Air carrier administrative fees	**(38,536)**	(35,283)
Net AIF revenue earned	**603,732**	552,770
Eligible capital asset purchases	**(684,301)**	(648,744)
Eligible interest expense	**(358,991)**	(336,823)
Eligible other expenses	**(1,127)**	(907)
	(1,044,419)	(986,474)
Deficiency of AIF revenue over AIF expenditures	**(440,687)**	(433,704)

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

10. 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:

	2018 $	2017 $
Post-employment pension benefit asset	**–**	367
Other post-employment benefit liability	**9,121**	9,233

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, 2017, that was completed and was filed in June 2018 as required by law, the plan had a surplus on a funding [going concern] basis of $7,449 assuming a discount rate of 3.85% [2016 – $5,166 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, 2017, the plan had a deficit on a solvency basis of $8,203 [2016 – $10,778] before considering the present value of additional solvency payments required under the Act. In 2018, the Authority made additional solvency payments of $1,641 [2017 – $2,156] to amortize this deficiency.

The next required actuarial valuation of the defined benefit pension plan, which will be as at December 31, 2018, is scheduled to be completed and filed by its June 2019 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 will be required for 2019 will be approximately $1,641 [2018 – $2,156]. In addition, the Authority expects to contribute approximately $661 [2018 – $778] on account of current service in 2019 to the defined benefit component of the pension plan for the year ending December 31, 2019.

Based on the most recent actuarial determination of pension plan benefits completed as at December 31, 2017 and extrapolated to December 31, 2018 by the Authority's actuaries, the estimated status of the defined benefit pension plan is as follows:

	2018 $	2017 $
ACCRUED BENEFIT OBLIGATION – DEFINED BENEFIT PENSIONS		
Balance, beginning of year	**60,054**	57,321
Employee contributions	**108**	131
Benefits paid	**(2,044)**	(1,830)
Current service cost	**590**	653
Interest cost on accrued benefit obligation	**2,089**	2,142
Actuarial loss (gain) – change in economic assumptions	**(4,441)**	2,311
Actuarial loss (gain) – change in plan experience	**208**	(674)
Balance, end of year	**56,564**	60,054

	2018 $	2017 $
PLAN ASSETS – DEFINED BENEFIT PENSIONS		
Fair value, beginning of year	**66,282**	60,093
Employee contributions	**108**	131
Employer contributions	**537**	633
Employer contributions, special solvency payments	**1,641**	2,156
Benefits paid	**(2,044)**	(1,830)
Interest on plan assets [net of administrative expenses]	**2,133**	2,147
Actuarial gain (loss) on plan assets	**(10,094)**	2,952
Fair value – Plan assets	**58,563**	66,282
Effect of limiting the net defined benefit asset to the asset ceiling	**(1,999)**	(5,861)
Fair value, end of year	**56,564**	60,421

	2018 $	2017 $
Post-employment pension benefit asset, net	—	367

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

	2018 $	2017 $
Current service cost	**590**	653
Interest cost on accrued benefit obligation	**2,089**	2,142
Interest on plan assets [net of administrative expenses]	**(1,928)**	(2,051)
Defined benefit pension plan expense recognized in salaries and benefits expense in net earnings	**751**	744

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:

	2018 $	2017 $
ACCRUED BENEFIT OBLIGATION – OTHER POST-EMPLOYMENT BENEFITS		
Balance, beginning of year	**9,233**	8,532
Benefits paid	**(243)**	(170)
Current service cost	**480**	643
Interest cost	**332**	343
Actuarial loss (gain) – change in economic assumptions	**(776)**	85
Actuarial gain – change in plan experience	**—**	(200)
Actuarial loss – change in demographic assumptions	**95**	—
Balance, end of year	**9,121**	9,233

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

	2018 $	2017 $
Current service cost	**480**	643
Interest cost	**332**	343
Expense recognized in salaries and benefits expense in net earnings	**812**	986

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:

	2018 $	2017 $
DEFINED BENEFIT PENSION PLANS		
Actuarial loss (gain) – change in economic assumptions	**(4,441)**	2,311
Actuarial loss (gain) – change in plan experience	**208**	(674)
Actuarial loss (gain) on plan assets	**10,094**	(2,952)
Effect of limiting the net defined benefit asset to the asset ceiling	**(4,067)**	3,197
OTHER POST-EMPLOYMENT BENEFIT PLANS		
Actuarial loss (gain) – change in economic assumptions	**(776)**	85
Actuarial gain – change in plan experience	**—**	(200)
Actuarial loss – change in demographic assumptions	**95**	—
Total loss recognized in other comprehensive loss	**1,113**	1,767

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:

	2018 %	2017 %
DEFINED BENEFIT PENSION PLAN		
Discount rate to determine expense	**3.50**	3.75
Discount rate to determine year-end obligations	**4.00**	3.50
Interest rate on plan assets	**3.50**	3.75
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	**3.50**	4.00
Severance program	**3.25**	3.25
Discount rate to determine year-end obligation		
Health care	**4.00**	3.50
Severance program	**3.75**	3.25
Rate of average compensation increases	**3.00**	3.00
Rate of increases in health care costs		
Trend rate for the next fiscal year	**7.40**	7.70
Ultimate trend rate	**5.00**	5.00
Fiscal year the ultimate trend rate is reached	**2028**	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%	(7,194)	8,905
Inflation	1%	7,741	(6,622)
Compensation	1%	300	(371)
Life expectancy	1 year	1,565	—
Discount rate – solvency liability at December 31, 2017	1%	(10,397)	13,262
OTHER POST-EMPLOYMENT BENEFIT PLANS			
Discount rate	1%	(1,067)	1,416
Health care costs	1%	1,405	(1,077)
Life expectancy	1 year	289	(283)

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, 2018 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 late 2018 to 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 as at December 31, 2018 and a balanced growth fund for managing the assets related to the liabilities of all other members at that same date. Under the liability matching fund, the pension plan purchased, in late 2018, a fully indexed buy-in annuity contract for all retired members as at December 31, 2018. 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 at December 31, 2017, the average age of the 20 active members was 54 years of age. The average age of the 55 retired members was 68 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:

	2018 %	2017 %
Fixed income fund	**25**	62
Annuity buy-in contract	**62**	—
Equity funds – Canadian funds	**3**	8
Equity funds – US funds	**1**	4
Equity funds – International and global funds	**4**	13
Emerging market fund	**2**	5
Real estate fund	**3**	8

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:

	2018 $	2017 $
Employer contributions – defined contribution plan	**1,093**	1,053
Employee contributions – defined contribution plan	**1,215**	1,168

	2018 $	2017 $
Net expense recognized in salaries and benefits expense	**1,093**	1,053

11. FAIR VALUE MEASUREMENT

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

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

The Authority's long-term debt, including Revenue Bonds outstanding, is reflected in the financial statements at amortized cost [see note 8]. As at December 31, 2018, the estimated fair value of the long-term Series B and Series E Revenue Bonds is $155.3 million and $310.1 million, respectively [2017 – $165.4 million and $319.2 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.

12. 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:

	2018		2017	
	CARRYING VALUE $	EFFECTIVE YEAR-END INTEREST RATE %	CARRYING VALUE $	EFFECTIVE YEAR-END INTEREST RATE %
Debt Service Reserve Fund [floating rates]	**6,604**	**2.03**	6,495	0.99
Cash and cash equivalents [floating rates]	**30,499**	**2.25**	29,454	1.47

	2018		2017	
	CARRYING VALUE $	EFFECTIVE YEAR-END INTEREST RATE %	CARRYING VALUE $	EFFECTIVE YEAR-END INTEREST RATE %
Long-term debt [at fixed cost]	**415,957**	**See note 8**	420,377	See note 8

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, which are not expected to occur in the near-term.

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 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 for the year would have increased/decreased by $0.2 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 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 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 8]*, the Authority is required to take action, such as increasing its rates, should its projected debt service coverage ratio fall below 1.0. If this debt service covenant is not met in any year, the Authority is not in default of its obligations under the Master Trust Indenture as long as the test is met in the subsequent year. Because of the Authority's 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 $20.6 million per year. The future annual principal payment requirements of the Authority's obligations under its long-term debt are described in note 8 (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 accounts receivable are paid within 27 days [2017 – 37 days] of the date that they are due. A significant portion of the Authority's revenues, 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. Expected credit losses 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 expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns [i.e. air carriers, 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 Authority has adopted the simplified method to evaluate the required expected credit losses provision for trade and other receivables. The calculation is illustrated in the following table:

Trade and other receivables expected credit loss model

AS AT DECEMBER 31, 2018

	CURRENT	30 – 60	61 – 90	OVER 90	TOTAL
Expected credit loss rate	2.88%	3.28%	3.28%	3.28%	
Expected total gross carrying amount at default	7,970	878	6	19	8,873
Expected credit loss	229	29	1	1	260

AS AT DECEMBER 31, 2017

	CURRENT	30 – 60	61 – 90	OVER 90	TOTAL
Expected credit loss rate	2.63%	3.28%	3.28%	3.28%	
Expected total gross carrying amount at default	9,075	545	59	43	9,722
Expected credit loss	239	18	2	1	260

The following is an analysis of trade and other receivables:

	2018 $	2017 $
Current	**7,970**	9,075
30 – 60 days past due	**878**	545
61 – 90 days past due	**6**	59
Over 90 days past due	**19**	43
	8,873	9,722
Expected credit losses	**(260)**	(260)
Balance, end of year	**8,613**	9,462

The Authority derives approximately 50% [2017 – 51%] of its landing fee and terminal fee revenue 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 94% [2017 – 96%] 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.

13. OPERATING 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.

In 2005, the Government of Canada announced the adoption of a new rent policy that has resulted in reduced rent for Canadian airport authorities, including the Authority. Under this formula, rent is calculated as a royalty based on a percentage of gross annual revenues on a progressive scale.

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

	$
2019	11,064
2020	11,528
2021	11,944
2022	12,306
2023	12,668

The Authority as lessor

The Authority 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 for the next five years is approximately as follows:

	$
2019	6,703
2020	6,770
2021	6,837
2022	6,906
2023	6,975

14. STATEMENT OF CASH FLOWS

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

	2018 $	**2017 $**
Trade and other receivables	**208**	4,016
Prepaid expenses, advances and consumable supplies	**15**	40
Accounts payable and accrued liabilities	**2,748**	179
Other	**(21)**	(21)
	2,950	4,214

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:

	2018 $	**2017 $**
Salaries and short-term benefits	**2,379**	2,321
Post-employment benefits	**184**	191

	2018 $	2017 $
	2,563	2,512

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 10 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 10. 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 13]*.

Operating commitments

The Authority has operating commitments in the ordinary course of business requiring payments of $14.2 million in 2019 and diminishing in each year over the next five years as contracts expire. As at December 31, 2018, the total of these operating commitments amounted to $30.7 million [2017 – $16.9 million]. These commitments are in addition to contracts for the purchase of property, plant and equipment of approximately $32.2 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 effect on the financial position or results of operations of the Authority.

17. POST-REPORTING-DATE EVENTS

No adjusting or significant non-adjusting events have occurred between the reporting date and February 20, 2019, when the financial statements were authorized for issue.

18. COMPARATIVE FIGURES

Certain comparative information in the balance sheet and statement of operations and comprehensive income has been reclassified to conform with this year's presentation. The net impact did not result in any changes to retained earnings.