International Airport Authority

Administration de l’aéroport international

Ottawa

OTTAWA MACDONALD-CARTIER INTERNATIONAL AIRPORT AUTHORITY

Annual Report 2015

VISION

To be the world class gateway for Canada's Capital Region and an economic engine that drives prosperity for our community.

MISSION

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

VALUES

- Responsibility
- Sustainability (financial and environmental)
- Accountability
- Integrity

STRATEGIC DIRECTIONS

- To grow strategically
- To increase the economic footprint of the airport within Canada's Capital Region
- To optimize operational performance, ensuring safe and secure operations
- To pursue excellence
- To provide additional flight frequencies and destinations

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Chair's Remarks

Serving as the Chair of the Board of Directors of the Ottawa International Airport Authority is a true honour for me. As Canada's Capital airport, our facility acts as the gateway for visiting dignitaries, for the politicians who shape our country, industry representatives engaged in business in our community and our great country, and of course the visitors who come to Ottawa-Gatineau to see our national treasures – the museums, Parliament, the numerous unique festivals and our beautiful natural resources. I'm proud to be a part of the team that brings community together with a warm welcome.

As home to the seat of Parliament, ensuring a secure operation is critical. Our security plans are reviewed and tested with the collaboration of many airport partners. Government agencies such as the Canadian Air Transport Security Authority (CATSA), Canada Border Services Agency (CBSA), U.S. Customs and Border Protection (U.S. CBP), and the Royal Canadian Mounted Police (RCMP), coupled with local first responder partners such as the Ottawa Police Service, Ottawa Fire Services and Ottawa Paramedic Service all contribute to the peace of mind of our passengers and employees. Safety is a team effort involving every on-airport organization and each of their employees; respecting and following the airport's safety management system is a priority and a part of everyone's working day.

Airport authorities are officially considered not-for-profit organizations, focused on driving economic activity and growth, and increasing prosperity in the region. We are not a government agency and we do not receive government funding. We contribute to all levels of government through rent, and taxes injecting more than $2.2 billion into the region in total economic activity each year, including nearly $30.0 million in capital spending. We provide more than $100,000 to charitable projects in Ottawa-Gatineau through Project Clear Skies each year.

Ensuring that we fulfill our mandate to provide safe, secure and quality transportation services means that we are required to generate revenues to sustain and grow our operation. Our concessions, parking and other non-aeronautical revenue sources are critical for us to meet this mandate. Our success is the community's success, so we will keep discussing the role we play and the importance of collaboration with regional organizations, City of Ottawa officials and our representatives at City Hall.

The rail link to the airport is a critical piece to ensuring our capital gateway continues to be looked upon as world class. This link will contribute to the success of the City's Light Rail Transit (LRT) plan and I echo the message that the President and CEO, Mark Laroche, has been delivering consistently for three years – a world class city requires a world class transportation system. Such a system must be multi-modal, efficient and it must connect the airport to the city centre. If we don't take advantage of the opportunity now, it may never happen. We are ready to contribute to the airport terminal portion of the project, and look forward to working with the City to confirm their contribution and to ensure financial support for the project from the provincial and federal governments.

While I am just closing out my first year as Chair, I've had the pleasure of working with the Board since 2012. It's a pleasure to be surrounded by such a talented group of professionals who bring diverse talents and skills to the Board, and is reflective of the community it represents and serves. Every member shares a commitment to good governance practices and transparency as we manage this very important public trust. I thank each and every member for sharing their time and talent for the good of the airport and the community.

An important function of the Board is to support the activities of the CEO and senior management team. The Authority faced some challenges during late summer and most of the fall, when taxi labour unrest had the potential to severely disrupt airport operations. I speak on behalf of the entire Board when I say how pleased I am with the leadership Mark showed throughout, and how his team's attention to detail and agility during a very fluid situation ensured that the safety and security of all passengers, employees and facilities were never compromised. We were impressed with the contingency measures taken to ensure that our customers were able to find the safe and reliable transportation services they needed throughout the period.

As with all Boards, terms end and representatives change. As such, I would like to say farewell to Pat Kelly, Ottawa Tourism's nominee, for his time and dedication to the airport during his tenure with the Board. We also extend a warm welcome to Code Cubitt who was nominated by Invest Ottawa. Code brings a wealth of private sector experience, particularly in the technology and venture capital sectors, both here and in California.

As noted above, I am very proud to be Chair of the Board and thrilled to be working with such a professional team at the Ottawa International Airport Authority, a team focused on bringing value, and making a significant contribution to the community it serves. I am involved in various boards with people in the city and across the country, and they never fail to tell me how much they love our airport, and how wonderful their travel experience is. This sentiment was driven home when we received the results of the 2015 Airport Service Quality customer service benchmarking program. Our 2nd place finish in North America put us back on the customer satisfaction podium. The rank is wonderful news, but what I'm even more delighted with is the fact that our overall score and marks in individual categories continue to improve. I extend my thanks to Mark and his team, along with everyone at the airport who makes the customer experience memorable for all the right reasons, and to our clients who take the time to provide us with meaningful feedback when they complete the survey.

I look forward to being a part of the airport's continued evolution and to ensuring that the necessary support is in place for an outstanding team whose continued commitment to success is greatly appreciated.

S. St. Amand

Susan St. Amand
Chair of the Board

President's Remarks

As I reflect back on the activities of 2015, a common theme that emerges is leadership which is evident in the many areas where our team has stepped up to explore and implement new and innovative programs that have benefitted not only our operation, but many others with whom we have shared them.

Airport safety and security are key areas of focus for the Authority, and where I'm particularly proud of the leadership role we've played. From working with our regulator, Transport Canada, to putting together creative scenarios for safety and security exercises, to sharing the expertise of our Canine Unit, and managing tense, unpredictable situations, we are consistently raising the bar.

In 2015, a scenario involving a drone strike on an arriving aircraft, dealt with an emerging threat to aviation security, and the devastating impact that it can have. The team worked with more than 200 participants to stage a realistic, mass casualty accident that tested the interoperability of various agencies, the airline and the Authority. It was deemed a success by everyone involved, including observers from airports across the country.

In April, the Authority's Canine Unit hosted 19 teams from around the world in a multi-agency workshop here in our airport. Over three days, the participants learned the latest methods of behavior shaping and enhanced search and detection capabilities. The workshop, which was led by the head of our unit who is a well-respected handler, offered teams the opportunity to train in the challenging and diverse airport environment. While the Authority often trains with outside agencies in the airport, this was the first time such a sizable number of teams worked together in the manner they did. The Authority has been asked to host more such programs in the future due to how well received this one was.

We have discussed the airport's leadership in runway safety in past reports, and I am pleased to tell you that the final element in the multi-year runway reconstruction project, grooving of Runway 14/32, was completed in the summer. We are now the only commercial airport in Canada with grooved runways and ICAO-rated Runway End Safety Areas (RESAs). My thanks to the engineering, construction and project management partners who worked with us over the past five years to bring all three runways to a higher safety standard.

We have been working on safety and security inside the terminal as well. The new $60.0 million Baggage Handling System installation project progressed well in 2015, and should be completed early in 2016. The new system doubles the capacity of the previous system, includes self-bag drop stations, new screening equipment and upgrades that meet U.S. Customs and Border Protection (U.S. CBP) requirements. We also added a new baggage carousel in domestic arrivals. What is particularly impressive about this project is that it has been entirely installed with the old system running concurrently, in a precariously limited amount of space, and all with no operational impact.

I am very proud of our airport's customer service leadership and our return to the awards podium in the Airport Service Quality customer satisfaction benchmarking program with 2nd place finish among North American airports. I'm even more pleased that our overall satisfaction score improved, as did the scores in several other touch points in the passenger experience. Our partners on the airport campus have consistently made a difference in our customers' impression of the airport, and we celebrate the award with them.

You have heard me discuss non-aeronautical revenues many times over the past three years. These revenues are a critical enabler of investment and growth in airports. Without them, airports would be required to rely on aeronautical fees to operate, which is not a sustainable funding model. Our commercial development and ground transportation portfolios are important sources of non-aeronautical funds, and we have reviewed all contracts prior to their renewal. Our guiding principle is that all tenants contribute in a fair and equitable manner, taking in consideration industry standards, market rates and the necessity to share the cost of operating and maintaining a world class airport. The airport's ground transportation file is one that was heavily scrutinized, with many associated contracts altered to bring them in line.

An important milestone in the commercial development portfolio is a new, long-term contract we signed with Astral Out-of-Home, a division of Bell Media, for our in-terminal advertising needs. Visitors will see more digital presence; in fact, we are the first airport that will feature 100.0% of its permanent properties in digital format. There will be a limited number of static displays, and the large video wall in the arrivals hall will be transformed into what Astral is calling "the iconic wall". We are pleased with the progress made so far, and are looking forward to seeing what this new relationship will bring to the terminal in the first half of 2016 when the majority of the conversion will be completed.

The projects we undertake and the commercial contracts we negotiate are all for the purpose of facilitating passenger travel. In 2015, 4,656,360 passengers travelled through our facility, which represents an increase of 0.9%. By many standards, this rate of growth is modest, however, as the local economy picks up steam, so will our figures. We are anticipating 3.0% growth in 2016 and beyond, and as such, will ensure that we have the infrastructure in place to handle increased demand when needed.

Looking to 2016 and beyond, the Authority will continue to focus on the Strategic Plan that was developed jointly with our Board of Directors in 2014 and continues to evolve in step with our business. Based on five Strategic Directions, we have identified our priorities for the 2016 to 2020 timeline, and identified the key projects associated with those priorities.

Air service development will always be identified as a priority. We meet regularly with airlines and present comprehensive business cases to convince them that dedicating an expensive asset to our market makes good business sense. Because these business cases are so critical, we engaged an industry research firm to reach out to the business community to learn more about where they need to fly. We want to determine where we can get viable load factors and yield to sustain non-stop service or an increase in frequency of an existing flight, and look forward to putting the results from the survey into our business cases going forward.

Ensuring adequate and efficient access to the airport is also a requirement as our volumes grow in the future, which is why you have heard, and will continue to hear me, emphasize the importance of multi-modal access to the airport, including light rail. An airport rail link is part of the City of Ottawa staff-recommended plan, however the funding for this vital piece of infrastructure remains in doubt. We recognize that this link will not provide a direct financial benefit to the Authority, but it would make the region a more attractive destination for tourism and business and that is our motivation to continue to promote it. We will continue to work with the City to secure the funding from the provincial and federal governments and hope that the importance of the link is confirmed with the announcement of their financial support.

The much anticipated *Canada Transportation Act* Review report was tabled in the House of Commons on February 25th, 2016, by the Honourable Marc Garneau, Minister of Transport. The 18-month examination of Canada's transportation system included submissions by stakeholder groups, including airports through the Canadian Airports Council (CAC). The recommendations are numerous, but at this stage, they are just that – recommendations to the government. We anticipate further consultation and research will be done before the government is in a position to endorse or implement any. From our perspective, there is no simple response to the report; some recommendations could be easily welcomed, whereas others would mean significant changes to the way airports are run and bear more comprehensive study. The Authority's senior management team will be consulting with our Board of Directors to discuss the report, and we will be meeting with other Tier 1 airports, the CAC and the federal government to ensure that our position on any given recommendation is based on solid research and understanding, and clearly communicated to our stakeholders.

Other areas that will have our attention in 2016 include our Safety Management System (SMS) and ensuring its effectiveness, increasing airport throughput through the use of Automated Passport Control technology for U.S. pre-clearance, reducing the carbon footprint of the airport and its operations through Carbon Accreditation, among many other projects that we have identified.

To achieve strategic planning success takes a talented team, and a committed team. I'm proud to say that the Airport Authority's team is both. Every member has helped shape the organization, and contributed to us having achieved Top Employer status in the National Capital Region for three consecutive years. I would like to thank them for their hard work, consistent attention to detail, and for making the airport the great place it is to work at, and travel from.

I would also like to thank our Chair, Susan St. Amand, and the rest of the Board of Directors for their support, for being engaged, and for their input and oversight in the decisions and actions we take each day as we move the Strategic Plan forward. Together, we are ensuring that the Ottawa International Airport meets the needs of our community now, and in the future.

Mark Laroche,
President and CEO

2015 In Review

The Authority's Strategic Plan, which was written in collaboration with the Authority's Board of Directors, is based on five pillars, or Strategic Directions, that were created to shape the plans, priorities and future of the Authority over its timeline. This document will discuss the progress of many of the key projects in the Plan and report on the status of longer term projects.

TO GROW STRATEGICALLY

Non-aeronautical revenue generation continues to be an important factor in an airport's ability to keep aeronautical fees lower, which in turn can help grow air service. Land development, parking revenue, commercial rent and advertising agreements all enhance the airport's core business and help lead economic development in the region. Planning for airport expansion at the right time and the right cost are critical for the long term success of both the airport and the community.

The following projects contributed to airport growth in 2015:

Commercial Development

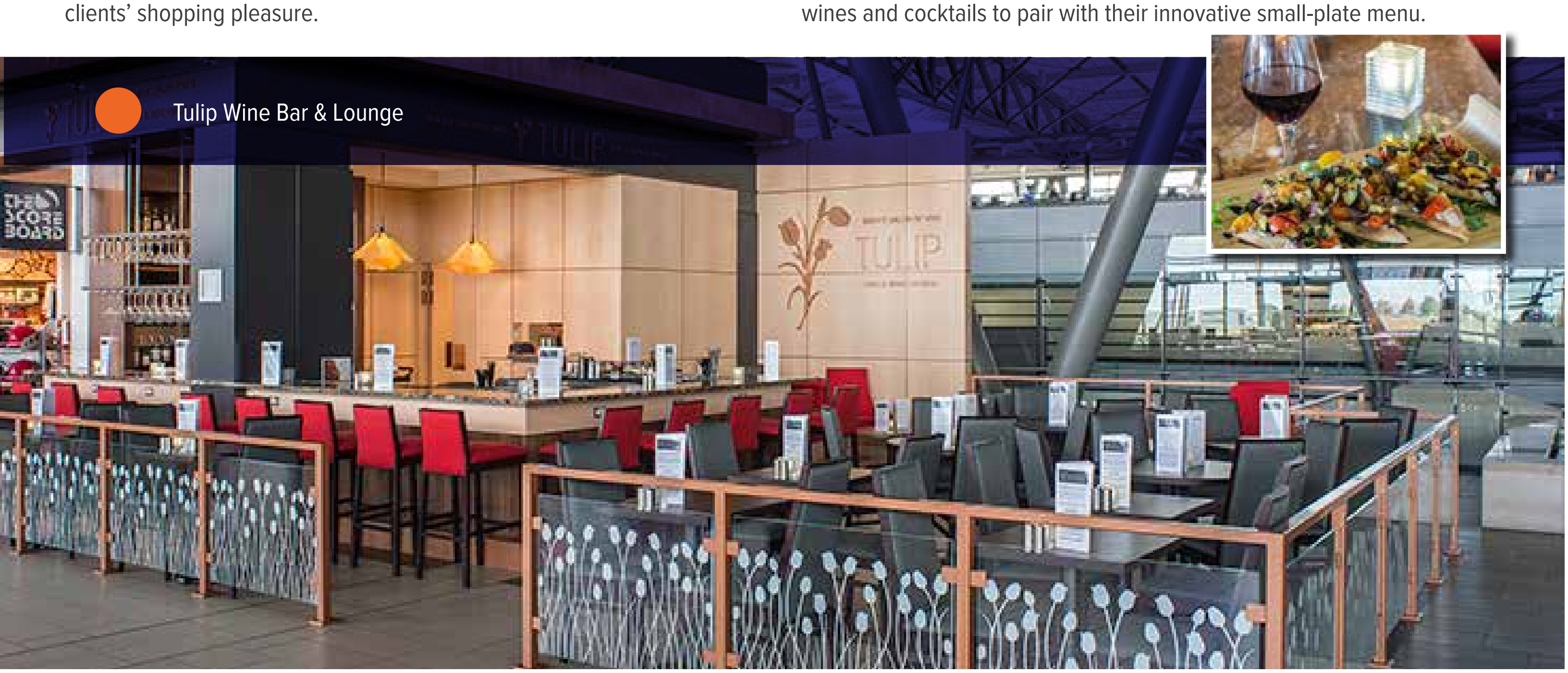
There were some exciting changes in the airport's commercial space, including the addition of several innovative stores and food and beverage outlets.

In February, Canadian jewelry retailers, **Metalsmiths Sterling** opened a permanent kiosk in the domestic holdroom by gate 16, to great reviews from our customers. The UK-inspired luxury brand of sterling jewelry offers more than 30 exclusive collections and over 800 pieces for our clients' shopping pleasure.


The Scoreboard

The Scoreboard apparel and accessory store opened on June 3rd in the domestic holdroom near gate 15. The store offers an excellent selection of officially licensed clothing and accessories from the most popular local sports teams such as the Ottawa Senators, RedBlacks and Fury, along with a unique selection that reflects current sporting events and attractions.

The Tulip Bar & Wine Lounge, a new upscale concept by Delaware North, opened on July 21, with an extensive list of Canadian and international wines and cocktails to pair with their innovative small-plate menu.


Tulip Wine Bar & Lounge

Delaware's thoughtful design provides a unique and comfortable space for our clients that also honours the beauty of Ottawa's famous tulips.

A well-known western Canada chain, **Good Earth Coffeehouse**, ventured east to Ottawa on July 22 to their first airport location. Good Earth, located on level 3, is dedicated to sustainability, wholesome, locally produced food and delicious coffee sourced through direct trade practices to help improve the communities where coffee is grown.

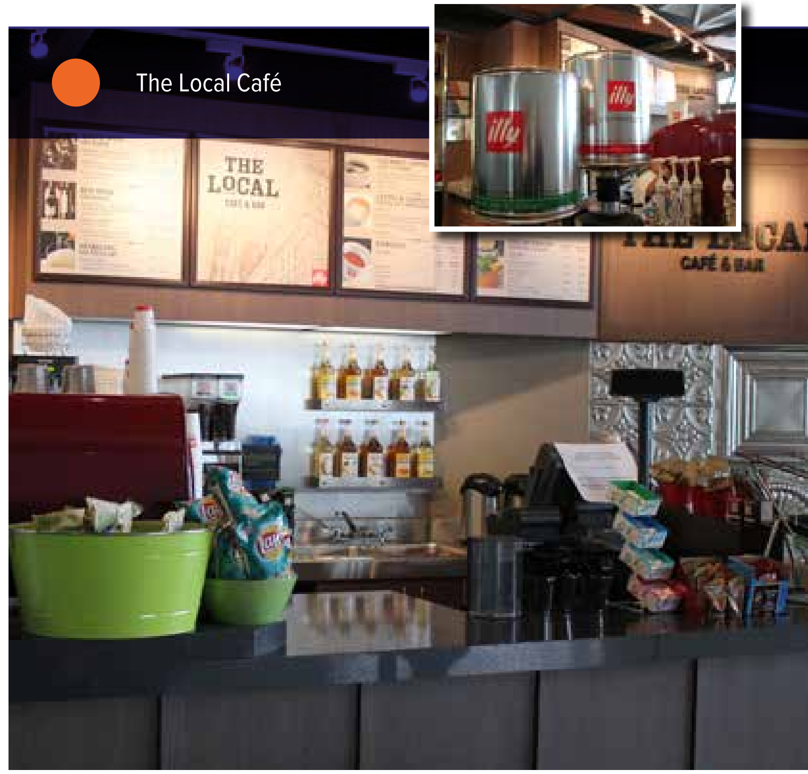
Booster Juice closed their domestic holdroom outlet in the fall for a major refresh. They reopened on December 23, and not only got back to the business of providing our customers with smoothies, fresh-squeezed juices, but a wider range of fresh-made panini sandwiches, quesadillas and wraps as well.

In-terminal Advertising

The Authority signed an eight-year contract with Astral Out of Home, a division of Bell Media, for the provision of indoor airport advertising. The agreement includes the conversion of the majority of the previous advertising infrastructure to digital technology, making Ottawa the first airport in Canada to have 100.0% of its permanent properties in digital format, complemented by limited static displays. The deployment project, which began in October, will continue through the first half of 2016, and will achieve the Authority's key contract-related goals: the creation of a spectacular, unique and effective advertising network that maximizes revenue while preserving the architectural character of the terminal. Astral will also deploy its Aero TV product with English and French content on screens throughout the terminal, including local CTV News segments.

Long-term Taxi Contract

The Authority negotiated a long-term contract with Coventry Connections for taxi brokerage services at the airport. Revenue generation has been brought in line with industry standards and stabilized through a five-year agreement, achieving one of the primary goals of the contract. Although we faced a labour disturbance during the transition period, taxi availability and customer service levels have since been elevated and continue to improve. While the taxi industry continues to evolve, over 400,000 taxi trips originated at YOW in 2015, and the service continues to be an integral part of the airport's customer transportation service offering.



The Local Café

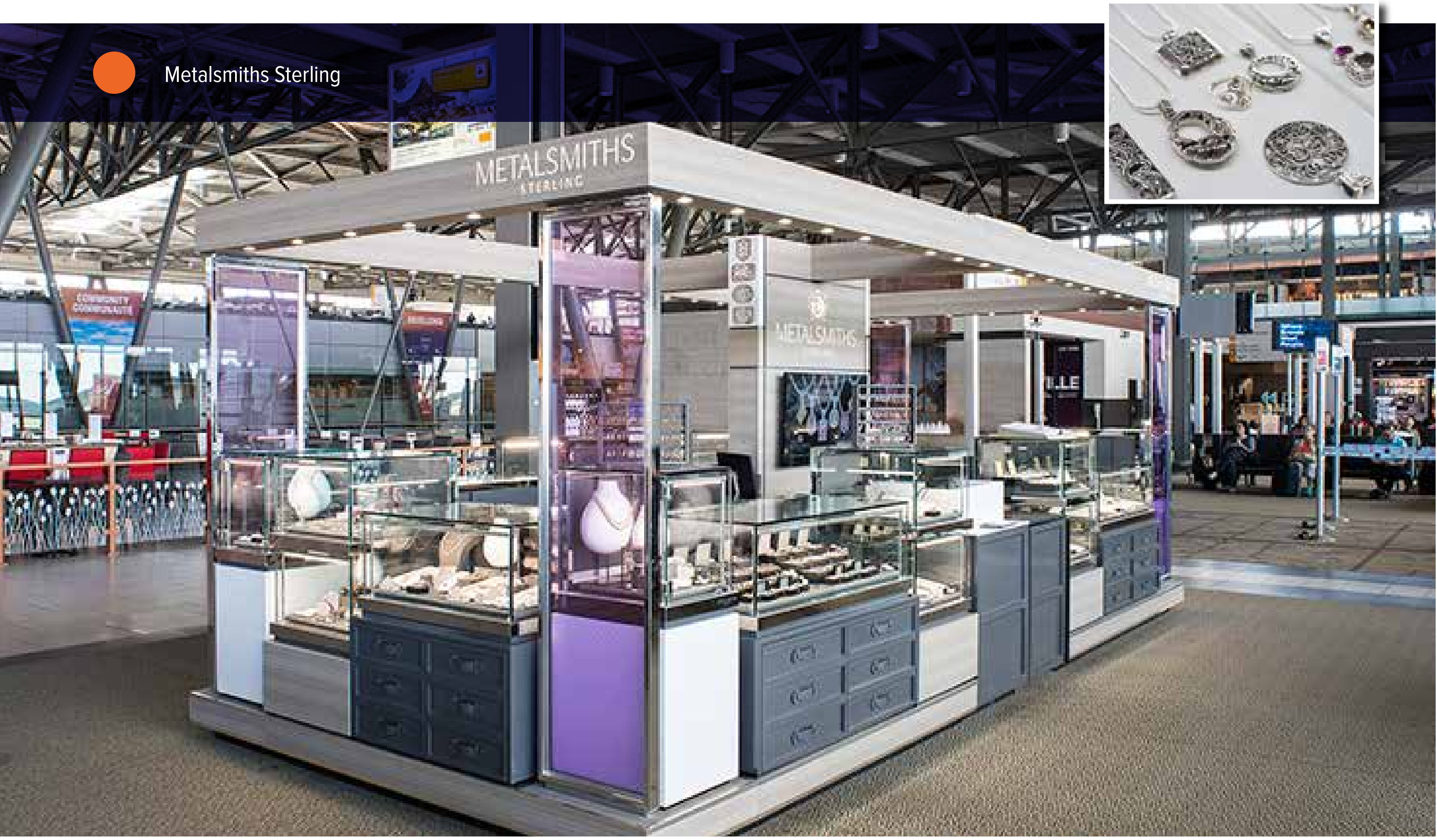
Parking Revenue Growth

During the second year of our on-line parking offering, sales grew by an impressive 60.0% over 2014 figures, and were 37.0% ahead of 2015 projections. The Authority integrated the Chauntry Parkspace system with the Authority's mobile application, FlyCANADA, incorporating features such as barcode entry. Growth in on-line purchasing was supported by a comprehensive digital marketing campaign with various call-to-action and drive-to-web incentives. Other loyalty and incentive programs such as CAA (North and East Ontario members) discounts were leveraged to further increase the online customer base and stimulate revenues.

Summary of amounts spent in the Ottawa region ($ 000)

	2011	2012	2013	2014	2015	Total
Wage bill	$ 17,922	$ 18,605	$ 20,093	$ 20,885	**21,500**	$ 99,005
Payments in lieu of municipal taxes	4,788	4,982	5,048	4,933	**4,974**	24,725
Operations costs	26,000	27,000	27,000	29,000	**31,000**	140,000
Capital costs	27,000	24,000	30,000	54,000	**31,200**	166,200
	$ 75,710	$ 74,587	$ 82,141	$ 108,818	**$ 88,674**	$ 429,930

Notes: Wage bill includes benefits;
Payments in lieu of municipal taxes (PILT) - paid to the City of Ottawa; and
Operations costs do not include rent, PILT, payroll, depreciation and interest expenses.



Metalsmiths Sterling

Airport Land Development

Land development continues to be vitally important to the Authority as part of its non-aeronautical revenue generation efforts. In 2015, the Authority worked with existing land partners to process development applications and final design for an expansion of the existing Hilton Garden Inn, which added 159 guest bedrooms, the construction of a new 232-room suite hotel adjacent to the Hilton, and several smaller projects. Another major achievement during the year was the conclusion of a commercial brokerage service agreement with Colliers International, who will take the lead in marketing the Authority's remaining development land starting in 2016.

Good Earth Coffeehouse

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

The Ottawa International Airport plays a more important role in this community than simply facilitating flight. It is also a major employer and a significant contributor to both the tax base and the quality of life in the region, as well as contributing more than $2.2 billion to the local economy each year. As we continue to grow over time, it is important that the City of Ottawa includes the airport in its development plans. As such, we continue to work closely with our municipal counterparts to ensure that we are building a world class city together.

O-Train Trillium Line Extension

The Authority and the City of Ottawa worked together on the environmental assessment project associated with the extension of the O-Train Trillium Line to the south, culminating in a completed draft Environmental Project Report. The Report includes a functional design that will be provided to the Provincial Minister of the Environment and Climate Change for review and approval.

The Authority funded half the portion of the environmental assessment that pertains to an essential airport link, and which includes two proposed stations on airport land. The detailed design work for the airport-rail-link started in 2015 and will continue throughout 2016. The business case for the Stage 2 rail project was completed during the year and remains strong when the airport link ridership figures are included. Confirming funding for the airport link will be an important goal in 2016.

Linking the O-Train to the airport is important for a variety of reasons. First, it will ensure efficient and reliable access to the airport and anywhere along the Confederation Line, including downtown, for residents, tourists, business visitors and employees. Second, it will become a selling point for conferences and exhibitions in our city and will facilitate transit-oriented commercial development in and around airport land.

Airport Parkway Widening

The Authority continued to participate in the City of Ottawa's environmental assessment project for the widening of the Airport Parkway. As the primary gateway between the airport and the city centre, ensuring long term efficient access, improved capacity, and reduced travel times are critical. Congestion is becoming more commonplace on the Airport Parkway as commuter traffic from neighbourhoods located south of the airport grows.

A preliminary design for the widening of the Airport Parkway and Lester Road, developed and presented to the public at an open house event, contained proposed timing for the implementation of the project which would have seen the first phase between Brookfield and Hunt Club completed by 2018. However, due to lower than expected development fees collected by the City, the approved 2016 municipal budget effectively delays the project until at least 2020.

Passenger Growth By Sector

		Domestic	%	Transborder	%	International	%	Total	%
Actual	1996	2,223,941		529,602		104,295		2,857,838	
	1997	2,435,534	9.51%	502,072	-5.20%	108,762	4.28%	3,046,368	6.60%
	1998	2,414,355	-0.87%	563,085	12.15%	133,108	22.38%	3,110,548	2.11%
	1999	2,426,288	0.49%	628,203	11.56%	157,116	18.04%	3,211,607	3.25%
	2000	2,562,282	5.61%	719,200	14.49%	152,863	-2.71%	3,434,345	6.94%
	2001	2,625,630	2.47%	618,694	-13.97%	146,971	-3.85%	3,391,295	-1.25%
	2002	2,445,770	-6.85%	600,365	-2.96%	170,751	16.18%	3,216,886	-5.14%
	2003	2,491,691	1.88%	588,088	-2.04%	182,566	6.92%	3,262,345	1.41%
	2004	2,736,779	9.84%	641,157	9.02%	231,949	27.05%	3,609,885	10.65%
	2005	2,779,895	1.58%	719,150	12.16%	236,388	1.91%	3,735,433	3.48%
	2006	2,807,377	0.99%	735,753	2.31%	264,626	11.95%	3,807,756	1.94%
	2007	3,052,813	8.74%	746,435	1.45%	289,280	9.32%	4,088,528	7.37%
	2008	3,255,540	6.64%	740,369	-0.81%	343,315	18.68%	4,339,225	6.13%
	2009	3,141,812	-3.49%	682,822	-7.77%	408,196	18.90%	4,232,830	-2.45%
	2010	3,303,170	5.14%	725,781	6.29%	444,943	9.00%	4,473,894	5.70%
	2011	3,429,310	3.82%	750,486	3.40%	444,830	-0.03%	4,624,626	3.37%
	2012	3,454,387	0.73%	775,040	3.27%	456,529	2.63%	4,685,956	1.33%
	2013	3,363,685	-2.63%	772,678	-0.30%	442,228	-3.13%	4,578,591	-2.29%
	2014	3,434,209	2.10%	741,285	-4.10%	440,954	-0.30%	4,616,448	0.83%
	2015	**3,488,629**	**1.60%**	**735,755**	**-0.70%**	**431,976**	-2.00%	4,656,360	0.86%
Forecast	2016	3,592,767	2.99%	752,645	2.30%	450,717	4.34%	4,796,129	3.00%
	2017	3,692,900	2.79%	777,979	3.37%	470,395	4.37%	4,941,274	3.03%
	2018	3,786,024	2.52%	804,369	3.39%	488,198	3.78%	5,078,591	2.78%
	2019	3,878,146	2.43%	830,759	3.28%	507,876	4.03%	5,216,781	2.72%
	2020	3,971,500	2.41%	853,800	2.77%	529,400	4.24%	5,354,700	2.64%
	2021	4,067,076	2.41%	877,410	2.77%	551,835	4.24%	5,496,321	2.64%
	2022	4,164,951	2.41%	901,673	2.77%	575,221	4.24%	5,641,844	2.65%
	2023	4,265,181	2.41%	926,606	2.77%	599,598	4.24%	5,791,385	2.65%
	2024	4,367,824	2.41%	952,229	2.77%	625,008	4.24%	5,945,061	2.65%
	2025	4,456,500	2.03%	977,900	2.69%	662,000	5.91%	6,096,400	2.55%
	2030	4,927,800	2.03%	1,114,400	2.48%	873,100	4.80%	6,915,300	2.45%

The Authority will continue to work with the City to ensure the best and most efficient multi-modal access and connectivity to the capital region.

Land Designation

The Authority participated in the working group of the 2015 Employment Land Review which will provide recommendations to City Council in 2016 and will protect a good supply of employment lands in appropriate locations in Ottawa. The project was initiated by the City of Ottawa but partially sponsored by the local development community. The Authority works closely with the City of Ottawa to ensure that airport lands have the appropriate designation to facilitate ongoing commercial development to ensure that the airport's long-term economic contribution to the community can continue to grow.

TO OPTIMIZE OPERATIONAL PERFORMANCE, ENSURING SAFE AND SECURE OPERATIONS

OPERATIONS AND INFORMATION TECHNOLOGY

Keeping step with evolving operational requirements, technological change and new regulation requires efficiency and experience. The Authority's Terminal Operations and Information Technology teams have been working on several complex projects that involve running duplicate systems, construction in constricted spaces and working with partners that share a commitment to the same high standards as the Authority. The following are a few of the key projects which occurred during the year:

Baggage Handling System

The Authority continued with the major upgrade of our Baggage Handling System (BHS). This $60.0 million project, being completed jointly with CATSA, commenced in late 2013. In March, the new transborder baggage system went live complete with self-bag drop stations, new screening equipment and upgrades to meet the requirements of U.S. Customs and Border Protection (U.S. CBP). The new system doubles the previous capacity and has the benefit of no longer requiring the passenger to wait with their bag while it is being screened.

A new inbound baggage carousel was also added to the domestic arrivals hall in late 2015. This additional capacity should help to reduce congestion around the carousels at peak times as well as help improve baggage delivery times.

Work continues behind the scenes on a new domestic/international baggage system. Construction is now substantially complete and commissioning and testing is underway on the final stage of the work. By year end, all passenger baggage was running through the new system, including all new screening equipment. This new system, which will roughly double previous capacity, was completed with little operational impact.

Cobus

Cobus

Irregular operations, airside incidents, inclement weather events or excessive diversions can put pressure on airport operations and cause issues with gate capacity and passenger movement. Rather than relying on third party assistance in these instances, the Authority researched and ultimately acquired two fully refurbished buses from Cobus, a leading airport supplier. The buses, which can transport up to 110 people each, will be used during irregular operations to provide shelter or move passengers from the airfield to the terminal, and to facilitate regular operations if remote gating becomes a requirement in the future.

Passenger Bridge Replacement

To improve customer service and to add capacity, the Authority made modifications to Gate 3 in transborder, including the replacement of the boarding bridge. These modifications now allow larger aircraft to use this position. The existing boarding bridge was relocated to Gate 1, which previously served as a ground loading gate only. Plans in 2016 include similar modifications for Gate 6.

Gate 3

Automated Passport Control

Automated Passport Control (APC) is a U.S. CBP program that expedites entry for U.S., Canadian and eligible Visa Waiver Program international travellers by providing an automated process through U.S. CBP's primary inspection area. Travellers use self-service kiosks to submit their customs declaration form and biographic information. APC is an important initiative because it contributes to shorter wait times, less congestion and faster passenger processing.

The Airport Authority and U.S. CBP collaborated through the better part of the year towards a pilot program that would locate APC capability in Authority-managed common use check-in kiosks outside of the U.S. CBP federal inspection area, unlike other airports where the kiosks are within the U.S. CBP-controlled area. Approval to pursue the pilot program was received and both organizations will continue to work together towards implementation of this exciting "first", which could offer our customers a "one-stop-shop" for check-in and paperwork completion. The Authority's ultimate goal with this project would be to improve processing efficiencies to the point where additional flights to the U.S. could be accommodated during peak periods.

Customer Transportation and Parking Services Enhancements

The Customer Transportation and Parking Services (CTPS) team developed several enhancements to its service offering in 2015.

The Authority launched a pilot project to determine the need for a **cell phone parking** lot. After deeming the pilot a success, a new permanent location was chosen and officially opened in December. With the relocation, the Long Term parking lot site of the pilot project regained 50 spaces to its capacity, just in time for the holiday rush. The new location is more readily accessible, highly visible and more suitable for increased volumes. Further customer service enhancements will include new signage, lighting, surveillance, fence removal, and landscaping. By providing waiting traffic with a free and dedicated area, the Authority will be able to reduce congestion in front of the main terminal and make picking up and dropping off passengers safer and hassle free.

Five-year Forecast

	Passengers	Annual Growth	Aircraft Movements	Annual Growth	Rent to Transport Canada	Annual Growth
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	-4.2%	$6,145,000	2.6%
2001	3,391,295	-1.3%	72,630	-7.2%	$8,840,000	43.9%
2002	3,216,886	-5.1%	68,499	-5.7%	$11,005,000	24.5%
2003	3,262,345	1.4%	69,798	1.9%	$11,329,000	2.9%
2004	3,609,885	10.7%	69,626	-0.2%	$11,643,000	2.8%
2005	3,735,433	3.5%	66,146	-5.0%	$12,958,000	11.3%
2006	3,807,756	1.9%	65,396	-1.1%	$12,487,000	-3.6%
2007	4,088,528	7.4%	72,342	10.6%	$11,546,000	-7.5%
2008	4,339,225	6.1%	79,777	2.0%	$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	4,796,129	3.0%	76,737	2.2%	$9,300,000	6.4%
2017	4,941,274	3.0%	78,475	2.3%	$9,700,000	4.3%
2018	5,078,591	2.8%	80,051	2.0%	$10,200,000	5.2%
2019	5,216,781	2.7%	81,573	1.9%	$10,700,000	4.9%
2020	5,354,700	2.6%	83,231	2.0%	$11,300,000	5.6%

Notes: Federal Government Net Book Value at time of transfer: $75 million
Total rent projected 1997-2020: $215.5 million
Forecast passenger volumes are as provided by outside consultants.
For financial planning purposes, the Authority forecasts on a more conservative basis.

The Authority added **restricted access gates** to the commercial curb roadway entrance in February 2015. This advancement now allows the Authority to restrict access to only those commercial vehicles that are licensed and permitted to operate at the airport. Additionally, valuable volume data is available from the system and we achieved full automation of account management and financial administration that ensures more accurate billing information is received. Through compliance assurance and the streamlining of price structures, ground transportation revenue grew by 20.0% (exclusive of taxi increases).

Through the implementation of new **iPass management software**, the CTPS team is now administering all aspects of the airport's parking and commercial transportation services. All BizPark clients have been transitioned to the new system which replaced transponders with access cards, which are more reliable and not dependent on battery power. The system also ensures more accurate and timely billing for all clients. Full payment, invoicing and account management automation has been achieved, not only improving the customers experience but dramatically reducing the administration time involved.

After much customer feedback regarding the outdoor **taxi queuing area** that offered minimal protection from the elements, the team worked with partner, WSP, to design and implement a new concept that provides a more comfortable waiting area, facilitates a more efficient queuing system and blends more attractively with the terminal architecture.

SAFETY

Ottawa Airport continues to lead the way in safety through all aspects of its operation.

Runway Safety

The International Civil Aviation Organization (ICAO) is currently working towards a Takeoff and Landing Performance Assessment (TALPA) methodology for runway condition reporting. This would standardize terms and definitions used to describe a contaminated runway internationally. In the United States, the Federal Aviation Administration (FAA) TALPA program is using recommendations from their Aviation Rulemaking Committee (ARC) and will be adopting a runway condition assessment matrix based on runway conditions assessed by the airport operator. As the aviation industry moves towards a globally harmonized method for reporting runway conditions and as the carriers that use our airport start to adopt these new standards, the Authority has responded by refining snow clearing methods to ensure that the highest possible conditions are maintained. In addition, we continue to grow our winter fleet with the addition of two new snow blowers, one new runway de-icing truck and a large combination plow/sweeper. The Authority also increased storage capacity for runway de-icer with the construction of a new 400 square metre storage facility.

Following on the reconstruction of our three major runways, including the addition of ICAO-rated runway end safety areas and grooving of the two commercial runways, as well as the renewal of the de-icing pad, all of which were completed over the last four summers, we are now in a maintenance cycle. In 2015, the Authority rebuilt the main apron area just south of the de-icing pad at a cost of $3.5 million. This area is used as both a taxiway area to and from the de-icing pad as well as for occasional aircraft parking.

Bird Mitigation

Bird strikes are an ongoing safety concern at all airports and are addressed in YOW's Wildlife Management Plan (AWMP). The Canada Goose is a high priority species because of its potential to cause catastrophic damage to aircraft. The airport's proximity to the Rideau River poses a unique safety challenge, which was tested in the fall when a flock of approximately 10,000 geese roosted in an area of the river directly to the west of the airport. Adding to the risk, the flock would overfly the airport twice per day as it travelled to its feeding area east of the airport, at an elevation of between 200 and 800 feet.

As a means of mitigating the risk, the Authority engaged Predator Bird Services which employed a variety of non-lethal means to disturb the roost and move the flock to a more favorable location. The work was successfully completed with the support of Parks Canada, Environment Canada, the Ministry of Natural Resources and the City of Ottawa. The move was also highly supported by the aviation community, and particularly the Air Canada Pilots Association which cited the activity as **"an excellent example of identifying an aviation hazard and implementing an effective method of mitigating risk".**

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**

Searidge Technologies Partnership

The Authority entered a strategic partnership agreement with Ottawa firm, Searidge Technologies, to integrate all information sources including real-time surface management data, air traffic control data and the airport's proprietary data, into a single user interface in the Airport Operations Coordination Centre (AOCC). The solution will offer the Authority more effective management of ground traffic, improved traffic flow, increased situational awareness and reduced need for communication, and will offer Searidge the opportunity to showcase the benefits of its integrated approach to other airports around the world.

SECURE OPERATIONS

2015 saw many changes to the security portfolio, along with new and innovative programs that are piquing the interest of other airports and our regulator, Transport Canada, as we take a leadership position and share our knowledge with other airports.

Airport Security Program

The Authority continued with the implementation of Transport Canada's Airport Security Program (ASP) requirements. These have included non-passenger vehicle screening points, designated airport security officials, enhanced emergency management plans, security training programs and threat risk vulnerability programs. Significant progress was made on all of these projects during the year. The Authority continues to make customer security and safety the highest priority by not only meeting all of the ASP requirements ahead of schedule, but by focusing on being aviation security industry leaders by exceeding standards, maximizing expertise, technology and resources, while also providing enhanced security capabilities not seen in other airports. Becoming an industry leader has given the Authority the ability to adapt to a changing threat environment and to identify flexible alternatives to respond to rapid changes.

Exercise Predator

On October 27, the Authority hosted a major safety exercise to test its emergency response plan. The scenario involved a strike by an unmanned aerial vehicle (UAV or drone), which damaged an aircraft that was on final descent and caused it to crash on the airfield, resulting in significant loss of life and injuries.

Authority staff worked with the Ottawa Police Service, Ottawa Paramedic Service, Ottawa Fire Services, Air Canada, and students from Algonquin College, MedVent and La Cité, in all 220 people, to make the exercise a success. The exercise offered each participating agency an opportunity to test various components of their internal Standard Operations Procedures (SOPs) and how they can be applied to an overall large scale response at an airport. Other areas of interest included public safety, coordination among responders, passenger care, airfield operations and health and medical. Transport Canada mandates that major airports in this country must conduct operations-based safety exercises every two years to test and validate their emergency plans.

Exercise Predator

Five-year Review ($ 000)

	2011	2012	2013	2014	2015
Revenues	$ 103,058	$ 105,845	$ 104,139	$ 112,271	**$ 118,252**
Expenses before depreciation	75,167	78,232	79,866	83,074	**90,422**
Earnings before depreciation	27,891	27,613	24,273	29,197	**27,830**
Capital expenditures	27,079	24,403	30,390	54,752	**31,206**
AIF revenues	37,732	39,379	38,370	43,629	**45,434**

Airport Emergency Management Training Program

Continuing the themes of leadership and innovation in security planning, the Authority's Security and Emergency Management Team developed an Emergency Management Training Program to implement a standardized, airport-specific system for Security and Emergency Management employees who are responsible for the response and recovery to incidents/emergencies. It is also designed to support airport stakeholders (i.e. tenants, airlines), aviation sectors of government and first responders who may be required to support YOW security/ emergency operations. The Program includes the Airport Basic Emergency Management (ABEM) course, Airport Incident Management System (AIMS) course, Behavioral Analysis course, canine workshops and enhanced Red Team testing, tabletop and real-time exercises. The courses and training have helped the airport meet its goal of providing a consistent framework to any potential threat/risk that may affect the delivery of airport operations while including various stakeholders.

FINANCIAL

Ensuring that the operation is financially viable and fiscally responsible are also priorities for the Authority, and as such, we take a very measured approach to spending and fee-setting.

The Financial Year at a Glance

The Authority maintained a strong financial position in 2015. Revenue drivers continued to show variability during the year while revenues reached record levels. Despite modest passenger volume growth of 0.9% in 2015, our seat volumes declined 0.5% in 2015 as compared to 2014. While domestic seat volumes grew 0.3%, U.S. and international volumes declined with contributing factors including higher rates of cancellations of inbound flights from other North American airports due to the worse than normal winter weather conditions in the first quarter of 2015 and a later start to the winter charter season in late 2015. Furthermore, volumes were impacted by the global airline trend of operating fewer flights with higher load factors (seat occupancy) demonstrated by the rationalization of multiple departures to the same destination and the impact of the consolidation of U.S.-based air carriers as evidenced by the cancellation of the Charlotte, North Carolina flight due to the American Airlines and US Airways merger. Total revenues in 2015 were 5.3% higher at $118.3 million compared to $112.3 million in 2014. Modest passenger volume growth and the year over year residual impact of the March 2014 increase in AIF rates from $20 to $23 drove higher AIF revenues. Additionally, increases in aeronautical revenues resulting mostly from increases in tariffs early in 2015, favorable impacts from higher passenger volumes, and revenue optimization activities on non-aeronautical sources including ground transportation, car rental and other concessions, added to the higher figures.

The Authority also completed a $300.0 million Series E Bond issue on June 9, 2015, to take advantage of the low interest rate environment and secure favorable terms in its long-term financing strategy. The net proceeds from this offering were used to pre-fund the 2017 repayment of the Series D Bonds by depositing $200.0 milion into a segregated fund, to refinance existing bank indebtedness incurred by the Authority in connection with its capital expenditure programs, and to use for future

Total Nonstop Destinations

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**

Aircraft Movements

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**

Origin and Destination

93.0% of traffic (estimated)

general corporate and capital expenditures. The Authority finished 2015 by generating earnings before depreciation of $27.8 million compared to $29.2 million for the year ended December 31, 2014. The Authority anticipated the year over year reduction due to the incremental interest impact from the Series E Bond. These earnings will be reinvested in airport operations and development.

PCI-DSS Compliance

Thousands of credit card transactions with the Authority and its customers are completed each day at the airport and the Authority needs to ensure the integrity and transparency of each transaction so as to optimize revenues while ensuring data security and safety. Because it is critical that we provide a safe and secure environment for these transactions, the Authority embarked in recent years on a process for compliance with Payment Card Industry Data Security Standard (PCI DSS) requirements. In 2015, the Authority undertook an audit of the PCI DSS compliance processes as a merchant and received a positive low risk rating. The rating reinforced the strict policies the Authority put in place to ensure that all people, processes and technology involved in acceptance, storage, processing and transmission of credit card data are in compliance with PCI DSS standards.

TO PURSUE EXCELLENCE

The Authority's commitment to excellence takes on many forms. We monitor, correct and measure, and then audit to ensure that we are providing our customers with the best possible experience each time they visit. This commitment to excellence is campus-wide, and is evident in areas that the Authority has direct responsibility for, as well as those we do not. The pursuit involved many areas of the operation in 2015, including the following:

Airport Service Quality Program – A Sterling Finish

The Authority was very pleased to finish in 2nd place in North America in the ASQ program, marking a return to the podium. We are also very pleased that we improved our overall customer satisfaction score compared to 2014 and posted higher scores in the following categories:

- Wait time at passport/ID/security inspection
- Shopping facilities and value for money
- Internet/Wi-Fi service
- Courtesy/helpfulness of staff

These results are thanks to a campus-wide commitment to providing a great customer experience, and we are grateful to our partners for going above and beyond to delight our passengers. A big thank you as well to our cherished clients who took the time to complete the survey and show their appreciation for the airport.

National Capital Region's Top Employer (2015) – Third Consecutive Year!

Excellence in any organization starts with the team, and the Authority is fortunate to have a talented and engaged workforce that demonstrates its commitment to excellence in every aspect of airport operations each day. That level of dedication makes the Authority's selection as one of the National Capital Region's Top Employers, for the third consecutive year, an even greater source of pride for every member of the Authority family.

The National Capital Region's Top Employers is an annual competition organized by the editors of Canada's Top 100 Employers. This special designation recognizes the Ottawa-area employers that lead their industries in offering exceptional places to work.

Canadian Association of Chiefs of Police (CACP) Motorola Award for Excellence in Emergency Preparedness

The CACP/Motorola Award for Excellence in Emergency Preparedness has been established to recognize a standard of excellence that reflects the combined efforts of police, fire, and emergency medical services in preparing their agencies to respond to disasters.

Exercise Silver, which we told you about in 2014, was a full scale, active shooter exercise designed and conducted inside the airport involving 266 people including the Authority, Ottawa Police Service, Ottawa Paramedic Service, Ottawa Fire Services, Air Canada, role players and various observers. The Ottawa Airport became one of the first airports in the world to develop and conduct an active shooter program/exercise. The Authority subsequently produced an Active Shooter Training video that has been requested by airports and law enforcement agencies across North America.

We were very proud to have received the CACP Motorola Award in recognition of the innovation, complexity, and success of Exercise Silver.

Social Media Engagement

After acquiring a new canine trainee in the Authority's canine program, the Communications Team worked with the Canine Unit to help name the new puppy. Photos of the pup were posted on Twitter and Facebook with a call for suggestions to help "Name Our Dog". We were quickly overwhelmed with the response received through both social media channels and via email. The Facebook post itself had a reach of more than 61,000, thanks to The Ottawa Citizen writing about it and promoting the contest. In all, more than 1,300 entries were received, from which a small team from both departments chose their short list. In the end, we unanimously settled on the name "Jet".

Jet, the new canine trainee

Social Media Success

Airports Council International-North America (ACI-NA) held its 2015 Excellence in Airport Marketing, Communications and Customer Service Awards ceremony at its annual conference in Nashville, Tennessee. We submitted the "Name Our Dog" contest for consideration in the social media campaign category, and were thrilled that it won 1st place. Our goal with the social media campaign was to increase awareness about our Canine Unit. Considering the number of people who participated in this contest, the local news coverage, and the award, the goal was achieved.

Infoguide Volunteers

Excellence in customer service is a team effort at the airport, and our corps of 80+ Infoguide volunteers are very important to the team. From answering tens of thousands of calls each year and helping track down lost baggage, to reuniting loved ones and finding hotel rooms for stranded passengers, each volunteer provides service with a welcome smile and an empathetic demeanor. In 2015, they volunteered nearly 7,500 hours representing Ottawa-Gatineau with pride. The entire campus is grateful for their efforts.

Infoguide Milestone

One Infoguide volunteer, in particular, reached an unprecedented milestone in her service to the airport. Gladys Pfeffer was the first ever volunteer to reach 25 years of service. She started volunteering in the original terminal when the program was called Traveller's Aid, and in recent memory has filled a regular Friday afternoon shift, now in Arrivals. Thank you Gladys!

TO PROVIDE ADDITIONAL FLIGHT FREQUENCIES AND DESTINATIONS

To quote a recent article in the Ottawa Business Journal, "passenger planes don't just fly anywhere". All airlines need a compelling business case to serve a market, and key to the case is profitability. The focus on air service strategy and development is an ongoing priority for the Authority, as is the work with our partners in the tourism and convention industry to stimulate demand in our region.

Air Service Development Activities

Travel to sunshine destinations continues to be one of the biggest growth areas in our market. Air Canada added weekly summer service to Orlando, Florida, as well as non-stop service to Cayo Coco and Holguín, both in Cuba, for the 2015/2016 winter season. They also announced that non-stop service to Samana in the Dominican Republic would start in January 2016.

WestJet boosted their daily summer service to Halifax to annual service and an additional frequency was added to the daily flight for the summer season. They also added daily service to Moncton.

Other service to the sun destinations included Sunwing weekly summer service to Varadero, Cuba and Air Transat seasonal winter service to Orlando.

The merger of American Airlines and US Airways resulted in the elimination of daily service to Charlotte, North Carolina. Air Transat's weekly summer service to London-Gatwick, and Air Canada's winter service to Providenciales in Turks and Caicos also ended in 2015.

Where Do You Want To Fly?

The Authority wishes to make sure that business cases for air service reflect the needs of our client base. While we can not guarantee a requested route will materialize, it is important that we provide accurate information and statistics to airlines so that they can make important aircraft deployment decisions. To get that information, we embarked on a corporate travel survey, in partnership with InterVISTAS Consulting, to learn about the travel needs and patterns of local businesses. The survey was promoted in media articles late in 2015, and will officially launch in the first quarter of 2016.

Left to right: Krista Kealey, Vice President of Communications and Public Affairs, Gladys Pfeffer, Infoguide Volunteer, and Lynn Lauriault, Volunteer Coordinator

STRATEGIC INITIATIVES

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. The following identifies the initiatives within each Direction across the 2016-2020 timeline:

1. To grow strategically

- to grow non-aeronautical revenues
- 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
- 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
- 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
- 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
- to support tourism, business and convention development in Ottawa by stimulating demand for air travel

2015 Actual vs. Business Plan

($ in millions)

	Actual	Plan	Variance	
Revenues	$ 118.3	$ 117.3	$ 1.0	Increase in landing and terminal fees, the impact of the updated taxi brokerage agreement and the addition of new food and beverage concessions
Expenses	116.4	113.8	2.6	Higher depreciation due to the baggage handling system and boarding bridge replacement. Higher interest expense due to the new Series E Bond financing
Capital Expenditures	31.2	34.2	-3.0	Completion of various projects including final elements of the baggage handling system slipped into 2016

Financial Projection 2016 - 2020

($ in millions)

	2016	2017	2018	2019	2020
Revenues	$ 125.1	$ 126.7	$ 130.7	$ 135.3	$ 140.2
Expenses	130.5	129.5	129.2	132.0	135.6
Capital Expenditures	32.0	65.0	65.2	45.7	37.0

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-appointed 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 2015, 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.

Revised By-Laws

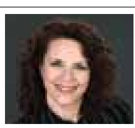
The Authority established by-laws at incorporation in 1995, which were amended in 2003, in 2010 and again in 2014 following its continuance under the *Canada Not-for-profit Corporations Act*. Under the current by-laws, the selecting bodies that provide nominees to the 14-member Board are as follows:

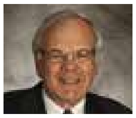
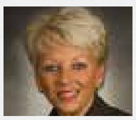
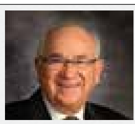
Selecting Bodies	Number of Directors nominated
Minister of Transport (Government of Canada)	2
Government of the Province of Ontario	1
City of Ottawa	2
City of Gatineau	1
Ottawa Chamber of Commerce	1
Ottawa Tourism and Convention Authority	1
Chambre de commerce de Gatineau	1
Invest Ottawa	1
Ottawa Macdonald-Cartier International Airport Authority (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 31, 2015.

	Name and Position with Authority	Occupation	Selecting Body and Year Appointed
	**Susan St. Amand** Chair of the Board	President Sirius Financial Services	Minister of Transport (Government of Canada) 2012
	**Craig Bater** (2) (4)	Partner Augustine, Bater, Binks LLP	Ottawa Chamber of Commerce 2012
	**Thom Bennett** (3)	President Bennett Insurance Agency Limited	Minister of Transport (Government of Canada) 2012

	Name and Position with Authority	Occupation	Selecting Body and Year Appointed
	**John Boyd** [1]	Financial Advisor Client First Group	Province of Ontario 2010
	**Chris Carruthers** [2] [3] Chair, Human Resources & Compensation Committee	Health Care Consultant Corporate Director	At large 2010
	**Code Cubitt** [4]	Managing Director Mistral Venture Partners	Invest Ottawa 2015
	**Scott Eaton** [1]	Business Lawyer	At Large 2013
	**Barbara Farber** [2] [4]	President Leikin Group Inc.	City of Ottawa 2010 At Large 2007
	**Gilles Lalonde** [1] [2]	President and CEO Provance Technologies Inc.	Ville de Gatineau 2008
	**Brendan McGuinty** [2] Chair, Governance Committee	President Strategies 360 Inc.	City of Ottawa 2011
	**Carole Presseault** [3]	Principal Consultant Presseault Strategies+	Chambre de commerce de Gatineau 2014
	**Jacques Sauvé** [4] Chair, Major Infrastructure and Environment Committee	Consulting Engineer	At Large 2012
	**Janice Traversy** [1] [4] Chair, Audit Committee	Retired Airline Executive CPA, CMA	At Large 2013
	Vacant position		Ottawa Tourism

(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

Directors' Compensation in 2015

Annual Retainer	Chair	$45,000
	Committee Chairs	$20,000
	All other Directors	$12,000
Per meeting fee	$550 per meeting	
	$200 per teleconference	

Attendance at Board and Committee Meetings

Board Member	Board Meetings Attended	Committee Meetings Attended while Member of a Committee
Craig Bater	10 out of 10	8 out of 8
Thom Bennett	8 out of 10	4 out of 4
John Boyd	9 out of 10	6 out of 6
Chris Carruthers	10 out of 10	6 out of 6
Code Cubitt (note 1)	7 out of 8	2 out of 2
Scott Eaton	10 out of 10	6 out of 6
Barbara Farber	10 out of 10	6 out of 6
Pat Kelly (note 2)	2 out of 2	1 out of 2
Gilles Lalonde	8 out of 10	12 out of 13
Brendan McGuinty	10 out of 10	4 out of 4
Carole Presseault	9 out of 10	4 out of 4
Jacques Sauvé	10 out of 10	4 out of 4
Susan St. Amand	10 out of 10	14 out of 14
Janice Traversy	10 out of 10	10 out of 10

Note 1 - new Board member effective April 29, 2015
Note 2 - term ended on April 29, 2015

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 of the Committee Chairs;
- review changes to the Charters of all Board Committees and recommend changes for Board approval;
- review Director compensation and recommend any changes for Board approval; 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 audit 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 partner 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 and Compensation Committee

- review succession plans for senior management;
- review the competitiveness and appropriateness of the Authority's policies regarding management compensation, including the incentive plan, pension plans, benefits, and all other aspects of compensation;
- 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 and again in early 2008, and the Land Use Plan, which was last updated in 2008, and approved by the Minister of Transport in 2009; 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 April 2012.

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 $110,900 ($75,000 in 1994 dollars adjusted for CPI to December 31, 2014), 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 $110,900 that were not awarded on the basis of a public competitive process during 2015:

Contractor	Contract Description	Reason for Sole Source
Electrical Safety Authority	$148,390 Electrical inspection services – 5-year agreement	See B below
Bell Mobility - Radio Division	$175,014 Radio upgrade and support – annual support and maintenance services	See B below
City of Ottawa	$190,947 LRT joint study with City of Ottawa	See B below
Beumer Group	$286,928 Baggage Handling System – annual on-site support and maintenance	See D below
Precise ParkLink	$117,659 Upgrade parking system software to include chip/PIN and debit capability	See D below
ThyssenKrupp Airport Systems Inc.	$1,206,985 Supply and install Gate 3 boarding bridge and accessories	See A below
Tallman Truck Centre	$135,530 Purchase of International 7500 cab and chassis	See C below
Mac-Tech Systems Inc.	$379,100 Supply anti pass-back gate for domestic holdroom exit	See B below
Team Eagle Ltd.	$110,000 Used runway sprayer	See B below

Contractor	Contract Description	Reason for Sole Source
Brock Solutions	$188,560 Design services related to check-in counter redesign project	See A below
GAL Power Systems	$287,000 Emergency Generators – 5-year support and maintenance services	See D below
Precise ParkLink	$121,961 Parking system – annual support and maintenance services	See D below
ARINC	$230,052 Common Use Systems – 2-year support and maintenance services	See D below
Johnson Controls	$428,090 Building Automation Systems – 3-year support and maintenance services	See D 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
C – Sole source – exclusive Canadian dealer for this equipment. This equipment maintains a standard fleet of equipment to achieve operational efficiency.
D – Sole source of service and maintenance of equipment originally purchased following a public competitive process.

Executive Management Salary Ranges

The base salary range for the President of the Authority in 2015 was between $250,000 and $300,000. The base salary range for each of the Vice Presidents in 2015 was between $135,000 and $216,000.

In addition, under the management incentive plan for non-represented employees, the President and the Vice Presidents receive appropriate payments for performance based on achieving targets/objectives that are consistent with the Authority's Strategic Plan.

The Board of Directors

Standing left to right: Carole Presseault, John Boyd, Mark Laroche (President & CEO), Brendan McGuinty, Gilles Lalonde, Code Cubitt, Chris Carruthers Seated left to right: Janice Traversy, Thom Bennett, Craig Bater, Susan St. Amand, Jacques Sauvé, Barbara Farber. Absent: Scott Eaton

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 parking rates, 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 constant, it has been necessary to adjust these fees on a few occasions. 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 14, 2013 that it was increasing its fee to $23 effective March 1, 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 Continuance and by-laws, including any amendments;
- all signed airport transfer agreements; and
- a summary of the Authority's Five-year Performance Review document.

Contacting the Authority

There are a number of methods available to the public to contact and provide input to the Authority:

- submit questions, comments or concerns through the Authority's website ***www.yow.ca;***
- complete a customer comment card which is available at both of the airport's information kiosks;
- call the general inquiries lines at 613-248-2125 or 613-248-2141;
- call the noise information line at 613-248-2023;
- call or write to individual Airport Authority departments at the following address:
  Suite 2500, 1000 Airport Parkway Private,
  Ottawa, Ontario, Canada K1V 9B4;
- fax questions, comments or concerns to 613-248-2068
- ***twitter.com/flyyow; and***
- ***facebook.com/flyyow.***

In addition, the Authority conducts quarterly customer satisfaction surveys in the passenger terminal building.

The Authority's policy is to respond to all questions, comments and concerns as expeditiously as possible.

2015 Financial Review

This Financial Review reports on the results and financial position of the Ottawa International Airport Authority (the Authority) for its year ended December 31, 2015. 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, 2015 were $27.8 million compared to $29.2 million for the year ended December 31, 2014. Incremental interest expense associated to the new $300 million Amortizing Revenue Bonds issue which bears interest at a rate of 3.933% completed on June 9, 2015 (“Series E”) was the most significant factor impacting earnings before depreciation for the year.

The Authority recorded depreciation of $25.9 million in 2015 compared to $22.5 million in 2014, reflecting depreciation of the terminal building and related facilities over their estimated economic lives. After subtracting depreciation, the Authority generated net earnings of $1.9 million in 2015 compared to $6.7 million in 2014.

The Authority’s net operating results for the three years ended December 31, 2015 are summarized as follows:

($ in millions)	**2015**	2014	2013
Revenues	**$ 118.2**	$ 112.3	$ 104.1
Expenses before depreciation	**90.4**	83.1	79.8
Earnings before depreciation	**27.8**	29.2	24.3
Depreciation	**25.9**	22.5	23.0
Net earnings	**$ 1.9**	$ 6.7	$ 1.3
Total assets	**$ 711.7**	$ 461.9	$ 425.3
Gross - Long-term debt	**$ 634.4**	$ 337.5	$ 340.3

Results of Operations

Operating Activities

During 2015, the Ottawa Airport saw positive passenger volumes with increases of 0.9% over 2014 and 1.7% over 2013. While the Canadian economy experienced declines in growth in the first half of 2015, the second half growth was more encouraging in each of the last two quarters. Nonetheless, growth was lower than expected in the fourth quarter with lower energy prices, declines in the Canadian dollar compounded by mixed economic and market trends in global markets to start the new fiscal year. The Authority is closely monitoring passenger traffic patterns in all sectors including monitoring the impact of the new federal government budget and spending initiatives coupled with other fiscal and monetary measures to improve economic conditions that should drive incremental passenger growth in 2016 and beyond.

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

				% change – 2015 versus	
	2015	2014	2013	2014	2013
Domestic	**3,488,629**	3,434,209	3,363,685	1.6%	3.7%
Transborder	**735,755**	741,285	772,678	(0.7%)	(4.8%)
International	**431,976**	440,954	442,228	(2.0%)	(2.3%)
Total	**4,656,360**	4,616,448	4,578,591	0.9%	1.7%

Passenger volumes between Ottawa and domestic locations experienced year over year growth of 0.3% starting in the first quarter of 2015 with continued momentum with growth in the range of 2.0% in each of the remaining three quarters of 2015. While overall domestic growth was 1.6% year over year, domestic carriers saw mixed results. Air Canada produced 5.3% year over year growth with higher passenger volume connecting to the U.S. through its Toronto, and to a lesser degree, its Montreal hubs resulting in a lower number of Air Canada-operated flights to the U.S. from Ottawa Airport. Westjet was flat with 2014 and was negatively impacted by lower flow traffic between Alberta and the Atlantic Provinces. Porter experienced a decline of 3.8% on a year over year basis due to Billy Bishop Airport operating at full capacity and, therefore, new Porter routes came at the expense of airports like Ottawa who have the highest frequency levels.

Transborder volumes were 0.7% lower than in 2014. U.S. passenger traffic has been impacted by the consolidation of American air carriers evidenced by the reduction of multiple departures in favour of higher loads to the same destination. Additionally, the cancellation of the redundant Charlotte, North Carolina flight after the American Airlines and US Airways merger impacted U.S. passenger volumes as well.

International volumes decreased by 2.0% in 2015. The winter cancellation of the Ottawa-Frankfurt route by Air Canada was partially offset by increased charter activity to non-U.S. sunshine destinations. While further volume improvements were noted in the second and third quarters of 2015, the trend of winter charter season starting later than in previous years negatively impacted volumes in the fourth quarter.

By sector, a quarterly view of 2015 passenger volumes compared to comparable quarters in 2014 is as follows:

	Domestic	Transborder	International
Q1	Higher by 0.3%	Higher by 10.4%	Lower by 5.5%
Q2	Higher by 2.1%	Higher by 1.9%	Higher by 3.2%
Q3	Higher by 1.8%	Lower by 6.9%	Higher by 3.1%
Q4	Higher by 1.9%	Lower by 9.9%	Lower by 3.2%
Total	Higher by 1.6%	Lower by 0.7%	Lower by 2.0%

By quarter, total passenger volumes were as follows:

	2015	2014	% change
Q1	**1,182,767**	1,169,679	1.1%
Q2	**1,167,124**	1,142,470	2.2%
Q3	**1,176,548**	1,169,072	0.6%
Q4	**1,129,921**	1,135,227	(0.5%)
Total	**4,656,360**	4,616,448	0.9%

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 factors in the determination of aeronautical fees charged to airlines. In 2015, the number of landed seats decreased by 0.5% from 2014 with 0.3% year over year growth in domestic seats offset by decreases of 4.6% and 0.9% in transborder and international sectors, respectively. Contributing factors include higher rates of cancellations in the first quarter of 2015 of inbound flights from other North American airports due to the worse than normal winter weather conditions and a later start of the winter charter season in late 2015. Furthermore, volumes were impacted by the global airline trend of operating fewer flights with higher load factors (seat occupancy) demonstrated by the rationalization of multiple departures to the same destination and the impact of the consolidation of U.S.-based air carriers evidenced by the cancellation of the Charlotte, North Carolina flight due to the American Airlines and US Airways merger. In addition, domestic seat growth was constrained by smaller aircraft with higher loads used to service existing routes.

Revenues

Total revenues increased by 5.3% to $118.2 million in 2015 compared to $112.3 million in 2014.

Revenues by category

($ in thousands)	2015	2014	Change	%
Airport improvement fees	**$ 45,434**	$ 43,629	$ 1,805	4.1%
Terminal fees and loading bridge charges	**25,248**	24,638	610	2.5%
Landing fees	**12,448**	12,134	314	2.6%
Concessions	**10,923**	9,982	941	9.4%
Car parking	**13,746**	13,454	292	2.2%
Land and space rentals	**6,237**	5,817	420	7.2%
Other revenue	**4,216**	2,617	1,599	61.1%
	$118,252	$112,271	$5,981	5.3%

Airport improvement fees (AIF) at $45.4 million in 2015 increased by 4.1% from $43.6 million in 2014. The increase of $1.8 million is attributable to the residual year over year impact of the increase in the rate from $20 to $23 per enplaned passenger effective March 1, 2014, combined with the incremental fees related to the 0.9% increase in passenger volume in 2015. Passengers connecting through Ottawa are exempt from the airport improvement fee charged by the Authority. An average of approximately 93.0% of departing passengers originated their flight in Ottawa in 2015 as compared to 92.0% in 2014. Under an agreement with the airlines, AIF is collected by the airlines in the price of a ticket and are paid to airport authorities on an estimated basis, net of airline collection fees of 6.0%, on the first of the month following the month of enplanement. Final settlement based on actual passenger volumes occurs at the end of the month following the month of enplanement.

At $37.7 million in 2015, total aeronautical revenues, which include terminal fees, loading bridge charges and landing fees charged to air carriers, were 2.5% higher than revenues of $36.7 million in 2014. The impact of the 3.0% increase in landing fee and general terminal fee rates effective February 1, 2015 was offset by the 0.5% decrease in seat volumes in the year, and by minor changes in the domestic versus international and transborder mix of flights serving Ottawa. Terminal fee rates for transborder and international flights are higher than rates for domestic flights. With airline seat volume growth trending lower than inflationary growth and with increases in downloaded and regulatory expenses that are beyond the Authority's ability to control growing at a rate that is significantly beyond inflation, the Authority has increased its aeronautical fee rates by 4.0% effective February 1, 2016. Despite these increases, the Authority's average aeronautical fee rates remain among the lowest in Canada.

Concession revenues of $10.9 million increased 9.4% as compared to 2014. The $0.9 million increase was attributable to favourable adjustments to minimum annual guarantees provided under concession agreements, space optimization activities with new passenger terminal tenants, the renegotiation of the taxi brokerage services contract and the impact of increased passenger volumes on all concession areas.

Car parking revenues increased to $13.7 million from $13.4 million in 2014, an increase of $0.3 million or 2.2%. The year over year increase is commensurate with the change in the rate structure for parking that was effective on March 1, 2014, the change in mix of passengers and the availability of parking options. The change in the rate structure focused on optimizing pricing models and revenues based on passengers' profiles and their specific needs. Domestic passengers tend to park for shorter periods of time for business purpose day-trips and leisure, transborder and international passengers park at the airport for longer periods of time.

Land and space rentals revenues of $6.2 million increased 7.2% as compared to 2014. Increases are attributable to favourable lease renewal activities with existing tenants, inflationary adjustments embedded within land leases and exclusive use space rental rates and the impact of a favourable retroactive adjustment on the signing of a lease renewal.

Other income of $4.2 million increased by $1.6 million and is attributable to the gain on the bond forward transaction related to the Series E offering. Prior to the closing of the Series E financing, a bond forward transaction was entered into to protect from volatility in interest rates and it resulted in a $1.6 million gain being recorded. It has been fully recognized and the Authority has elected not to apply hedge accounting.

Expenses

Expenses before depreciation increased $7.3 million to $90.4 million in 2015 from $83.1 million in 2014. Depreciation increased to $25.9 million in 2015 from $22.5 million in 2014. Depreciation reflects depreciation on continuing investment in property, plant and equipment during 2015. Total depreciation increased as additional capital investment projects including the baggage handling system, boarding bridge replacement and the de-icing pad refurbishment were completed and put into use in the Ottawa Airport's operations during 2015 and accordingly, the related depreciation was included in the 2015 results.

Expenses by category

($ in thousands)	**2015**	2014	Change	%
Interest	**$24,105**	$19,708	$ 4,397	22.3%
Ground rent	**8,737**	8,317	420	5.0%
Materials, supplies and services	**31,106**	29,231	1,875	6.4%
Salaries and benefits	**21,500**	20,885	615	2.9%
Payments in lieu of municipal taxes	**4,974**	4,933	41	0.8%
	$90,422	$83,074	$ 7,348	8.8%

Interest expense reflected in the statement of operations results from borrowing to invest in the Authority's capital programs. Interest expense has increased $4.4 million and is attributable to the net interest expense on the Series E Bonds issued on June 9, 2015. Interest expense incurred on the Series E Bonds is offset by the interest income earned on the $200.0 million that has been set aside in the segregated fund maintained by the Trustee and that will be used to retire the Authority's Series D Bonds maturing in May 2017.

Ground rent payable to the Government of Canada increased by 5.0% to $8.7 million in 2015 due to higher revenues in 2015. The Authority operates the airport under the terms of a ground lease with the Government of Canada that sets out the formula for calculating annual ground rent. The amount reflected as ground 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. Ground rent is calculated as a percentage of gross annual revenues as defined in the lease, with no rent payable on the Authority's first $5.0 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 $250.0 million as follows:

Gross revenues	**Rent Payable**	**Cumulative maximum Ground Rent**
On the first $5 million of revenues	0%	$0
On the next $5 million	1%	$50 thousand
On the next $15 million	5%	$800 thousand
On the next $75 million	8%	$6,800 thousand
On the next $150 million	10%	$21,800 thousand
On revenues over $250 million	12%	

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

2016	$9.3 million
2017	$9.7 million
2018	$10.2 million
2019	$10.7 million
2020	$11.3 million

The cost of materials, supplies and services increased $1.9 million from $29.2 million in 2014 to $31.1 million in 2015. The 6.4% increase over 2014 is primarily due to volume and contracted rate increases for terminal services, including building repairs, maintenance contract costs, utilities and other outsourced and professional services. In particular, incremental operating costs related to the new baggage handling system exceeded $1.0 million and included professional services for monitoring, system support and maintenance. Also, the first and fourth quarters of 2015 experienced a mixture of weather conditions that required a higher usage of airfield winter maintenance chemicals and materials than in 2014. Furthermore, continued increases in hydro rates as compared to 2014 unfavorably impacted expenses on a year over year basis.

The cost of salaries and benefits increased 2.9% from $20.9 million in 2014 to $21.5 million in 2015. Increases resulted from contracted rate increases and the year over year impact of the mid-2014 increase in headcount in the Airport Operations Coordination Centre as the Authority replaced outsourced services with employees on a more cost effective basis.

Payments in lieu of municipal taxes have increased by 0.8% and reflect the 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 $5.0 million paid for 2015 reflects this prescribed calculation. The number of passengers travelling through the Ottawa airport in 2015 increased from 2014 by 0.9%. Payments in lieu of taxes will increase in 2016 by 0.9% from the 2015 amount based on this legislation reflecting the increase in passenger volumes that occurred in 2015.

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	2014				**2015**			
($ in millions)	Mar	June	Sept	Dec	**Mar**	**June**	**Sept**	**Dec**
Revenue	$28.3	$27.4	$28.1	$28.5	**$30.1**	**$28.7**	**$29.0**	**$30.4**
Expense	21.1	19.4	19.3	23.3	**22.0**	**21.4**	**22.7**	**24.3**
Earnings before depreciation	7.2	8.0	8.8	5.2	**8.1**	**7.3**	**6.3**	**6.1**
Depreciation	5.5	5.5	5.4	6.1	**5.8**	**6.0**	**7.2**	**6.9**
Net earnings	$1.7	$2.5	$3.4	$(0.9)	**$2.3**	**$1.3**	**$(0.9)**	**$(0.8)**

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 2015, the Authority made gross cash payments of $37.5 million related to its capital expenditure programs, and recorded $6.4 million as receivable (of which $4.6 million was received) from the Canadian Air Transportation Security Authority (CATSA) for CATSA's share in the cost of the airport's new baggage handling system. Before subtracting this amount from CATSA, the Authority spent over $12.0 million in 2015 on a project to renovate and expand the airport's baggage handling system to comply with new regulations for baggage screening. The Authority commenced this project in 2012 and while many elements have been completed through 2015, completion is expected in the first half of 2016. The total cost of this project and associated work, net of costs to be covered by CATSA, is expected to be approximately $37.0 million. In addition, in 2015, the Authority replaced four boarding bridges at a cost of $6.0 million, $3.6 million for apron and taxiway work within the de-icing portion of the airfield and $1.7 million for the redesign of the oversized baggage system within the transborder area.

Contractual Obligations

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

	Payments for years ending December 31						
($ in thousands)	Total	2016	2017	2018	2019	2020	Thereafter
Long-term debt (Note 1)	$634,429	$ 3,272	$203,695	$4,152	$4,643	$8,753	$409,914
Operating commitments	10,744	8,382	1,208	575	336	184	59
Capital commitments	10,982	10,982	-	-	-	-	-
Total contractual obligations	$656,155	$22,636	$204,903	$4,727	$4,979	$8,937	$409,973

Note 1 – Further information on interest rates and maturity dates on long-term debt are provided in Note 8 to the 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 construction 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 $140.0 million ($132.0 million prior to May 2015) in committed Credit Facilities with two Canadian banks. In May 2015, some of the Credit Facilities were renegotiated in advance of the Series E Bond financing. Facilities were increased to better reflect current financial requirements of the Authority. The 364-day facilities that expired on October 17, 2015 have been extended for another 364-day term expiring on October 14, 2016. 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	Prior to May 2015	Current	Maturity	Purpose
	CDN$ (millions)	CDN$ (millions)		
Revolver 364-Day	$115.0	$40.0	Oct 14, 2016	General corporate and capital expenditures
USD Contingency ($10 million USD)	$14.0	$14.0	Oct 14, 2016	Interest rate Hedging
Letter of Credit	$3.0	$6.0	Oct 14, 2016	Security for the Debt Service Reserve Fund
Revolver 5-Year	Nil	$80.0	May 2020	General corporate and capital expenditures
Total	$132.0	$140.0		

The Authority's cash and cash equivalents increased by $91.4 million during 2015. On June 9, 2015, the Authority completed the $300.0 million Series E Bonds issue which bears interest at a rate of 3.933%. The net proceeds from this offering were used to pre-fund the repayment of the Series D Bonds by depositing $200.0 million into a segregated fund held by the Trustee, to refinance existing bank indebtedness incurred by the Authority and to use for future general corporate and capital expenditures. Prior to the closing of the offering, a bond forward transaction was entered into to protect from volatility in interest rates and it resulted in a $1.6 million gain being recorded. The Authority has elected not to apply hedge accounting with respect to this forward transaction, therefore the related gain has been recognized in the statement of operations and comprehensive income for the year.

In 2002, the Authority established a Capital Markets Platform under a Master Trust Indenture (MTI) setting out the terms of all debt, including bank facilities and revenue bonds. Under the MTI, 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. At December 31, 2015, the balance of cash and qualified investments held in the Debt Service Reserve Fund was $11.2 million. Furthermore, in order to satisfy the Debt Service Reserve Fund requirement for the Series E Bonds, $5.9 million of the Authority's Credit Facility has been designated to an irrevocable standby letter of credit in favor of the Trustee.

The MTI also requires that the Authority maintain an Operating and Maintenance Reserve Fund in an amount equal to 25% of defined operating and maintenance expenses for the previous year. This fund may be maintained in the form of cash and investments held by the Authority or the undrawn availability of a committed credit facility. As at December 31, 2015, $13.2 million of the Authority's credit facilities had been allocated exclusively to the Operating and Maintenance Reserve Fund.

At December 31, 2015, the Authority was in full compliance with the provisions of its debt facilities, including the MTI's provisions related to reserve funds, the flow of funds and the rate covenant.

During 2015, Standard & Poors and Moody's reaffirmed the Authority's credit ratings with stable outlooks in respect of the Authority's revenue bonds under the MTI at A+ and Aa3, respectively.

Other Balance Sheet Highlights

The Authority's accounts receivable increased by $0.7 million during the year as the result of a $1.8 million increase in amounts receivable from CATSA related to the baggage handling system and offset by reductions in AIF and HST receivable amounts. The AIF amount was lower than expected due to a payment by one major carrier in late December 2015.

The post-employment benefit liability decreased by $4.0 million in the year and reflects a reduction of $1.1 million in the amount payable related to the defined pension plan and $2.9 million related to the post-employment benefits plan. The movement in the defined pension plan is related to the pension plan's transition on an accounting basis as at December 31, 2015 from a deficit position to a surplus position. The plan's transition to a surplus position was mainly the result of employer contributions and actuarial gains on Plan assets. In particular, the Authority contributed $2.3 million in special solvency payments during the year and as required by pension legislation. Pursuant to the application of international accounting standards related to limiting the defined benefit asset, the balance sheet surplus position of $0.1 million was limited to the present value of the Authority's future economic benefit. The resulting adjustment of $2.1 million to adjust to the surplus position was recognized in other comprehensive income.

The change in the post-employment benefits plan is mainly related to actuarial gains and losses arising from changes in economic and demographic assumptions and plan experience. These actuarial gains and losses have been recognized in other comprehensive income.

Risks and Uncertainties

Levels of 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 unrest (September 11, 2001), government regulation, the price of airfares, additional taxes on airline tickets 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 93.0% (92.0% in 2014) of the passenger activity at the airport originates or terminates at the Ottawa Airport, as opposed to connecting through Ottawa. 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 travelers, 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. In previous years, there have been significant changes in the insurance markets for aviation, largely driven by the events of September 11, 2001. These events limited certain insurance products and resulted in higher pricing. The Government of Canada has extended an indemnification for third-party aviation war risk liability for all essential aviation service operators in Canada. The Government of Canada has indemnified the Authority for losses in excess of US $50,0 million, the limit of insurance coverage which is currently available to airport operators on the market. The Government of Canada originally provided this indemnification in response to a decision by international insurers to withdraw third-party aviation war risk liability coverage that was available before September 11, 2001. The Government of Canada has indicated that it will cease providing excess indemnity coverage by June 30, 2016 and the Authority is actively engaged with members of the insurance buying group and the insurance market in ensuring ongoing cost-effective coverage beyond June 30, 2016.

Financial Statements of

Ottawa Macdonald-Cartier International Airport Authority

December 31, 2015

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 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 PricewaterhouseCoopers 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)
Vice-President, Finance and
Chief Financial Officer

Independent Auditors' Report

To the Directors of
Ottawa Macdonald-Cartier International Airport Authority

We have audited the accompanying financial statements of the Ottawa Macdonald-Cartier International Airport Authority, which comprise the balance sheet as at December 31, 2015 and the statements of operations and comprehensive income, changes in equity, and cash flows for the year then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Ottawa Macdonald-Cartier International Airport Authority as at December 31, 2015 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants
Ottawa Ontario
February 24, 2016

Ottawa International Airport Authority

Balance Sheet

as at December 31

(in thousands of Canadian dollars)

ASSETS	Note	**December 31, 2015**	December 31, 2014
CURRENT ASSETS			
Cash and cash equivalents		**$ 42,719**	$ -
Trade and other receivables		**11,837**	11,117
Consumable supplies		**3,531**	2,420
Prepaid expenses and advances		**1,090**	1,225
		59,177	14,762
DEBT SERVICE RESERVE FUND	8(a)	**11,232**	11,035
SINKING FUND INVESTMENTS	3	**200,000**	-
PROPERTY, PLANT and EQUIPMENT	4	**435,821**	430,571
OTHER ASSETS	5	**5,463**	5,520
		$ 711,693	$ 461,888
LIABILITIES			
CURRENT LIABILITIES			
Bank indebtedness	6	**$ -**	$ 48,682
Accounts payable and accrued liabilities		**21,861**	18,959
Current portion of long-term debt	8	**3,272**	3,111
		25,133	70,752
POST EMPLOYMENT BENEFIT LIABILITY	10	**7,411**	11,429
LONG-TERM DEBT	8	**627,588**	332,117
		660,132	414,298
Commitments and Contingencies	15		
EQUITY			
Retained Earnings	9	**56,881**	55,004
Accumulated other comprehensive loss		**(5,320)**	(7,414)
		51,561	47,590
		$ 711,693	$ 461,888

ON BEHALF OF THE BOARD

, Director , Director

(See accompanying notes to the financial statements)

Statement of Operations and Comprehensive Income

years ended December 31

(in thousands of Canadian dollars)

	Note	2015	2014
REVENUES			
Airport improvement fees	9	**$ 45,434**	$ 43,629
Terminal fees and loading bridge charges		**25,248**	24,638
Landing fees		**12,448**	12,134
Concessions		**10,923**	9,982
Car parking		**13,746**	13,454
Land and space rentals	12	**6,237**	5,817
Gain on cash flow hedges	8	**1,588**	-
Other revenue		**2,628**	2,617
		118,252	112,271
EXPENSES			
Interest (net)	8(c)	**24,105**	19,708
Ground rent	12	**8,737**	8,317
Materials, supplies and services		**31,106**	29,231
Salaries and benefits	10	**21,500**	20,885
Payments in lieu of municipal taxes		**4,974**	4,933
		90,422	83,074
EARNINGS BEFORE DEPRECIATION		**27,830**	29,197
DEPRECIATION		**25,953**	22,525
NET EARNINGS		**1,877**	6,672
Other comprehensive income			
Items that will never be reclassified subsequently to Net Earnings			
Remeasurements of defined benefit plans	10	**2,094**	929
TOTAL COMPREHENSIVE INCOME		**$ 3,971**	$ 7,601

(See accompanying notes to the financial statements)

Statement of Changes in Equity

years ended December 31

(in thousands of Canadian dollars)

	Note	2015	2014
Retained earnings, beginning of year		$ 55,004	$ 48,332
Net earnings for the year		1,877	6,672
Retained earnings, end of year		56,881	55,004
Accumulated other comprehensive loss			
Remeasurements of defined benefit plans (that will never be recycled into net earnings) Balance, beginning of year		(7,414)	(8,343)
Other comprehensive income for the year	10	2,094	929
Balance, end of year		(5,320)	(7,414)
TOTAL EQUITY		$ 51,561	$ 47,590

(See accompanying notes to the financial statements)

Statement of Cash Flows

years ended December 31

(in thousands of Canadian dollars)

	Note	2015	2014
Cash provided by (used in) -			
Operating activities:			
Net earnings		**$ 1,877**	$ 6,672
Non-cash items:			
Depreciation		**25,953**	22,525
Amortization of deferred financing costs		**320**	260
Decrease in other assets		**57**	57
Decrease in post employment benefit liability		**(1,924)**	(1,544)
Interest expense (net)		**24,105**	19,708
Interest paid		**(25,207)**	(19,586)
Changes in non-cash working capital related to operations	13	**(457)**	(1,658)
Total operating activities		**24,724**	26,434
Financing activities:			
Issue of long term debt		**300,000**	-
Debt issue transaction costs		**(1,577)**	-
Increase in debt service reserve fund	8(a)	**(197)**	(172)
Repayment of long-term debt		**(3,111)**	(2,747)
Total financing activities		**295,115**	(2,919)
Investing activities:			
Purchase of property, plant and equipment	4	**(31,206)**	(54,752)
Increase in Sinking fund investments		**(200,000)**	-
Change in accounts payable and accrued liabilities related to investing activities		**2,768**	1,594
Total investing activities		**(228,438)**	(53,158)
Increase (decrease) in cash and cash equivalents		**91,401**	(29,643)
Bank indebtedness, beginning of period		**(48,682)**	(19,039)
Cash and cash equivalents (bank indebtedness), end of period		**$ 42,719**	$ (48,682)

(See accompanying notes to the financial statements)

Notes to the Financial Statements

for the year ended December 31, 2015

1. Description of Business

The Ottawa Macdonald-Cartier International Airport Authority (the "Authority" or "Ottawa International Airport 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, the premises of which are leased to the Authority by the Government of Canada (Transport Canada - see Note 12), and any other airport in the National Capital Region for which the Authority becomes responsible, in a safe, secure, efficient, cost effective and financially viable manner with reasonable airport user charges and equitable access to all carriers;

b) to undertake and promote the development of the airport lands, for which it is responsible, for uses compatible with air transportation activities; and

c) to expand transportation facilities and generate economic activity in ways which are compatible with air transportation activities.

The Authority is governed by a 14-member Board of Directors, ten of whom are nominated by the Minister of Transport for the Government of Canada, the Government of the Province of Ontario, the City of Ottawa, the City of Gatineau, the Ottawa Chamber of Commerce, Ottawa Tourism, 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 Ottawa Macdonald-Cartier International Airport.

The Authority is exempt from federal and provincial income tax, 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 Significant Accounting Policies

The financial statements were authorized for issue by the Board of Directors on February 24, 2016.

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 accounting policies set out below have been applied consistently to all periods presented in these financial statements.

The Authority prepares its financial statements in accordance with International Financial Reporting Standards (IFRS). These financial statements have been prepared on a historical cost basis, except, as required, for the revaluation of certain financial assets and financial liabilities to fair value.

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 which were included in the original ground lease with the Government of Canada. Incremental borrowing costs incurred during the construction of property, plant and equipment are included in the cost.

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, building components, and support facilities	3-40 years
Runways, roadways and other paved surfaces	10-50 years
Land improvements	10-25 years
Furniture and equipment	3-25 years
Computer equipment and systems	2-25 years
Vehicles	3-20 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 net basis in the statement of operations and comprehensive income in the period in which they are incurred.

Impairment of non-financial assets

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

Because the Authority's business model is to provide services to the traveling 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. Instead, all of the assets are considered part of the same cash-generating unit. In addition, the Authority's unregulated 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 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 amortized 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. Accordingly, it is considered contingent rent and 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

Landing fees, terminal fees, and parking revenues are recognized as the airport facilities are utilized. The Authority has a landing fee rebate incentive program which provides airlines with incentives, such as free landing fees, to operate flights to new destinations for a minimum duration of one year. These rebate obligations are recognized as a reduction of revenues until the expiry of the obligation.

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

Rental revenues are recognized over the lives of respective leases, licences, 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.

Airport improvement fees ("AIF"), net of airline administrative fees, are recognized upon the enplanement of passengers using information from air carriers obtained after enplanement has occurred, together with historical experience in percentages of connecting and exempt passengers. Under an agreement with the airlines, airport improvement fees are collected by the airlines in the price of a ticket and are paid to airport authorities on an estimated basis, net of airline collection fees, on the first of the month following the month of enplanement. Final settlement based on actual passenger volumes occurs at the end of the month following the month of enplanement.

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 benefit liability recognized on the balance sheet is the present value of the defined benefit obligation 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.

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. 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 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, bonuses, 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.

Onerous contracts

Present obligations arising under onerous contracts are recognized and measured as provisions. An onerous contract is considered to exist when the unavoidable costs of meeting the obligation under the contract exceed the economic benefits expected to be received under it.

The Authority currently has no contracts outstanding that have been designated as onerous contracts.

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 in the period of settlement or in the period of revision and future periods if the revision affects both current and future periods.

Key judgement areas, estimations and assumptions include the useful lives of property, plant and equipment, valuation adjustments including allowances for uncollectible accounts, the cost of employee future benefits, and provisions for contingencies.

Collectability of trade receivables – The Authority establishes a general allowance for uncollectible accounts that involves management review of individual receivable balances based on individual customer credit worthiness, current economic trends and the condition of the industry as a whole, and analysis of historical bad debts.

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.

The 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.

Financial instruments

The Authority's financial assets including cash and cash equivalents, accounts receivable, advances (included with prepaid expenses), and the Debt Service Reserve Fund and Sinking Fund are classified as loans and receivables. As such, they are recorded at amortized cost which approximates fair value.

The Authority's financial liabilities including bank indebtedness, accounts payable and accrued liabilities, and long-term debt are classified as other liabilities and are accounted for at amortized cost.

Comprehensive income

Comprehensive income is defined to include net income plus or minus other comprehensive income. Other comprehensive income includes actuarial gains and losses related to the Authority's pension plan and other post-employment benefits. Other comprehensive income is accumulated in a separate component of equity called accumulated other comprehensive income.

Future changes in accounting policies

IAS 17 seeks to improve the current accounting for leases by developing an approach that is more consistent with the conceptual framework definition of assets and liabilities. A lessee will be required to recognize an asset and a liability for the rights and obligations created by leases. The revised standard is applicable to fiscal periods beginning on or after January 1, 2019. The Authority is currently assessing the impact of IAS 17.

3. Sinking Fund Investments

(tabular amounts in thousands of dollars)

On June 9, 2015, the Authority completed the issuance of $300.0 million of Series E Amortizing Revenue Bonds (see Note 8). Of the net proceeds from this issuance, $200.0 million was placed in a segregated fund maintained by the Trustee and has been invested in accordance with the Board-approved Investment Policy. These investments will be used to retire the Authority's Series D Revenue Bonds maturing on May 2, 2017.

As at December 31, 2015 Sinking Fund investments consist of the following:

Interest bearing deposits in Schedule 1 bank investment accounts	**$ 52,500**
Guaranteed investment certificates with various Schedule 1 banks	**47,500**
Canada Housing Trust Mortgage Bonds due December 15, 2016	**100,000**
Total	**$ 200,000**

4. Property, Plant and Equipment

(tabular amounts in thousands of dollars)

	Buildings & support facilities	Runways, roadways & other paved surfaces	Information technology, furniture & equipment	Vehicles	Land improvements	Construction in progress	2015 Total
Gross value							
Balance, January 1, 2015	$ 436,217	$ 96,706	$ 37,404	$ 24,493	$ 9,734	$ 28,800	**$ 633,354**
Additions	7,766	3,740	3,475	5,251	22	10,952	**31,206**
Transfers	25,641	117	1,759	-	542	(28,059)	**-**
Disposals	(7,737)	-	(2,577)	(488)	-	-	**(10,802)**
At December 31, 2015	$ 461,887	$ 100,563	$ 40,061	$ 29,256	$ 10,298	$ 11,693	**$ 653,758**
Accumulated depreciation							
Balance, January 1, 2015	$ 136,307	$ 22,850	$ 27,708	$ 9,921	$ 5,997	$ -	**$ 202,783**
Depreciation	16,802	3,966	3,231	1,511	443	-	**25,953**
Disposals	(7,737)	-	(2,577)	(485)	-	-	**(10,799)**
At December 31, 2015	$ 145,372	$ 26,816	$ 28,362	$ 10,947	$ 6,440	$ -	**$ 217,937**
Net value at At December 31, 2015	$ 316,515	$ 73,747	$ 11,699	$ 18,309	$ 3,858	$ 11,693	**$ 435,821**

	Buildings & support facilities	Runways, roadways & other paved surfaces	Information technology, furniture & equipment	Vehicles	Land improvements	Construction in progress	2014 Total
Gross value							
Balance, January 1, 2014	$ 419,836	$ 73,759	$ 33,798	$ 22,976	$ 9,485	$ 19,950	$ 579,804
Additions	12,747	22,947	3,606	1,517	249	13,686	54,752
Transfers	4,836	-	-	-	-	(4,836)	-
Disposals	(1,202)	-	-	-	-	-	(1,202)
At December 31, 2014	$ 436,217	$ 96,706	$ 37,404	$ 24,493	$ 9,734	$ 28,800	$ 633,354
Accumulated depreciation							
Balance, January 1, 2014	$ 122,518	$ 19,627	$ 25,163	$ 8,578	$ 5,574	$ -	$ 181,460
Depreciation	14,991	3,223	2,545	1,343	423	-	22,525
Disposals	(1,202)	-	-	-	-	-	(1,202)
At December 31, 2014	$ 136,307	$ 22,850	$ 27,708	$ 9,921	$ 5,997	$ -	$ 202,783
Net value at At December 31, 2014	$ 299,910	$ 73,856	$ 9,696	$ 14,572	$ 3,737	$ 28,800	$ 430,571

5. *Other Assets*

(tabular amounts in thousands of dollars)

	December 31, 2015	December 31, 2014
Interest in future proceeds from 4160 Riverside Drive, at cost	**$ 2,930**	$ 2,930
Tenant improvements and leasehold inducements, net of amortization	**2,533**	2,590
	$ 5,463	$ 5,520

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) in acquiring lands municipally known as 4160 Riverside Drive by contributing to the City of Ottawa 50.0% 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 in the amount 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 ($132.0 million prior to May 2015) in committed Credit Facilities with two Canadian banks. In May 2015, some of the Credit Facilities were renegotiated in advance of the Series E bond financing. Facilities were increased to better reflect current financial requirements of the Authority. The 364-day facilities that expired on October 17, 2015 have been extended for another 364-day term expiring on October 14, 2016. These facilities are secured under the Master Trust Indenture (see Note 8) and are available by way of overdraft, Prime Rate Loans, or Bankers' Acceptances. Indebtedness under these 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 these Credit Facilities, along with their related expiry dates and intended purposes:

Type of Facility	Prior to May 2015	Current	Maturity	Purpose
	CDN$ (millions)	CDN$ (millions)		
Revolver 364-day	$115.0	$40.0	October 14, 2016	General corporate and capital expenditures
USD Contingency ($10 million USD)	$14.0	$14.0	October 14, 2016	Interest rate hedging
Letter of Credit	$3.0	$6.0	October 14, 2016	Security for the Debt Service Reserve Fund
Revolver 5-year	Nil	$80.0	May 2020	General corporate and capital expenditures
Total	$132.0	$140.0		

As at December 31, 2015, $13.2 million of these revolving facilities had been designated to the Operating and Maintenance Reserve Fund (see Note 8).

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

As at December 31, 2014, the bank indebtedness under these facilities incurred interest at an average rate of 1.77%.

7. *Capital Management*

The Authority is incorporated 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 earnings 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 revenues from airport improvement fees 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 and events, and 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 its Master Trust Indenture (see Note 8(a)) and to maintain its credit ratings in order to secure access to financing at a reasonable cost.

8. *Long-Term Debt*

(tabular amounts in thousands of dollars)

	December 31, 2015	December 31, 2014
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	**$ 134,429**	$ 137,308
4.733% Revenue Bonds, Series D, due May 2, 2017, interest payable on May 2 and November 2 of each year until maturity commencing November 2, 2007	**200,000**	200,000
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 semi-annual instalments of principal and interest of fixed $9,480,000 payable on each interest payment date commencing on December 9, 2020 through to June 9, 2045	**300,000**	-
Deferred rent repayable to the Government of Canada, without interest in equal monthly instalments of $19,000 over a ten year period commencing in 2006	**-**	232
Gross – Long-Term Debt	**634,429**	337,540
Less: deferred financing costs	**3,569**	2,312
	630,860	335,228
Less: current portion	**3,272**	3,111
Long-Term Debt	**$ 627,588**	$ 332,117

(a) Bond Issues

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. The $200.0 million Revenue Bonds, Series D at 4.733% are due on May 2, 2017 and Sinking Funds have been set aside as at December 31, 2015 to extinguish the outstanding amount (see Series E below).

On June 9, 2015 the Authority completed a $300.0 million Amortizing Revenue Bond issue which bears interest at a rate of 3.933% due on June 9, 2045. Part of the net proceeds from this offering were used to pre-fund the repayment of the Series D Bonds by depositing $200.0 million into a segregated fund held by the Trustee (see Note 3). Prior to the closing of the offering, a bond forward transaction was entered into to protect from volatility in interest rates and it resulted in a $1.6 million gain being recorded. The Authority has elected not to apply hedge accounting with respect to this forward transaction, therefore the related gain has been recognized in the statement of operations and comprehensive income for the year.

The Bonds are redeemable, in whole or in part, at the option of the Authority at any time, or in the case of the Series E Bonds, 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 which 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, 0.14% for the Series D 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 100.0% 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 bank indebtedness incurred by the Authority in connection with these construction programs and funding of the Debt Service Reserve Fund.

Under the Master Trust Indenture entered into by the Authority in connection with the original debt offering in May 2002, all of these bond issues are direct obligations of the Authority ranking pari passu with all other indebtedness issued. All indebtedness, including indebtedness under bank credit facilities, are 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 is unregulated in its 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.

Pursuant to 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. At December 31, 2015, the balance of cash and qualified investments held in the Debt Service Reserve Fund was $11.2 million. Furthermore, in order to satisfy the Debt Service Reserve Fund requirement for the Series E Bonds, $5.9 million of the Authority's 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 25.0% of defined operating and maintenance expenses in the previous year (approximately $13.2 million in 2015 based on 2014 expenses). The Operating and Maintenance Reserve Fund has been satisfied by the undrawn availability under the committed credit facility (see Note 6).

At December 31, 2015 the Authority was 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) On July 16, 2003, the Minister of Transport announced short-term rent relief for airports. Under this program, the Authority was able to defer approximately 10.0% of its rent for the two-year period that started July 1, 2003 (a total of $2.3 million). The deferral is to be repaid, interest-free, over a period of 10 years that started on January 1, 2006 and ended on December 31, 2015. Because this is a deferral and not a permanent reduction of rent, the full amounts of rent were recorded as a liability in the accounts.

(c) Interest expense (net)

	2015	2014
Bond interest	$ 25,589	$ 19,157
Interest expense – Other	636	672
	26,225	19,829
Less:		
Interest earned on Debt Service Reserve Fund and Sinking Fund Investments	2,120	121
Total interest expense (net)	$ 24,105	$ 19,708

(d) The future annual principal payments for all long-term debt are as follows:

Within one year	
2016	$ 3,272
One to five years	
2017	203,695
2018	4,152
2019	4,643
2020	8,753
After five years	409,914

(e) Deferred financing costs

	December 31, 2015	December 31, 2014
Deferred financing costs	$ 5,975	$ 4,398
Less: Accumulated amortization	(2,406)	(2,086)
	$ 3,569	$ 2,312

9. *Airport Improvement Fees (AIF)*

(tabular amounts in thousands of dollars)

Airport improvement fees are collected by air carriers under an agreement between the Authority, the Air Transport Association of Canada, and the air carriers serving the airport. Under the agreement, AIF revenues may only be used to pay for the capital and related financing costs of major airport infrastructure development. AIF revenues are recorded net of collection fees of 6.0% withheld by air carriers of $2.9 million (2014 - $2.8 million).

	2015	Cumulative to date
Major infrastructure construction program expenditures:		
Passenger terminal building, parking garage, airside and landside infrastructure and other expenditures	$ 22,792	$ 597,658
Interest capitalized	-	18,096
Interest expensed plus internal interest on funds provided by operations	27,783	274,937
	50,575	890,691
AIF cash receipts:		
AIF revenue – net of collection fees	45,434	456,693
Interest on segregated surplus funds	3,708	14,041
	49,142	470,734
Decrease (increase) in accounts receivable	484	(3,539)
AIF revenue – net cash received	49,626	467,196
Excess of expenditures over AIF receipts	$ 949	$ 423,495

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

Retained earnings of the Authority as at December 31 are as follows:

	2015	2014
Retained earnings provided by airport improvement fees:		
Accumulated airport improvement fees and interest on surplus funds	$ 470,734	$ 421,592
Less:		
Accumulated depreciation of infrastructure program assets	198,990	178,829
Interest and other expenses	282,247	253,919
Total provided by airport improvement fees	(10,503)	(11,156)
Retained earnings provided by other operations	67,384	66,160
Retained earnings, end of year	$ 56,881	$ 55,004

10. *Pension Plan and Other Post-Employment Benefits*

(tabular amounts in thousands of dollars)

The post-employment benefit liability included in the balance sheet as a long-term liability is as follows:

	December 31, 2015	December 31, 2014
Defined benefit pension plan (surplus) deficit	**$ (148)**	$ 970
Other post-employment benefits payable	**7,559**	10,459
	$ 7,411	$ 11,429

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 Ottawa Macdonald-Cartier International Airport from Transport Canada on January 31, 1997 (see 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 8.0% 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 lump sum 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, 2014 that was completed and was filed in June 2015 as required by law, the plan had a deficit on a funding (going concern) basis of $1,761,000 assuming a discount rate of 4.25% ($4,258,800 as at December 31, 2013 assuming a discount rate of 5.00%). 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 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. At December 31, 2014, the plan had a deficit on a solvency basis of $11,591,500 ($11,520,800 as at December 31, 2013) before considering the present value of additional solvency payments required under the Act. In 2015, the Authority made additional solvency payments of $2,318,300 ($2,520,000 in 2014) to amortize this deficiency.

The next required actuarial valuation of the defined benefit pension plan, which will be as at December 31, 2015, is scheduled to be completed and filed by its June 2016 due date. The plan's funded position and the amounts of solvency payments required under *The Pension Benefits Standards Act, 1985* 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 2016 will be approximately $2,318,000 (2015 - $2,318,300). In addition, the Authority expects to contribute approximately $673,000 (2015 - $642,000) on account of current service in 2016 to the defined benefit component of the pension plan for the year ending December 31, 2016.

Based on the most recent actuarial determination of pension plan benefits completed as at December 31, 2014 and extrapolated to December 31, 2015 by the Authority's actuaries, the estimated status of the defined benefit pension plan is as follows:

	2015	2014
Accrued Benefit Obligation, defined benefit pension		
Balance, beginning of year	$ 53,110	$ 49,636
Employee contributions	149	185
Benefits paid	(1,654)	(2,375)
Current service cost	719	807
Interest cost on accrued benefit obligation	2,123	2,325
Actuarial loss – change in demographic assumptions	309	443
Actuarial loss (gain) – change in financial assumptions	(311)	2,089
Balance – Benefit Obligation, end of year	54,445	53,110
Plan Assets, defined benefit pension		
Fair value, beginning of year	52,140	44,776
Employee contributions	149	185
Employer contributions	673	777
Employer contributions, special solvency payments	2,318	2,520
Benefits paid	(1,654)	(2,375)
Interest on plan assets (net of administrative expenses)	1,988	2,051
Actuarial gain on plan assets	1,080	4,206
Fair value – Plan Assets, end of year	56,694	52,140
Effect of limiting the net defined benefit asset to the asset ceiling	(2,101)	-
Funded Status – plan deficit (surplus)	$ (148)	$ 970

	2015	2014
Current service cost	$ 719	$ 807
Interest cost on accrued benefit obligation	2,123	2,325
Interest on plan assets	(1,988)	(2,051)
Defined benefit pension plan expense recognized in salaries and benefits expense in net earnings	$ 854	$ 1,081

In addition to pension benefits, the Authority provides other post-employment benefits to its employees. The status of other post-employment benefit plans as at December 31 is as follows:

	2015	2014
Accrued benefit obligation, other post-employment benefits:		
Balance beginning of year	$ 10,459	$ 9,042
Benefits paid (employer contributions)	(199)	(239)
Current service cost	598	467
Past service credit	(473)	-
Interest cost	287	444
Actuarial loss (gain) – change in demographic assumptions	400	(68)
Actuarial loss (gain) – change in financial assumptions	(2,453)	813
Actuarial gain – plan experience	(1,060)	-
Accrued benefit liability, end of year	$ 7,559	$ 10,459

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

	2015	2014
Current service cost	$ 593	$ 467
Past service credit	(473)	-
Interest cost	287	444
Expense recognized in salaries and benefits expense in net earnings	$ 412	$ 911

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

	2015	2014
Defined benefit pension plans		
Actuarial loss – change in demographic assumptions	$ 309	$ 443
Actuarial loss (gain) – change in financial assumptions	(311)	2,089
Actuarial gain on plan assets	(1,080)	(4,206)
Effect of limiting the net defined benefit asset to the asset ceiling	2,101	-
Other post-employment benefit plans		
Actuarial loss (gain) – change in demographic assumptions	400	(68)
Actuarial loss (gain) – change in financial assumptions	(2,453)	813
Actuarial gain – plan experience	(1,060)	-
Total gain recognized in other comprehensive income	$ (2,094)	$ (929)

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:

	2015	2014
Discount rate to determine expense	**4.00%**	4.75%
Discount rate to determine year end obligations	**4.00%**	4.00%
Interest rate on plan assets	**4.00%**	4.75%
Rate of average compensation increases	**3.25%**	3.25%
Rate of inflation indexation post retirement (CPI)	**2.00%**	2.00%
Rate of increases in health care costs	**3.00% to 7.00%**	3.00% to 7.00%

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. Relative to the actuarial assumptions used in the valuation of the pension plan obligations, a 1.0% increase in the discount rate will decrease the obligation by $7.4 million. A 1.0% decrease in the discount rate will increase the obligation by $9.4 million. Based on calculations by the Authority's actuaries included in the actuarial valuation as at December 31, 2014, the impact of a 1.0% decrease in discount rate will increase the solvency liability by $12.6 million.

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 assumptions noted above, it is estimated that a 1.0% increase in the rate of inflation, will increase the defined benefit obligation by $8.4 million. A decrease of 1.0% will decrease the obligation by $6.8 million. It is estimated that a 1.0% increase in the compensation assumption will increase the defined benefit obligation by $0.6 million. It is estimated that a one year increase in life expectancy will increase the defined benefit obligation by $1.3 million and increase the obligation for other post-employment benefits by $0.2 million. A 1.0% decrease in the discount rate would increase the estimated obligation for post-employment benefits by approximately $1.1 million and a 1.0% increase in the discount rate would decrease the obligation by $0.8 million. A 1.0% increase in health care costs would increase the obligation for post-employment benefits by an estimated $1.1 million.

The Authority's pension and 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. This is particularly significant because inflation increases result in higher sensitivity to changes in life expectancy. The obligations for these plans as at December 31, 2015 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 early 2012 to adopt a "glide-path" de-risking strategy to better match fluctuations in the accrued benefit obligation due to changes in interest rates. Under this strategy, the proportion of liability matching assets (fixed income funds) will be increased and the proportion of growth assets (equity and other funds) will be decreased over time as the average age of active members increases and as the plan's solvency ratio improves. The plan's solvency ratio is monitored monthly by the plan's actuaries. The defined benefit plan is a closed plan. As at the date of the most recent actuarial valuation at December 31, 2014, the average age of the 27 active members was 53 years of age. The average age of the 54 retired members was 66 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. In accordance with the investment policy for the pension plan's defined benefit funds, as at December 31 the plan's non-current, non-cash assets are invested in funds maintained by Manulife (formerly Standard Life Assurance Company of Canada) and managed by various investment managers as follows:

	2015	2014
Fixed income fund	**54.0%**	49.0%
Equity funds – Canadian funds	**5.0%**	11.0%
Equity funds – US fund	**5.0%**	4.0%
Equity funds – International and Global funds	**18.0%**	16.0%
Emerging market fund	**5.0%**	5.0%
Real estate fund	**8.0%**	10.0%
Alternative investment fund that includes derivatives	**5.0%**	5.0%

The Authority's contribution to the defined contribution component of the pension plan is a maximum of 8.0% of the employee's gross earnings to match employee contributions. Information on this component is as follows:

	2015	2014
Employer contributions, defined contribution plan	**$860**	$727
Employee contributions, defined contribution plan	**$964**	$868
Net expense recognized in salaries and benefits expense	**$860**	$727

11. Financial Instruments

(tabular amounts in thousands of dollars)

Fair values

None of the Authority's financial assets or liabilities are reflected in the financial statements at fair values (see Note 2).

The Authority's long-term debt, including Revenue bonds outstanding, is reflected in the financial statements at amortized cost. As at December 31, 2015, the estimated fair value of the long-term Series B, Series D and Series E Revenue Bonds was $179.2 million, $210.8 million and $297.5 million, respectively (2014 - $178.7 million and $215.5 million for Series B and Series D Revenue Bonds, 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.

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:

	2015		2014	
	Carrying value	**Effective year-end interest rate**	Carrying value	Effective year-end interest rate
Debt Service Reserve Fund (at floating rates)	**$11,232**	**0.67%**	$11,035	1.19%
Sinking Fund investments (at floating rates)	**$200,000**	**1.61%**	-	-
Cash and cash equivalents (Bank indebtedness) (at floating rates)	**$42,719**	**0.60%**	$(48,682)	1.97%
Long-term debt (at fixed rates)	**$630,860**	**See Note 8**	$355,228	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 bank indebtedness, 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 its 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 (0.5%) 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 $0.5 million as a result of the Authority's exposure to interest rates on its floating rate assets and liabilities. Management believes, however, that this exposure is not representative of the exposure during the year, 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. In view of its excellent credit ratings, the Authority has ready access to sufficient long-term funds as well as committed lines of credit through credit facilities with two Canadian banks. The Authority is unregulated in its 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, see 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 $20.0 million per year. The future annual principal payment requirements of the Authority's obligations under its long-term debt are described in note 8(e).

Credit and concentration risks

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, 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 airport improvement fees owing from air carriers. The majority of the Authority's accounts receivable are paid within 35 days of the date that they are due. A significant portion of the Authority's revenues, and resulting receivable balances, are 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.

The Authority derives approximately 50.0% (47.0% in 2014) 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 airline is mitigated by the fact that approximately 93.0% (92.0% in 2014) of the passenger traffic through the airport is origin and destination traffic, and therefore other carriers are likely to absorb the traffic of any carrier that ceases operations. In addition, the Authority's unfettered ability to increase its rates and charges mitigates the impact of these risks.

12. Operating Leases

The Authority as lessee: On January 31, 1997, the Authority signed a 60-year ground lease with the Government of Canada (Transport Canada) for the management, operation and development of Ottawa International Airport. The ground 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 ground lease.

On February 25, 2013, the Minister of Transport for the Government of Canada signed an amendment to the ground lease to extend the lease 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 Ottawa Macdonald-Cartier International Airport 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 ground rent payments for the next five years are approximately as follows:

2016	$9.3 million
2017	$9.7 million
2018	$10.2 million
2019	$10.7 million
2020	$11.3 million

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:

2016	$6.2 million
2017	$6.3 million
2018	$6.7 million
2019	$6.8 million
2020	$6.9 million

13. Changes in Non-Cash Working Capital Related To Operations

(in thousands of dollars)

	2015	2014
Trade and other receivables	**$ (720)**	$ (3,471)
Prepaids and advances and consumable supplies	**(976)**	(767)
Accounts payable and accrued liabilities	**1,236**	2,580
Other	**3**	-
	$ (457)	$ (1,658)

14. Related Party Transactions

(tabular amounts in thousands of dollars)

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

	2015	2014
Salaries and short-term benefits	$ 2,075	$ 1,922
Post-employment benefits	156	159
	$ 2,231	$ 2,081

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 at the balance sheet date.

15. Commitments and Contingencies

Ground Lease Commitments

The operating lease for the Airport requires the Authority to calculate rent payable to Transport Canada utilizing a formula reflecting annual airport revenues (see Note 12).

Operating Commitments

The Authority has operating commitments in the ordinary course of business requiring payments of $8.4 million in 2015 and diminishing in each year over the next 5 years as contracts expire. At December 31, 2015, the total of these operating commitments amounted to $10.7 million. These commitments are in addition to contracts for the purchase of property, plant, and equipment of approximately $11.0 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.

16. Post-Reporting Date Events

No adjusting or significant non-adjusting events have occurred between the reporting date and February 24, 2016 when the financial statements were authorized for issue.