FINANCIAL REPORT

2018

YYC CALGARY AIRPORT AUTHORITY

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Independent auditor's report

To the Board of Directors of The Calgary Airport Authority

Our opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of The Calgary Airport Authority (the Authority) as at December 31, 2018 and 2017, and the results of its operations and its cash flows for the years then ended in accordance with Canadian Accounting Standards for Private Enterprises (ASPE).

What we have audited
The Authority's financial statements comprise:

- the balance sheets as at December 31, 2018 and 2017;
- the statements of operations and net assets for the years then ended;
- the statements of cash flows for the years then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

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

Independence
We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

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

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Authority to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

PricewaterhouseCoopers LLP

Chartered Professional Accountants

Calgary, Alberta
March 20, 2019

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The management of The Calgary Airport Authority (the "Authority") is responsible for the preparation and fair presentation, in accordance with Canadian accounting standards for private enterprises, of the financial statements. The financial statements and notes include all disclosures necessary for a fair presentation of the financial position, results of operations and cash flows of the Authority in accordance with Canadian accounting standards for private enterprises, and disclosure otherwise required by the laws and regulations to which the Authority is subject.

The Authority's management maintains appropriate accounting and internal control systems, policies and procedures which provide management with reasonable assurance that assets are safeguarded and that financial records are reliable and form a proper basis for the preparation of the financial statements. These financial statements also include amounts that are based on estimates and judgements, which reflect currently available information.

The financial statements have been audited by PricewaterhouseCoopers LLP, an independent firm of chartered professional accountants, who were appointed by the Board of Directors.

The Audit and Finance Committee of the Board of Directors is composed of six directors who are not employees of the Authority. The Committee meets periodically with management and the independent external auditors to review any significant accounting, internal control and auditing matters. The Audit and Finance Committee also reviews and recommends the annual financial statements of the Authority together with the independent auditor's report to the Board of Directors which approves the financial statements.

ROBERT (BOB) SARTOR

President & Chief Executive Officer

ROBERT J. PALMER

Vice President, Finance & Chief Financial Officer

March 20, 2019
Calgary, Alberta

BALANCE SHEET

At December 31, thousands of Canadian dollars

	NOTE		2018		2017
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents		$	34,581	$	19,438
Accounts receivable			28,748		38,639
Inventories	3		5,613		6,225
Prepaid expenses			3,730		3,374
			72,672		67,676
LONG-TERM RECEIVABLES			819		841
CAPITAL AND INTANGIBLE ASSETS	4		3,135,459		3,296,535
PENSION ASSET	12		23,614		28,168
		$	**3,232,564**	**$**	**3,393,220**
LIABILITIES AND NET ASSETS					
CURRENT LIABILITIES					
Accounts payable and accrued liabilities	5	$	43,978	$	57,607
Interest payable on long-term debt			19,233		19,233
Deferred revenue			1,371		1,229
Current portion of other long-term liabilities	6		1,792		1,759
			66,374		79,828
OTHER LONG-TERM LIABILITIES	6		2,554		2,637
PENSION LIABILITY	12		15,093		17,570
LONG-TERM DEBT	7		2,915,901		2,915,901
			2,999,922		3,015,936
NET ASSETS			232,642		377,284
		$	**3,232,564**	**$**	**3,393,220**

See accompanying notes to financial statements.

Approved on behalf of the Board:

Michael Casey
Chair

Terry L. Allen
Director

STATEMENT OF OPERATIONS & NET ASSET

For the years ended December 31, thousands of Canadian dollars

	NOTE	2018	2017
REVENUE			
Airport improvement fees	9	$ 163,880	$ 156,138
Non-aeronautical revenues			
Concessions		67,159	61,879
Car parking		43,694	44,115
Land rental		20,357	19,468
Terminal space rental		6,973	6,563
Interest income		523	98
Other revenue		206	274
		138,912	132,397
Aeronautical revenues			
General terminal fees		48,443	53,381
Aircraft landing fees		47,208	44,148
Other aeronautical fees		22,441	21,077
		118,092	118,606
		420,884	407,141
EXPENSES			
Depreciation and amortization	4	249,363	242,311
Goods and services		114,420	116,740
Interest	16	99,851	97,595
Canada Lease	11	42,466	40,820
Salaries and benefits		33,170	33,721
Property taxes		16,902	14,958
Airport improvement fee handling fees	9	6,509	6,204
		562,681	552,349
LOSS FROM OPERATIONS		(141,797)	(145,208)
OTHER INCOME (LOSS)			
Post-employment pension benefits	12	(2,845)	2,698
NET LOSS		(144,642)	(142,510)
NET ASSETS, BEGINNING OF YEAR		377,284	519,794
NET ASSETS, END OF YEAR		**$ 232,642**	**$ 377,284**

See accompanying notes to financial statements.

STATEMENT OF CASH FLOWS

For the years ended December 31, thousands of Canadian dollars

	NOTE	2018	2017
OPERATING			
Net loss		$ (144,642)	$ (142,510)
Employer future benefit contributions	12	(2,099)	(2,752)
Add (deduct) non-cash items:			
Depreciation and Amortization	4	249,363	242,311
Loss (gain) on disposals of inventory and capital assets		25	(114)
Accrued retiring allowance	6	-	(153)
Post-employment pension benefits	12	4,176	(1,161)
		106,823	95,621
Change in non-cash working capital:			
Accounts receivable		9,913	(3,933)
Inventories		612	(595)
Prepaid expenses		(356)	718
Accounts payable and accrued liabilities		(1,982)	(20,456)
Interest payable on long-term debt		-	(1,997)
Other long-term liabilities		(52)	955
Deferred revenue		142	(276)
Cash provided by operating activities		115,100	70,037
FINANCING			
Increase in long-term debt, net	7	-	100,000
INVESTING			
Investment in capital and intangible assets		(88,417)	(130,799)
Proceeds from disposals		105	194
Change in accounts payable and accrued liabilities related to capital and intangible assets		(11,645)	(56,938)
Cash used in investing activities		(99,957)	(187,543)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**15,143**	**(17,506)**
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR		**19,438**	**36,944**
CASH AND CASH EQUIVALENTS, END OF YEAR		**$ 34,581**	**$ 19,438**
Cash and cash equivalents investments consist of:			
Cash in bank		$ 4,138	$ 2,098
Short-term investments		30,443	17,340
		$ 34,581	$ 19,438

NOTES TO THE FINANCIAL STATEMENTS

As at and for the years ended December 31, 2018 and 2017
(thousands of Canadian dollars, except percentages)

1 DESCRIPTION OF BUSINESS

The Calgary Airport Authority (the "Authority") was incorporated in July 1990 under the Regional Airports Authorities Act (Alberta) (the "Act") as a non-share capital corporation. The mandate of the Authority, as defined in the Act, is to manage and operate the airports for which it is responsible in a safe, secure and efficient manner and to advance economic and community development by means that include promoting and encouraging improved airline and transportation service and an expanded aviation industry; for the general benefit of the public in its region.

The Authority has been operating YYC Calgary International Airport since July 1992 pursuant to the Agreement to Transfer which provided for the transfer of operational control of YYC Calgary International Airport from the Government of Canada to the Authority under a long term lease agreement (the "Canada Lease"). The Canada Lease has an initial term of 60 years with a 20-year option that was exercised in 2011. In October 1997, the Authority entered into a lease with the Government of Canada for the operation of Springbank Airport for a term concurrent with the Canada Lease term.

Pursuant to the Act, the Authority reinvests all profit in the capital renovation and expansion requirements of the airports for which it is responsible. The Authority is authorized to borrow to invest in airport infrastructure and for operations, current borrowings are detailed in Note 7 and 8. Capital includes investment in both leasehold and freehold assets of the Authority, as detailed in Note 4. Renovation requirements are determined through life-cycle management processes and physical asset inspections, while expansion requirements are determined in reference to airport capacity and demand. Capital requirements are generally determined on an annual basis in conjunction with the Authority's Business Plan, although larger projects may involve financial commitments that extend beyond one year. The Authority conducts an annual re-evaluation of projected economic conditions and facility demand factors.

At December 31, 2018, the Authority was in compliance with all externally imposed requirements regarding the management of capital. Failure to comply with these requirements could potentially result in the Authority being deemed non-compliant with the terms of the Canada Lease, the Airport Improvement Fee Agreement (Note 9), the Credit Facility (Note 8), and the Credit Agreement (Note 7).

2 SIGNIFICANT ACCOUNTING POLICES

BASIS OF PRESENTATION AND MEASUREMENT

These financial statements have been prepared in accordance with Canadian Accounting Standards for Private Enterprises ("ASPE") which sets out generally accepted accounting principles ("GAAP").

CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash and short term investments that are highly liquid in nature and have maturity dates of up to three months.

ACCOUNTS RECEIVABLE

Accounts receivable are reported net of any allowance for bad debts that are estimated to occur. The allowance for 2018 was $292 (2017 - $275). Bad debt recovery of $469 (2017 - $700 expense) has been included in Goods and services in the Statements of Operations and Net Assets.

INVENTORIES

Inventories of consumable supplies are stated at the lower of cost (cost being determined using the weighted average cost of material purchased) and net realizable value.

NOTES TO THE FINANCIAL STATEMENTS

As at and for the years ended December 31, 2018 and 2017
thousands of Canadian dollars (except percentages)

CAPITAL AND INTANGIBLE ASSETS

Capital and intangible assets are recorded at cost and depreciated over their estimated useful lives at the following annual rates:

Vehicles	18-30%	declining balance
Machinery & equipment	5-30 years	straight-line
Computer equipment	3 years	straight-line
Furniture & fixtures	3-10 years	straight-line
Intangibles – computer software	3 years	straight-line
Buildings & structures	5-55 years	straight-line

The various components of the air terminal building, other buildings and structures and roadways and airfield surfaces are depreciated based on the estimated economic useful life of the component asset, limited to the term of the Canada Lease. These structural assets will revert to the Government of Canada upon the expiration of the Canada Lease.

The Authority has purchased Land for operational purposes and future development. The Canada Lease requires that at commencement of development the Land be transferred to the Government of Canada at which time the Authority reclassifies the Land to Leased land and commences depreciation on a straight-line basis over the remaining full fiscal years of the Canada Lease.

Construction work in progress is capitalized to Construction in progress at cost. Costs are transferred to the appropriate capital asset account, and depreciation commences when the project is completed and the assets become operational

CAPITALIZED INTEREST

Interest costs associated with the long-term debt utilized for the construction of capital assets are capitalized until the assets are placed in service. Once in service, the assets are depreciated based on the life of the associated assets.

NOTES TO THE FINANCIAL STATEMENTS

As at and for the years ended December 31, 2018 and 2017
thousands of Canadian dollars (except percentages)

EMPLOYEE FUTURE BENEFITS

The Authority has a retirement pension plan for all permanent employees and term employees. New permanent employees are members of the plan upon hire. Term employees become members of the pension plan after completion of 24 months of continuous service. The retirement pension plan has both defined benefit and defined contribution components. The defined benefit plan was closed to new employees effective August 1, 2013. The Authority does not provide any non-pension post-retirement benefits. Actuarial valuations for post-employment pension benefit plans are calculated annually by accredited actuaries using the projected benefits method. The related post-employment pension benefit asset/liability recognized in the balance sheet is the present value of the post-employment pension benefit obligation at the balance sheet date less the fair value of plan assets, if any. The present value of the post-employment benefit obligations is determined by discounting the estimated future cash outflows using interest rates of high quality corporate bonds that have terms to maturity approximating the terms of the related pension liability for the non-registered plan and going concern discount rate for the registered plan that have terms to maturity approximating the terms of the related pension liability. Actuarial gains and losses are recognized in full in the period in which they occur, in net income. Current service costs are included in salaries and benefits on the Statements of Operations and Net Assets. Past service costs are recognized immediately to the extent the benefits are vested. For funded plans, surpluses are recognized only to the extent that the surplus is considered recoverable. Recoverability is primarily based on the extent to which the Authority can unilaterally reduce future contributions to the plan. The change in the long-term pension benefit obligation in the year is recognized in the Statements of Operations and Net Assets.

DEFERRED REVENUE

Deferred revenue consists primarily of land leasing, space rental and aeronautical fee revenue received in advance of land or facilities being utilized.

REVENUE RECOGNITION

Aircraft landing, general terminal, other aeronautical fees and car parking revenues are recognized as the airport facilities are utilized. Concession revenues are earned on a monthly basis and are recognized based on a percentage of sales. Rental income from land and terminal space is recognized at the commencement of each month when rent is due. Other income is recognized when earned or received. The AIF revenue is recognized when originating departing passengers board their aircraft as reported by the airlines.

LEASES

The Canada Lease and Springbank Lease are accounted for as operating leases.

FINANCIAL INSTRUMENTS

Cash and cash equivalents, accounts receivable, accounts payable, security deposits, accrued liabilities, interest payable and demand operating loans are initially measured at fair value and subsequently carried at amortized cost. Long-term debt is initially measured at fair value and subsequently carried at amortized cost.

FAIR VALUE

The fair value of the Authority's financial instruments, other than its long-term debt, approximates its carrying value due to their short-term nature.

FOREIGN CURRENCY TRANSLATION

The financial statements are presented in Canadian dollars, which is the Authority's functional currency. Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in currencies other than the Authority's functional currency are recognized in the statement of operations and net assets.

USE OF ESTIMATES

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, expenses and other income (loss) during the reporting period. Accounting estimates and underlying assumptions are reviewed on an ongoing basis. Significant areas requiring the use of management estimates relate to the determination of accrued revenue, accrued liabilities, allowance for doubtful accounts, useful lives for depreciation of capital assets, and assumptions with respect to employee future benefit plans. Actual results could differ from these estimates.

CHANGES IN ACCOUNTING POLICY

The Authority continues to evaluate the impact of new and revised standards and interpretations. The Authority's existing accounting standards are up-to-date and did not adapt any new standards during the year. New standards and interpretations that have been issued are concluded to be not applicable or not expected to have a significant impact on the financial statements.

3 INVENTORIES

At December 31, 2018, all inventories are carried at weighted average cost. During the year, $5,274 (2017 - $4,156) was recognized as an operational expense in Goods and services of which $464 (2017 - $12) for obsolescence was written off.

NOTES TO THE FINANCIAL STATEMENTS

As at and for the years ended December 31, 2018 and 2017
thousands of Canadian dollars (except percentages)

4 CAPITAL AND INTANGIBLE ASSETS

	CAPITAL								INTANGIBLE	2017
	Land	Leased Land	Air Terminal Buildings & Structures	Computer Equipment	Vehicles	Machinery & Equipment	Furniture & Fixtures	Construction in Progress	Computer Software	Total
Cost:										
Beginning Balance	$ 3,303	$ 24,513	$ 4,083,935	$ 61,521	$ 41,642	$ 75,003	$ 24,316	$ 97,699	$ 65,631	$ 4,477,563
Additions	-	-	106,050	1,097	619	527	346	25,182	2,919	136,740
Disposals and write-offs	-	-	(5,928)	(134)	(568)	(519)	(216)	-	(240)	(7,605)
Ending Balance	3,303	24,513	4,184,057	62,484	41,693	75,011	24,446	122,881	68,310	4,606,698
Depreciation & Amortization										
Beginning Balance	-	3,212	958,975	31,718	23,068	18,407	8,115	-	25,940	1,069,435
Depreciation & Amort.	-	403	200,909	13,054	3,908	7,271	1,183	-	15,583	242,311
Disposals and write-offs	-	-	(76)	(119)	(545)	(515)	(185)	-	(143)	(1,583)
Ending Balance	-	3,615	1,159,808	44,653	26,431	25,163	9,113	-	41,380	1,310,163
Net Carrying Value	$3,303	$20,898	$3,024,249	$17,831	$15,262	$49,848	$15,333	$122,881	$26,930	**$3,296,535**

	CAPITAL								INTANGIBLE	2018
	Land	Leased Land	Air Terminal Buildings & Structures	Computer Equipment	Vehicles	Machinery & Equipment	Furniture & Fixtures	Construction in Progress	Computer Software	Total
Cost:										
Beginning Balance	$ 3,303	$ 24,513	$ 4,184,057	$ 62,484	$ 41,693	$ 75,011	$ 24,446	$ 122,881	$ 68,310	$ 4,606,698
Additions	2,506	-	22,927	1,796	50	3,117	775	54,231	3,225	88,627
Disposals and write-offs	-	-	(105)	(789)	-	(374)	(68)	-	(88)	(1,424)
Ending Balance	5,809	24,513	4,206,879	63,491	41,743	77,754	25,153	177,112	71,447	4,693,901
Depreciation & Amortization										
Beginning Balance	-	3,615	1,159,808	44,653	26,430	25,163	9,113	-	41,380	1,310,162
Depreciation & Amort.	-	419	211,206	11,090	3,146	7,054	1,194	-	15,254	249,363
Disposals and write-offs	-	-	-	(772)	-	(252)	(59)	-	-	(1,083)
Ending Balance	-	4,034	1,371,014	54,971	29,576	31,965	10,248	-	56,634	1,558,442
Net Carrying Value	$5,809	$20,479	$2,835,865	$8,520	$12,167	$45,789	$14,905	$177,112	$14,813	**$3,135,459**

The Authority has purchased Land for operational purposes and future development. The Canada Lease requires that Land be transferred to the Government of Canada at commencement of development at which time the Authority reclassifies the Land to Leased land and begins depreciation.

Construction in progress balance consists of costs capitalized for ongoing projects including the new baggage system and facility improvement projects at both airside and groundside.

Interest capitalized in Construction in progress in respect to borrowings for infrastructure expansion under the long-term debt facility was $2,473 (2017 - $3,655).

thousands of Canadian dollars (except percentages)

5 ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Goods and services taxes payable to the Government of Canada as at December 31, 2018 were $371 (2017 - $489) and are included in accounts payable and accrued liabilities.

6 OTHER LONG-TERM LIABILITIES

Included in other long-term liabilities are cash security deposits which are received from commercial and new airline operators to provide the Authority with security on the associated potential accounts receivable. There is also an amount outstanding for retiring allowance deferred by employees until retirement. The Authority does not have any further obligation to accrue a retiring allowance for employees. Other long-term liabilities also include an amount for long-term incentive plan for certain employees.

		2018		2017
Current				
Security deposits	$	1,717	$	1,684
Retiring allowance		75		75
		1,792		1,759
Non-current				
Security deposits	$	1,790	$	1,891
Long-term incentive plan		764		746
		2,554		2,637
	$	4,346	$	4,396

7 LONG-TERM DEBT

The Authority's Credit Agreement with Alberta Capital Finance Authority ("ACFA") was amended in December 2014 and has a maximum credit commitment of $2.99 billion, with fixed interest rates, to finance the construction and acquisition of Airport infrastructure. Borrowings under the Credit Agreement are secured by Assignment of Leases and Rents and a Letter of Credit to secure 50% of the annual interest payable to ACFA (Note 8).

NOTES TO THE FINANCIAL STATEMENTS

As at and for the years ended December 31, 2018 and 2017
thousands of Canadian dollars (except percentages)

Debentures issued and outstanding under the Credit Agreement are:

			2018	2017
Series	**Interest Rate**	**Due Date**	**Debenture Amount $**	**Debenture Amount $**
2005-13	4.9590%	April 6, 2020	25,000	25,000
2016-43	1.4450%	June 15, 2021	50,000	50,000
2002-09	6.0625%	December 15, 2022	70,000	70,000
2004-10	5.1245%	December 1, 2023	20,000	20,000
2010-15	4.6790%	February 16, 2025	25,000	25,000
2010-16	4.6640%	March 15, 2025	30,000	30,000
2015-40	2.2678%	June 15, 2025	100,000	100,000
2016-42	2.3760%	March 15, 2026	50,000	50,000
2016-44	2.2250%	September 15, 2026	50,000	50,000
2007-14	4.7950%	February 14, 2027	50,000	50,000
2012-30	3.1340%	December 17, 2027	109,000	109,000
2013-31	3.2580%	March 15, 2028	89,000	89,000
2013-32	3.4090%	June 17, 2028	98,000	98,000
2014-36	3.5130%	June 17, 2029	200,000	200,000
2014-37	3.2930%	September 15, 2029	100,000	100,000
2014-38	3.1550%	December 15, 2029	150,000	150,000
2015-39	2.7900%	March 15, 2030	125,000	125,000
2015-41	2.9800%	September 14, 2030	150,000	150,000
2011-19	4.5440%	March 15, 2031	13,000	13,000
2011-20	4.2760%	June 15, 2031	25,000	25,000
2011-21	3.7575%	August 11, 2031	100,000	100,000
2011-22	3.8080%	September 19, 2031	100,000	100,000
2011-23	3.5590%	December 15, 2031	75,000	75,000
2012-24	3.4750%	February 15, 2032	50,000	50,000
2012-25	3.4670%	March 15, 2032	137,000	137,000
2012-26	3.4140%	April 2, 2032	25,000	25,000
2012-27	3.4200%	June 29, 2032	200,000	200,000
2012-28	3.4005%	September 17, 2032	86,000	86,000
2012-29	3.2460%	October 4, 2032	75,000	75,000
2013-33	4.2580%	September 15, 2033	113,000	113,000
2013-34	4.0590%	November 30, 2033	107,901	107,901
2014-35	3.8550%	March 17, 2034	83,000	83,000
2016-45	3.4899%	December 15, 2036	60,000	60,000
2017-46	3.6430%	February 15, 2042	100,000	100,000
2017-47	3.5180%	April 3, 2042	50,000	50,000
2017-48	3.1530%	December 15, 2047	25,000	25,000
			$ 2,915,901	**$ 2,915,901**

thousands of Canadian dollars (except percentages)

The future long-term debt principal retirement dates are:

2020	**$**	25,000
2021		50,000
2022		70,000
2023		20,000
2025		155,000
2026		100,000
2027		159,000
Thereafter		2,336,901
	$	2,915,901

The ACFA debentures issued and outstanding prior to December 31, 2003, (series 2002) require annual interest payments on the anniversary date of issue, while all debentures issued subsequent to December 31, 2003, require semi-annual interest payments. Throughout the period when any debentures are outstanding, the Authority is required to maintain an interest coverage ratio, as defined, of not less than 1.25:1 and net cash flow greater than zero, as determined as of the end of any fiscal quarter on a rolling four fiscal quarter basis. The coverage ratio at December 31, 2018 was 1.96:1 (2017 - 1.77:1).

8 CREDIT FACILITY

The Authority has a Letter of Credit Facility ("L/C Facility") with the Toronto-Dominion Bank to a maximum of $55,000 for issuance of Letters of Credit in respect to requirements under the Credit Agreement to secure 50% of the annual interest payable to ACFA. The L/C Facility is secured such that it ranks pari passu with the Credit Agreement. At December 31, 2018, Letter of Credit issued was $36,382 (2017 - $36,382), this amount was increased to $45,007 subsequent to the year-end on January 31, 2019.

The Authority has an available $45,000 (2017 - $35,000) operating line of credit (the "Operating Facility") with the option to increase to $200,000, subject to the satisfaction of certain conditions. The Operating Facility bearing interest at the bank's prime lending rate plus applicable pricing margin, it is secured and repayment terms are committed. The cash amount drawn on the line of credit was $NIL (2017 - $NIL). A portion of this Operating Facility was used to issue letters of credits totaling $13,008 (2017 - $11,731) for specific operational expenses and capital projects.

9 AIRPORT IMPROVEMENT FEES ("AIF")

Revenue from the AIF is collected from passengers by air carriers pursuant to an agreement among various airports in Canada, The Air Transport Association of Canada and air carriers serving Canadian airports that are signatories to the agreement (the "AIF Agreement"). Pursuant to the AIF Agreement, AIF is collected by the signatory air carriers from passengers on behalf of the Authority and remitted to the Authority net of a handling fee of 4% (2017 – 4%). AIF revenue net of the handling fee is used to fund the costs of new airport infrastructure and costs of major improvements to existing facilities at Calgary International and Springbank Airports, as well as related financing costs, and debt repayment. The Authority records the AIF revenue and the handling fee on a gross basis in the statement of operations and net assets. The AIF in 2018 was $30.00 (2017 - $30.00) for each originating passenger departing YYC Calgary International Airport.

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10 INCOME TAXES

Pursuant to the Airport Transfer (Miscellaneous Matters) Act, income that may reasonably be regarded as being derived from airport business is exempt from federal and provincial income taxes. All reported income in 2018 and 2017 is considered to be derived from airport business and therefore, exempt from income tax.

11 OPERATING LEASES

The Authority pays an annual lease rental payment based on a sliding scale percentage, to a maximum of 12%, of gross revenue to Transport Canada pursuant to the Canada Lease. The effective rate for 2018 was 10% (2017 – 10%).

The projected lease payments under the Canada Lease for the next five years are estimated as follows:

2019	$ 44,398
2020	46,173
2021	47,330
2022	48,684
2023	53,517

The Authority is committed to payments under operating leases for vehicles and equipment for the next three years amounting to:

2019	$ 454
2020	350
2021	102

12 EMPLOYEE FUTURE BENEFITS

The Authority sponsors a registered pension plan (the "Plan") for its employees that has both defined benefit and defined contribution components. The defined benefit plan was closed to new employees effective August 1, 2013. For certain individuals whose benefits are limited under the Plan, that portion that is in excess of the maximum benefits permitted under the Plan by the Canada Revenue Agency is payable out of the Authority's revenue and charged to a notional pension expense. Pensions payable from the defined benefit components are generally based on a member's average annual earnings near retirement and indexed annually to 100% of the Canadian Consumer Price Index. The Authority accrues its obligations and related costs under the Plan, net of Plan assets.

The Authority has adopted various policies in respect to the Plan.

a) The cost of pensions under the defined benefit component earned by employees is actuarially determined using a funding valuation for the Registered Plan and an accounting valuation for the Non-Registered Plans which uses the projected benefit method and assumptions for the discount rate, salary escalation and retirement ages of employees.

b) The pension cost for the defined contribution component is equal to the contributions made by the Authority to the Plan during the year.

c) Plan assets are valued at fair value.

d) At December 31, 2018, the assets for the defined benefit component were invested in various pooled funds managed by Fidelity Institutional Asset Management and certain TD Asset Management index funds.

thousands of Canadian dollars (except percentages)

e) The Authority defined benefit obligation is actuarially determined. Gains and losses arise because of changes in assumptions and from experience differing from what has been assumed. These gains and losses are recognized immediately in the Statements of Operations and Net Assets.

f) Differences in the actual return on plan assets and the return using the discount rate are recognized immediately in the Statements of Operations and Net Assets.

g) The last actuarial valuation for funding purposes of the Plan was prepared as at January 1, 2018. The next scheduled actuarial valuation of the Plan for funding purposes will be performed as at January 1, 2019.

h) The Authority uses a December 31 measurement date.

The Authority's net pension cost for 2018 amounted to $4,111 (2017 – negative $1,242) for the defined benefit component and $922 (2017 – $728) for the defined contribution component, and the pension expense in respect of the notional account is $65 (2017 – $81). Remeasurement costs for 2018 amounted to $3,840 (2017 – negative $2,115). In 2018, $2,253 (2017 – $2,265) of the cost has been recognized in salaries and benefits.

The following table provides information concerning the components of the pension cost:

		2018		2017
Service cost	$	1,266	$	1,456
Finance cost		(995)		(583)
Difference between expected and actual return on assets		7,184		(4,314)
Actuarial (gain) / loss		(3,344)		2,199
Defined benefit cost		4,111		(1,242)
Notional account benefit cost		65		81
Defined contribution benefit cost		922		728
Total Net Benefit Cost	$	5,098	$	(433)

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Based on an actuarial valuation dated January 1, 2018, and extrapolated to December 31, 2018, the status of the Authority's Plan is as outlined below.

	2018			2017		
	Registered Plan	Non-Registered Plan	Total	Registered Plan	Non-Registered Plan	Total
Defined benefit asset (liability), Beginning	$ 28,168	$ (17,570)	$ 10,598	$ 23,067	(16,382)	6,685
Net benefit cost						
Defined benefit	(5,841)	1,730	(4,111)	3,159	(1,917)	1,242
Notional accounts	-	(65)	(65)	-	(81)	(81)
Company defined benefit contributions	1,287	812	2,099	1,942	810	2,752
Defined benefit asset (liability), Ending	$ 23,614	$ (15,093)	$ 8,521	$ 28,168	$ (17,570)	$ 10,598

	2018	2017
Market value of plan assets	$ 106,796	$ 111,414
Pension benefit obligations	(98,275)	(100,816)
Pension asset	$ 8,521	$ 10,598

Accrued pension benefit obligations as of December 31, 2018 includes $15,093 (2017 – $17,570), which will be funded from the Authority's general revenues rather than Plan assets. This pension obligation is pursuant to the Letter of Undertaking signed June 1992, which guaranteed that benefits earned after the Plan's effective date will not be less than the pension and indexing provisions under the Public Service Superannuation Act and the Supplementary Retirement Benefits Act (Minimum Guarantee) in respect of eligible Plan members at that date.

For certain individuals, this pension obligation also includes benefits in excess of the maximum benefits permitted under the Plan by the Canada Revenue Agency.

The Authority's policy is to invest fund assets primarily in a balanced or diversified manner in accordance with the Pension Benefits Standards Act, with set maximums and minimums in Fixed income securities, Canadian equities, Foreign equities and Short-term investments. The asset allocation of the defined benefit balanced fund at December 31 was:

	2018	2017
Fixed income securities	50%	50%
Canadian equities	15%	15%
Foreign equities	35%	35%

thousands of Canadian dollars (except percentages)

The significant actuarial assumptions adopted in measuring the Authority's pension benefit obligation are:

	2018		2017	
	Registered Plan	Non-Registered Plan	Registered Plan	Non-Registered Plan
Discount rate				
a) Year-end pension benefit obligation	5.20%	3.90%	5.20%	3.40%
b) Net benefit cost	5.20%	3.40%	5.20%	3.75%
Rate of salary increases	2.75%	2.75%	2.75%	2.75%
Pre/Post retirement indexing	2.00%	2.00%	2.00%	2.00%

Other information about the Authority's Plan:

	2018	2017
Employer contributions (defined benefit and notional accounts)	$ 2,080	$ 2,185
Employer special contribution (defined benefit)	-	549
Employer contributions (money purchase provision)	922	728
Employee contributions (money purchase provision)	1,224	1,071
Benefits paid	5,912	3,888

The employer special contribution of $1,988 (2017 - $2,077) was the required annual payment in 2018 to fund the solvency deficiency as determined by the January 1, 2018 actuarial valuation, of which $1,988 (2017 - $1,528) was funded through a letter of credit.

13 FINANCIAL INSTRUMENTS

RISK MANAGEMENT

The Authority's Board is responsible for the oversight of the principal risks of the business in which the Authority is engaged, achieving a proper balance between risks incurred and the legislated purpose of the Authority and confirming that there are systems in place that effectively monitor and manage those risks with a view to the long-term viability of the Authority. The Board has established the Audit and Finance Committee, which reviews significant financial risks associated with future performance, growth and lost opportunities identified by management that could materially affect the Authority's ability to achieve its strategic and operational targets. The Board is also responsible for ensuring that Management has effective policies and procedures to identify, assess and manage and mitigate such risks.

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CREDIT RISK

Credit Risk is the risk that one party to a financial instrument will cause a financial loss to another party by not realizing its obligation. The Authority is subject to credit risk through its accounts receivable, which consist primarily of aeronautical fees and Airport Improvement Fees owing from air carriers and concession fees owing from concession operators. The majority of concession fees owing are settled on a monthly basis, 15 days after the end of each month. The majority of aeronautical fees owing are billed every 7 days and settled 15 days thereafter. The majority of Airport Improvement Fees owing are settled on a monthly basis on the first day of each subsequent month. Accounts receivable credit risk is reduced by the Authority's requirement for letters of credit, customer credit evaluations and maintaining 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. At December 31, 2018, the aging analysis of accounts receivable identified no significant impairments.

LIQUIDITY RISK

Liquidity Risk is the risk that the Authority will encounter difficulties in meeting obligations of financial liabilities. The Authority maintains a strong liquidity position and sufficient financial resources to meet its financial obligations as they become due. 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. The Authority achieves mitigation of liquidity risk through funds generated by operations and ready access to sufficient long-term funds as well as committed lines of credit through a credit facility. The Authority has a policy to invest its cash balances in short-term pooled money market funds whose underlying investment policy restricts these investments to federal and provincial government securities and in securities of larger, high investment-grade rated Canadian institutions.

MARKET RISK

Market risk is the risk that changes in market price, such as foreign currency exchange and interest rates, will affect the Authority's income or the value of the financial instruments held. The Authority has no market risk other than the Foreign Currency Risk and Interest Rate Risk noted below.

FOREIGN CURRENCY RISK

Foreign Currency Risk is the risk that fluctuations in foreign exchange rate impact the financial obligations of the Authority. The Authority's functional currency is the Canadian dollar, major purchases and revenue receipts are transacted in Canadian dollars, and long term debts are in Canadian dollars. Management believes that foreign exchange risk from currency conversions is negligible.

INTEREST RATE RISK

Interest rate risk arises because of fluctuations in interest rates. The Authority is exposed to interest rate risk on its cash in interest-bearing accounts and short-term investments. The cash in accounts are highly liquid, and therefore the principal balances were protected regardless of changes in interest rate. The short-term investments carried a fixed rate during their term and therefore changes in the interest rate would not have a significant impact on the fair value due to the short-term nature of the investments.

The Authority has exposure to interest rate risk relates to its operating line of credit (Note 8) which are maintained to provide liquidity while achieving a satisfactory return. All of the Authority's long-term debt (Note 7) has a fixed interest rate and therefore changes in interest rates do not have an impact on interest payments but may have impact on the fair value of the debt.

INDUSTRY RISK

Industry risk are related to the event(s) that could occur within or to the air transportation industry that could negatively affect passenger demand at YYC Calgary International Airport and therefore the Authority's revenues. These risks, among others, include: population growth; unemployment rates; economic conditions; regulatory actions and legislative changes; air carrier stability; the ability and willingness of airlines to provide air service; the increase in the cost of air fares; labour disputes; the availability and cost of aviation fuel; insurance costs; environmental regulation; the operation of the air traffic control system; the use of telecommunications and alternate ground transportation options; health epidemics and related travel advisories, war; and terrorist attacks, the perceived threat of terrorist attacks and additional security measures put in place to guard against such attacks.

thousands of Canadian dollars (except percentages)

14 DIRECTORS' AND OFFICERS' REMUNERATION AND EXPENSES

In compliance with the Authority's governance practices and as required by the Regional Airports Authorities Act (Alberta) and the Canada Lease, the Authority outlines individually the Directors' and Officers' remuneration and in the aggregate their respective remuneration and expenses.

a) Authority Directors' Remuneration and Expenses

	ANNUAL RETAINER
Non-executive Authority Chair	$ 80
Committee Chairs	33
Directors (excluding Authority Chair)	180

Meeting fees: Board and Board Committee meeting fees are $1.25 per meeting.

Total remuneration and expenses during 2018 for each Director:

	COMPENSATION	EXPENSES	TOTAL
Casey, Michael F (Chair)	$ 116	$ -	$ 116
Allen, Terry L.	41	1	42
Benke, Larry	31	1	32
Blom, David	33	-	33
Cormack, Don	38	-	38
Delkus, Kristine L.	26	-	26
Fraser, Wendelin A.	39	-	39
Heffernan, Matthew	45	-	45
Hotchkiss, Richard J.	38	-	38
Kennedy, Heather	38	-	38
King, Ken M.	28	-	28
MacEachern, Grant B.	41	-	41
Midwinter, James	34	1	35
Robertson, Andrea	36	-	36
Safran, Laura M.	32	-	32
Sigler, Murray	38	1	39
	$ 654	$ 4	$ 658

Total remuneration for the Board of Directors during 2018 was $658 (2017 – $681). Expenses incurred by Authority Directors during 2018 totaled $4 (2017– $4).

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b) Authority Officers' Remuneration and Expenses

OFFICER POSITION	SALARY		OTHER CASH BENEFITS		TOTAL	
President & CEO	$	421	$	192	$	613
VP Finance & CFO		272		82		354
VP Infrastructure & CIO		250		69		319
VP Operations		270		74		344
VP Human Resources		247		68		315
VP Marketing & Guest Experience		240		-		240
	$	1,700	$	485	$	2,185

Total remuneration to Officers during 2018 was $2,449 (2017 – $2,158) which includes remuneration paid to former VP Planning & Engineering departed on July 31, 2018, and remuneration paid to new VP Operations commenced employment on December 3, 2018. Expenses incurred by Authority Officers during 2018 totaled $587 (2017 – $378).

15 RELATED PARTY TRANSACTIONS

During the year, the following related party transactions occurred with individuals who are Board members of the Authority. These transactions were recorded at the exchange amount.

Mr. Richard Hotchkiss, Director of the Authority, is the President and CEO of Sunwest Aviation Ltd. ("Sunwest"). Sunwest leases land from the Authority to provide hangar space and aviation charter services. Sunwest made payments to the Authority in respect to the land lease and aeronautical fees in 2018 of $1,222 (2017- $1,218), which are included in revenue under Land rental, Aircraft landing fees and Other Aeronautical. Included in accounts receivable is an amount due from Sunwest of $16 (2017 - $7).

Mr. David Blom, Director of the Authority, is the Vice President, Finance of Carey Management Inc. ("Carey"). Carey leases from the Authority for a building at YYC Calgary International Airport. In 2018 Carey paid $1,499 (2017 - $1,499) in lease payments. Included in accounts receivable is an amount due from Carey of $NIL (2017 – $NIL).

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16 SUPPLEMENTARY INFORMATION

	2018	2017
a) Cash Interest Paid and received		
Interest paid	$ 101,950	$ 103,071
Interest income received	523	98
b) Interest Expense		
Interest on long-term debt	$ 99,477	$ 97,419
Other interest expense	374	176
	$ 99,851	$ 97,595

17 COMMITMENTS AND CONTINGENCIES

The Authority is subject to legal proceedings and claims that arise in the ordinary course of business. While the final outcome with respect to these legal proceedings and claims cannot be predicted with certainty, Management does not expect the outcome of any proceeding to have a material adverse effect on the financial position or results of operations of the Authority.

a) In June 2011, the Authority entered into a Tunnel Sublease and License (the "Tunnel Agreement") with the City of Calgary (the "City"). The Tunnel Agreement, which expires June 29, 2072, requires the City to extend Airport Trail east, across airport lands and, among other things, to construct, operate and maintain an associated tunnel under Runway 17L-35R. Under the terms of the Tunnel Agreement the Authority will provide all required airport lands at no cost to the City. The Tunnel Agreement also provides for a cost-sharing arrangement regarding future interchanges along Airport Trail at 19th Street and Barlow Trail. The first phase of these interchanges, which will enhance access to and egress from airport facilities. The second phase of the interchanges, or components thereof, will be constructed when traffic volume service levels at the first phase of interchanges reach a proscribed level and, at that time, the Authority has agreed to contribute 50% towards the acquisition cost of the necessary third party land and the associated construction project. Discussions with the City are currently underway for the design and time frame for the subsequent construction of interchanges. Upon completion of these discussions, The Authority will have an obligation to contribute $20,000 toward the associated costs of the first phase of the interchanges.

b) On December 18, 2018, a class proceeding was filed against the Authority as *Herjinder Singh Seran as Representative Plaintiff v. The Calgary Airport Authority*. The Statement of Claim was served on the Authority on January 23, 2019. The Statement of Claim alleges that airport improvement fees were improperly collected from domestic travelers. They also claim the amounts collected were paid or improperly used in a manner that was negligent and in breach of legal obligations. The relief sought includes, among other things, judgment in an amount equivalent to the fees paid by the plaintiffs which were used for purposes other than improvement of YYC Calgary International Airport, estimated to be not less than $100 million. The Authority considers the probability of success of the claim by the plaintiffs to be remote at this early stage of the proceedings, no provisions have been recorded.

18 COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the presentation adopted in the current year.

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