Ottawa

BUSINESS

ECONOMIC IMPACT

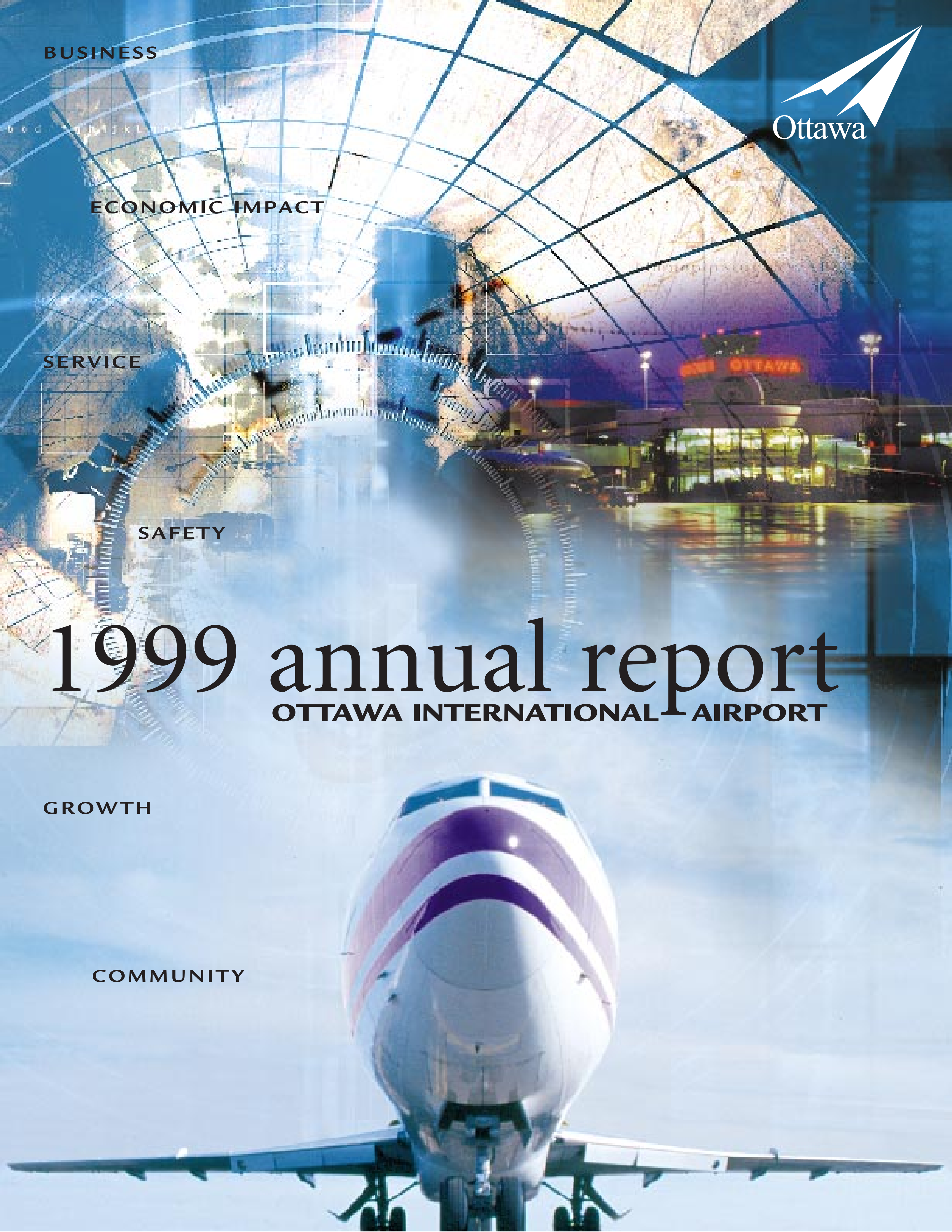
SERVICE

SAFETY

1999 annual report
OTTAWA INTERNATIONAL AIRPORT

GROWTH

COMMUNITY



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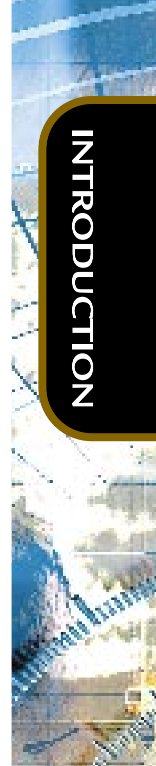
Ottawa Macdonald-Cartier International Airport Authority

1999 Annual Report



Since assuming control and operations of the Ottawa Macdonald-Cartier International Airport in February 1997, the local Authority operates without any government funding.

Our mission

To contribute to the economic growth of the community by providing passengers high quality modern airport facilities that meet appropriate travelling needs, by operating these facilities in a safe and secure manner, and managing them on a financially viable basis.

Our guiding principles

- willing partner to local economic development
- interested and responsive to community needs
- business focused
- custodian of a public trust

Coping with Growth

Regis Trudel

Ottawa International Airport and the Region it serves both experienced impressive growth in 1999. The Region's buoyant economy leapt forward, and, as a result, so did the demands on its Airport. Every indication points to this trend continuing, even accelerating. The Conference Board of Canada projects that for 2000 the Ottawa region will have the second highest Gross Domestic Product growth rate in the country, and the highest employment growth.

Much of this robust economic performance is attributable to strong, sustained growth and investment in the high-tech and advanced technologies sector, where local employment grew by 14% in the last six months of 1999. Operating in a highly competitive global economy, companies in this sector rely on the Airport to provide convenient and reliable access to the global marketplace. Ottawa International answered the call in 1999, offering a record number of travellers more flights to more destinations for the second consecutive year.

In all aspects, 1999 was a breakthrough year, financially and operationally, with more passengers, more flights, more destinations and more services for the people and businesses we serve. Last year proved a challenge, as the airport is operating at over-capacity—about 600,000 passengers a year above and beyond the facility's original design.

During peak hours, this means demand for parking that we cannot accommodate. It means unacceptable crowding in certain areas of the terminal building. It means flight delays due to aircraft congestion in the zone immediately adjacent to the terminal. These pressures will only intensify as passenger volumes at Ottawa International continue to grow thanks to a booming local economy and the ever increasing preference for air travel.

Over the short term, our objective is to find innovative ways to maintain first-rate service while meeting the challenge of operating beyond the "passenger processing" capacity that our existing facilities were designed to handle. Our capital investments—improving parking, modernizing washrooms and installing new, high traffic flooring—are helping to stretch terminal capacity beyond its physical limits. However, these are interim measures. The need for expansion is increasingly evident to our partners, our passengers and the businesses that we serve.

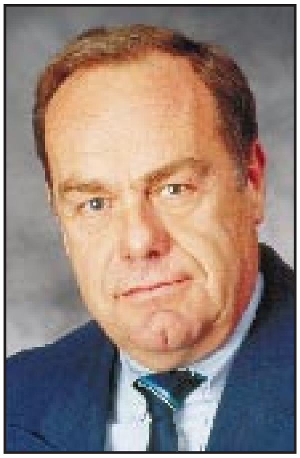
The impact of the merger of Canadian Airlines and Air Canada will provide our facility with some respite, albeit brief. The merger will likely mean a slight drop in

2000 in the number of domestic flights into and out of Ottawa. However, passenger volumes will continue to increase. Domestic flights will be fuller and the strain on the terminal will continue. In addition, new entrants such as WestJet, which has already announced plans to fly into Ottawa, will add new pressures on our facility over the next six to 18 months.

Over the medium to longer-term, the only solution is expansion. Financing expansion will be a huge challenge, particularly since the airport's contributions to various levels of government are expected to double by 2004. Throughout 1999, we continued our efforts to maximize and diversify the revenues we generate from our operations.

Our expansion plans took a major step forward in 1999 with the completion of the Project Definition Document —the key to our "no surprises" approach for an investment that could become the most important construction project in this Region in 20 years.

If approved in 2000, the airport expansion will propel Ottawa-Hull into the ranks of other major Canadian cities also at various stages in airport expansion programs. Vancouver's airport expansion was recently completed and Toronto's Pearson Airport is undergoing a $4 billion overhaul. Plans to revamp Montreal's Dorval Airport were recently announced and terminal expansion projects are also underway in Calgary and Edmonton.



Paul Benoit

Expanding our airport is not, however, about catching up with other Canadian cities. It is about providing our region with a tool to compete within the global marketplace: A modern, efficient and reliable "gateway to the world".

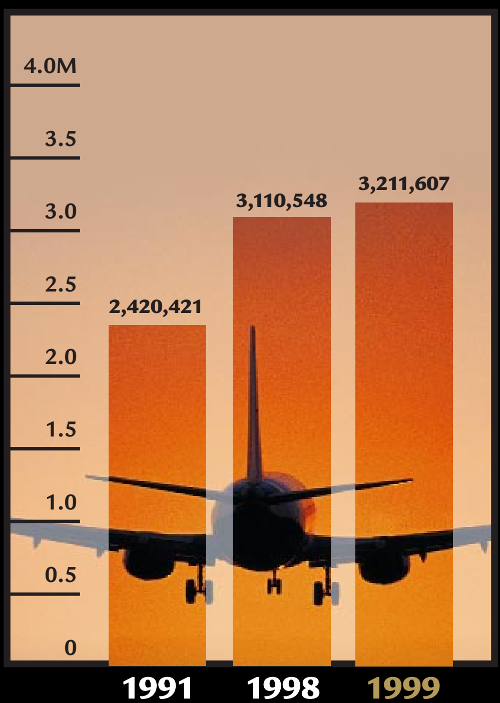
Expanding our airport is about helping to secure the future of our community.

Regis Trudel
Chair
Board of Directors

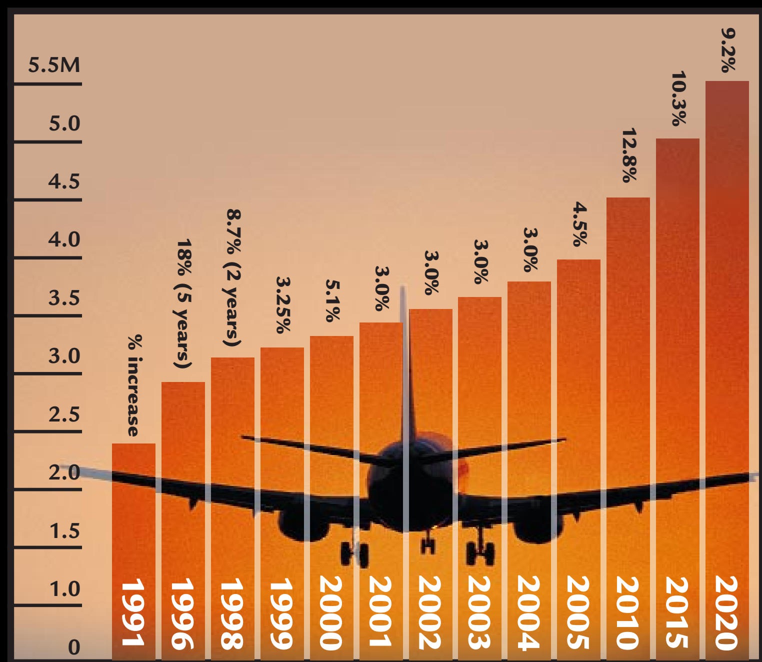
Paul Benoit
President and CEO

OUR EXPANSION PLANS TOOK A MAJOR STEP FORWARD...

Passenger Traffic



Passenger Forecast



Growth on all Fronts

Passenger traffic, airline movements, number of destinations, services offered

The Ottawa Macdonald-Cartier International Airport Authority operates without any government funding. In 1999, the Airport Authority played an important role in facilitating the Region's ongoing economic success, providing individuals and local businesses with a vital gateway to the global marketplace.

Consider Ottawa International Airport as more than a piece of physical infrastructure. Consider the airport as a process whose principal purpose is to get people from ground transportation (public transit, personal automobiles, taxis or limousines) onto an aircraft and into the air as comfortably and efficiently as possible.

This process was tested as never before in 1999. More passengers and more planes flew into and out of Ottawa to more destinations. More people parked and rented more cars, used more luggage carts, bought more newspapers and drank more coffee in our Terminal than ever before.

Then, consider Ottawa as more than strictly a government town. As a result of strong, sustained growth and investment, employment in the high-tech and advanced technologies sector soared by 14% in the last half of 1999 alone. In 2000, the number of residents employed in that sector will surpass those employed by the federal government. Local economic growth is accelerating at a rate not witnessed in many years.

Not surprisingly, record numbers of passengers passed through the Airport in 1999 on their way to catch record numbers of flights out of Ottawa International Airport. For the first time in the Airport's history, passengers enjoyed a choice of 25 direct destinations. New, directly linked cities in 1999 included much-prized Washington National — finally a direct link between two of the world's major capital cities.

Another growth area in 1999 was in transfer passengers. A growing number of travellers are connecting with ease in Ottawa, enjoying the shorter walking distances between gates but with many of the same amenities offered at much larger airports.

The unprecedented level of economic activity in our Region, bolstered by a significant jump in tourist air travel to the Region, required that our airport equally raise its level of performance — Ottawa International happily met the challenge.

For 2000, the Conference Board of Canada projects that Ottawa will enjoy the highest growth in employment (2.9%) in the country and the second highest GDP growth rate (3.9%). Ottawa International looks forward to the challenge of continuing to meet our Region's

Passenger traffic to the United States increased 11.5 %
International passenger traffic increased 18%

rising demand for high quality airport services, and exceeding the expectations of the people and the businesses we proudly serve.

Pursuing Innovative Solutions

Several innovative solutions aimed at moving people in comfort, as efficiently as possible, were introduced in 1999 to help offset the challenge of operating with an over-capacity of 600,000 passengers.

The Airport Authority spent more than $2 million on capital improvements in 1999, including $800,000 on improvements to the terminal and airport grounds to provide better service to travellers.

This figure does not include total refurbishing of the Flight Information Display System (FIDS). Customers now have access to twice as much flight information as before in both the departures and arrivals areas of the terminal.

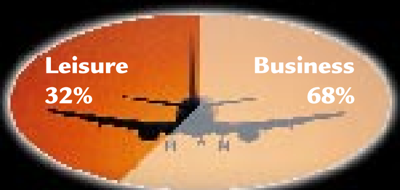
Among improvements completed or launched in 1999 were:

- installation of new retail kiosks, and repainting of the whole mezzanine level and domestic departure holding area;
- installation of high-traffic flooring on main floor and mezzanine level and replacement of carpet in Canada Customs;
- upgrades to modernize restrooms;
- replacement of canopies, modification of bridges, and installation of expandable bridge hoods;
- restoration of airside asphalt surfaces; and
- replacement of vehicles in the $4 million Airport fleet.

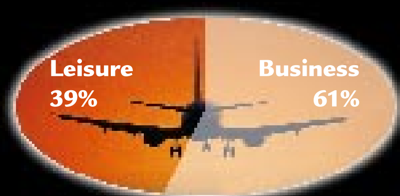
In addition, we began construction of our new Combined Services Building. This is the Airport Authority's first "stand alone" construction project. The $7 million dollar structure, to be completed in the Spring of 2000, will house both the Airport's fire hall and maintenance garage, thereby improving efficiency and reducing the costs associated with these essential airport services. On take-off and landing, the impressive-looking, sloped-roof building located at the intersection of the Airport's two major runways, will become one of the most recognized buildings in the Region.

MORE THAN $18 MILLION IN CAPITAL IMPROVEMENTS

Purpose of Trip

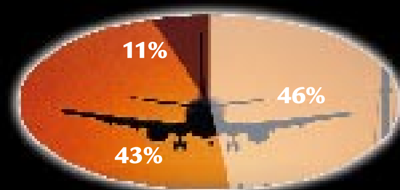


1998



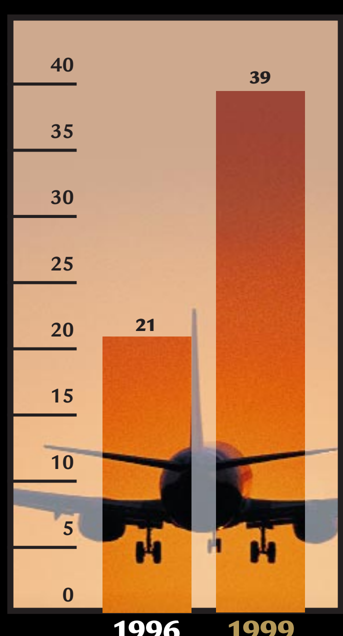
1999

Final Destination

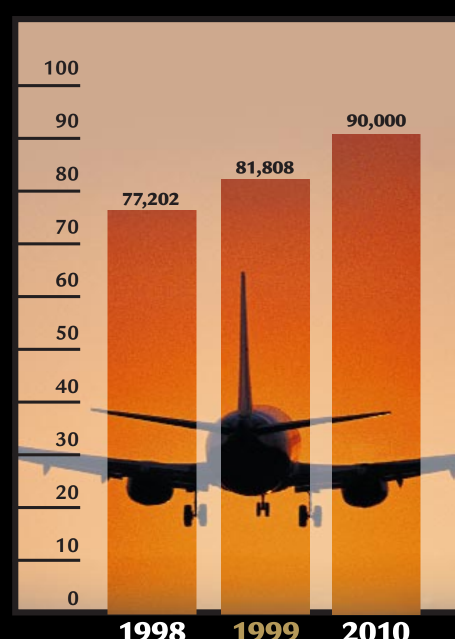


46% are visitors to the region
43% are residents
11% transfer through Ottawa International

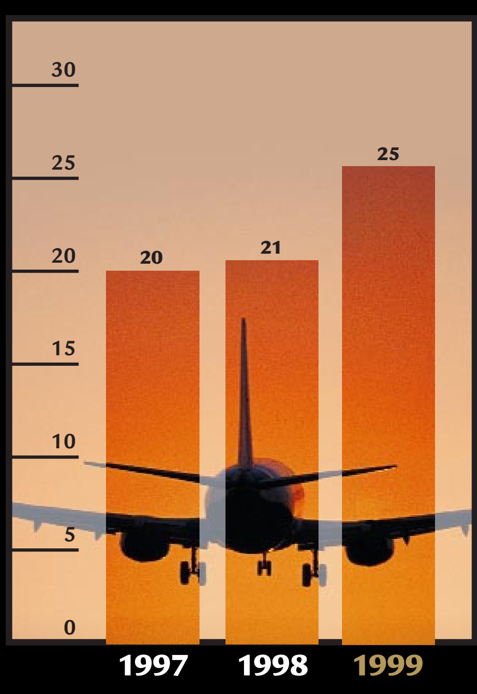
Daily Flights to USA



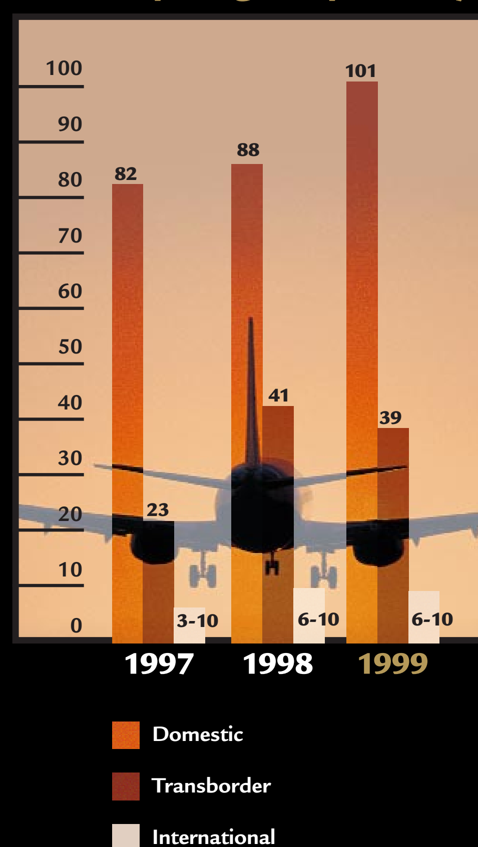
Aircraft Movements



Direct Destinations



Non-Stop Flights per Day



By the community, for the community

Service innovation, economic benefits, a reflection of our community

A Service Partner

What distinguishes a great airport from an ordinary one is the variety of services it offers its customers and the efficiency of its transfer process. For the business passenger, that means minimizing the disruptions to the workday that travel inevitably imposes. For the tourist, it means providing the little extras that enhance the pleasure of travel as a leisure activity.

To reach its objective of transforming Ottawa International into one of the most customer-oriented airports in the world, the Airport Authority has introduced service innovations aimed at making life easier for its millions of travellers and greeters.

In 1999, Ottawa International became the first Canadian airport to offer high-speed wireless Internet access through a partnership with Nokia, a leading supplier of mobile phone and networking services. Business travellers no longer have to search for a telephone equipped for computer access or other wired Internet access points. They can go online from anywhere in the Airport, whether in the departure lounge, the arrivals area, or sitting at a café table.

Ottawa International also introduced a new on-demand limousine service that offers top-end ground transportation—a first in Ottawa. This service, another 1999 business-oriented achievement, finally grants Ottawa

the same convenience available at all major airports in the world.

Construction of the new $5 million Days Inn, set to begin in spring 2000, will fill another key travel need in Ottawa that has existed for more than a decade—offering the convenience of an airport-based hotel. When completed, the Days Inn—Ottawa Airport will offer 85 rooms, some designed for business travellers and others customized for families. The new complex will include a number of executive suites, featuring a fireplace and jacuzzi, as well as a restaurant, indoor swimming pool, exercise room, meeting facilities, express Internet access, and a business centre.

Passenger surveys show that business and leisure travellers alike want a wider range of choice in convenience foods, Since its inception in 1997, the self-sufficient Airport Authority has contributed over $30 million to government coffers.

books and magazines, personal items and gifts. To meet this need, we developed the *Atrium Restaurants and Boutiques* concept in the centre of the terminal. Three new retailers now make the Atrium their home, offering toys, cosmetics and toiletries, and high-end souvenirs and gift items. Additional retail kiosks are planned for 2000 both in the Atrium and domestic departure area.

For the comfort and safety of travellers, the Airport Authority officially designated Ottawa International as a smoke-free facility as of June 1, 1999. The new smoking prohibition is a fitting part of the Airport Authority's commitment to excellence in customer service. Previously, customers entering the airport were subject to second-hand smoke from the adjacent smoking area. A self-contained, fully ventilated smoking area will be built in 2000.

In May, an airport-based emergency exercise was carried out in collaboration with local emergency services, including fire, ambulance and police, and several area hospitals. This simulation provided employees from all participating agencies an opportunity to hone their skills and gain experience in a life-like emergency situation. The objective of such exercises is to raise the level of preparedness from all agencies and share information among colleagues in regional and municipal emergency services. A similar exercise with community partners was last held in 1997.

An Economic Development Partner

Current and recently completed construction projects around the airport (such as the Combined Services Building, the Days Inn—Ottawa Airport hotel, the Air Canada Maple Leaf Lounge, the IOGEN laboratory, the airport Fuel Farm and the Canadian Helicopters base) total over $50 million. These projects demonstrate the role of the Airport as a major stimulus for business activity and investment, a major objective of the Authority.

Since its inception in 1997, the Ottawa Airport Authority has been self-sufficient, no longer the recipient of any government funding. In less than 36 months, the

1999 Taxes paid by Airport Authority

In 1999, the Airport Authority spent over $11.3 million dollars in taxes to various levels of governments.

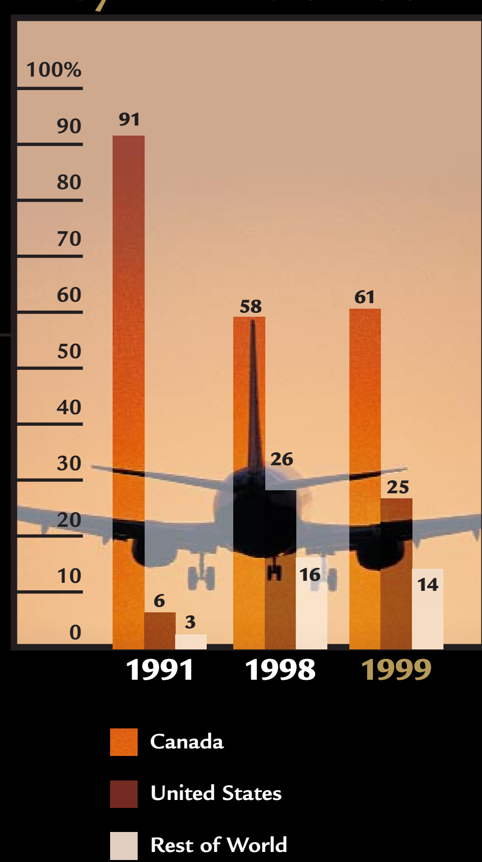
$6.0M for rent to Federal government

$4.2 in PILT (Payments in lieu of taxes) to municipal governments

Over $1.1M in PST and other taxes

1997-1999: over $30 million

Passenger Breakdown by Final Destination



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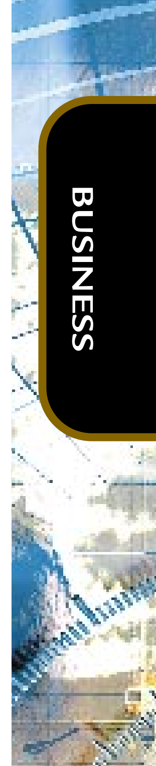


Authority has invested over $18 million in capital expenditures to raise the level of service and improve Airport facilities.

In total, more than $80 million has been spent in three years to support Airport operations. As required by the Authority's Code of Business Conduct, purchasing decisions are based on criteria which include competitive pricing, quality, quantity, delivery, service and (all other things being equal) local content. This last criterion ensures that qualified local suppliers benefit from the millions of dollars the Authority spends annually—the Authority spent over $24 million locally in 1999.

While the Airport's direct economic impact totals several million dollars annually, direct and indirect benefits are estimated at approximately $1 billion a year. The Airport Authority is also a major contributor to the tax base in the region, contributing millions to the coffers of municipal, provincial and federal governments. In 1999, the Airport Authority remitted over $11.3 million dollars in rent and taxes to various levels of governments. In the last three years, the Authority has contributed over $30 million.

Ottawa International provides a vital service to the community, from cargo shipment to connecting business partners and would-be investors. The Airport also plays a major role in connecting friends and family. The

benefits of our service extend beyond economics to enrich the quality of life in the Ottawa-Hull region.

A Community Life Partner

Travellers typically want to keep the amount of time they are in transit to an absolute minimum, including the time they spend in airport terminals. The Airport Authority's terminal improvements are aimed at making the time passengers spend in our facility a positive experience. Visitors to the Ottawa/Hull Region, as well as connecting passengers who may only be passing through our terminal, can expect a warm and inviting image of our community.

At the same time, we recognize that most of the people and families we serve are residents of the Region. By providing thoughtful, sensitive and high quality services within our facility, we strengthen our relationship with the community we serve. For this reason, the Airport Authority makes a special effort to foster a sense of caring and partnership by offering unique community programs.

In 1999, Ottawa International realized a first in Canada by making children's car seats available for families

The Ottawa International Airport was proud to help celebrate the Royal Canadian Air Force Diamond Jubilee 75th Anniversary by hoisting their commemorative flag in front of the terminal building on April 1st, 1999. Canadian troupes were part of the NATO alliance in Kosovo at the time.

Ottawa Airport Authority takes an active role in two regional, community-oriented committees to promote harmony between the Airport and the community it serves in development and economic matters.

The OMCIAA/Regional/Municipal Planning and Economic Development Liaison Committee's main objectives are to encourage participation in the development of the airport's services and facilities and ensure the safe and efficient operation of the airport.

The Noise Management Committee was established to provide a forum for the exchange of information regarding the impact of aircraft noise on residential communities surrounding the airport.

Local charities use airport facilities to collect thousands of dollars.

arriving at the airport and requiring taxi transportation. Another new service for families was the opening of a brightly decorated room for parents seeking privacy or a quiet place for breastfeeding. Located in the domestic and international hold-room, it includes a change table, rocking chairs and children's books.

In partnership with Ottawa-Carleton Regional Police and the RCMP, the Airport Authority developed another first in Canada: an Airport Watch Program. Aviation enthusiasts are recruited and security checked to voluntarily provide an additional level of security around the airport, similar to traditional neighborhood watch programs. Recruited spotters monitor general aviation procedures, the condition of fencing, wildlife activity, parking lots, suspicious behaviour and flying debris.

To assist local charities, the Authority provides three prominent areas of the terminal to mount collection displays. This enables charities, including CHEO, the Heart & Stroke Foundation, the Salvation Army and many others to collect, on average, $1,000 a month.

On selected days, musicians entertain travellers and greeters in the main concession area. This program was launched in 1999 in collaboration with the Music Performance Trust Fund. A similar new program features performances in the Terminal by young people from the Whitham School for the Performing Arts, *l'École secondaire de la Salle* and Canterbury High School. Ottawa International also partners with these and other educational institutions to provide familiarization tours for students of all ages, many of whom are preparing for careers in the air travel industry.

To better reflect the community we serve, the Airport Authority offers the organizers of festivals and community events free access to a variety of promotional media in the terminal and terminal area including indoor and outdoor banners, posters, brochures racks and displays, and an LED message board. As well, local artists can showcase their paintings for periods of three months before a very captive audience in the west wing of the domestic departures hold-room.

These new services are in addition to the existing Infoguide helpdesk, which answers more than 10,000 questions every month from travellers in need of assistance. The Infoguide team comprises more than 52 volunteers, most of whom have a wealth of airport experience.

Operating in a highly competitive global economy, companies in the high-tech and advanced technologies sector rely on the Airport to provide convenient and reliable access to the global marketplace. Ottawa International's principal challenge is to continue to maintain an excellent level of service while operating at over-capacity in the current facilities.

For Today and for Future Growth

An airport must grow with the community it serves

Ottawa's 40 year-old terminal building was last expanded in 1987. Since that time, passenger traffic has increased 40%. It is therefore not surprising that, since 1997, the Airport Authority has had to invest over $18 million in capital expenditures to raise the level of service and improve airport facilities.

As we look to the future, projections indicate that by 2010 passenger traffic will increase by at least another 40%, making expansion the only option if we are to maintain service levels.

Business travel is intensifying rapidly as the economy in the Ottawa/Outaouais Region becomes more globally oriented. In addition, over the next several years, the exponential growth in e-commerce and "just-in-time delivery" will put more pressure on our air cargo processing capacity. And further down the line, as the population ages, increasing numbers of people will be demanding more options in leisure travel.

The challenge is not, however, limited to future requirements. At present, Ottawa International cannot efficiently accommodate the large jets that typically serve charter destinations in the leisure travel market. Our transborder and international departure lounges, customs hall and baggage retrieval areas are, simply, too small.

In 1998 the Airport Authority completed an Airport Master Plan to begin the process of putting in place an expansion program that would accommodate this growth and ensure safe and reliable air services for the Ottawa/Outaouais Region through to the year 2020. One of the Airport Authority's main achievements in 1999 was finalizing the next step in this expansion program: the Program Definition Document (PDD).

1998	Master Plan
1999	Program Definition Document
2000	Architecture and engineering design

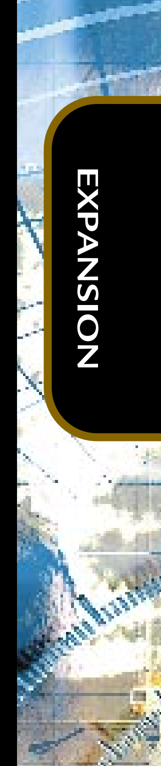
Construction of the Combined Services Building is progressing at the intersection of the Airport's main runways.

The PDD outlines requirements, specifications and design principles to establish expansion benchmarks. It is an essential management tool to ensure that appropriate decisions are taken at the right time to keep costs under control, disruptions to a minimum and enable normal operations to continue during the construction period. The PDD includes both a detailed project estimate to enable the Airport Authority to negotiate financial arrangements to support the expansion and a design brief to guide the architecture and engineering (A&E) team.

Another 1999 achievement was the signing by airlines operating at Ottawa International, after nine months of negotiations, of what is fast becoming the Canadian standard for the application of the Airport Improvement Fee (AIF). The AIF is the fee airport authorities collect to finance capital projects like expansions. In some airports, passengers must stand in line and pay it separately. With our agreement, which went into effect in September, Ottawa passengers do not have to waste precious transit time standing in another line-up. Instead the fee appears on their ticket and is remitted to the Airport Authority by airlines operating at Ottawa International.

In summary, for 2000, we have set aside a further $18 million to reach our major objectives: developing detailed architectural and engineering designs, and beginning preliminary site development. Pending approval by the Board of Directors, the Airport Expansion Program will become the most important construction project in the Region in 20 years.

The Airport Expansion Program's step-by-step approach grants maximum flexibility to accommodate immediate needs and future growth. Plans on the next page illustrate the chronological evolution of the project.

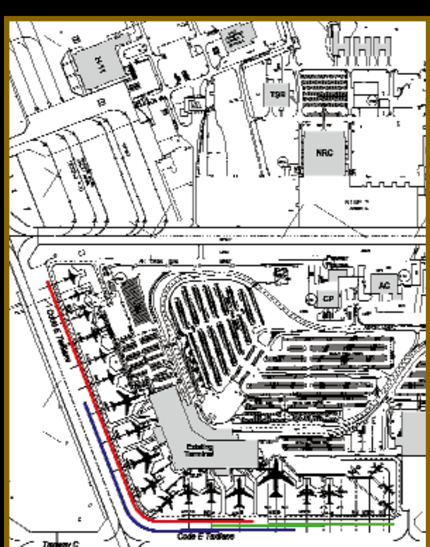


Passenger Volumes by Sector

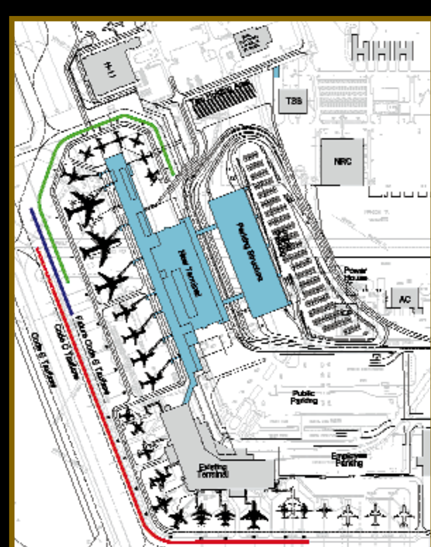
Year	DOM	P.A.%	TB	P.A.%	INT	P.A.%	TOTAL	P.A.%
1996	2,223,941		529,602		104,295		2,857,838	
1997	2,435,534	9.5	502,072	-5.2	108,762	4.3	3,046,368	6.6
1998	2,414,355	-0.9	563,085	12.2	133,108	22.4	3,110,548	2.1
1999	**2,426,288**	**0.5**	**628,203**	**11.5**	**157,116**	**18.0**	**3,211,607**	**3.25**
2000	2,499,000	3.0	697,000	11.0	181,000	15.0	3,377,000	5.1
2005	2,874,000	3.0	872,000	5.0	235,000	6.0	3,981,000	3.6
2010	3,233,000	2.5	981,000	2.5	276,000	3.5	4,490,000	2.6
2015	3,556,000	2.0	1,079,000	2.0	317,000	3.0	4,952,000	2.1
2020	3,876,000	1.8	1,176,000	1.8	357,000	2.5	5,409,000	1.8

DOM (Domestic) · P.A.% (Annual Increase (%)) · TB (Transborder) · INT (International)

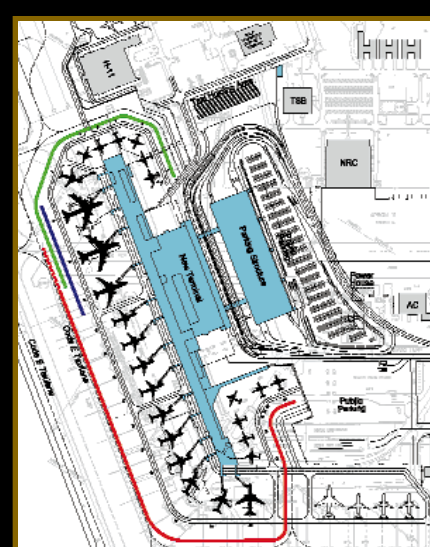
One of the Authority's main achievements in 1999 was finalizing the Program Definition Document



1999



2004



2010

1999 IN REVIEW

Our Region and Ottawa International Airport:

OTTAWA INTERNATIONAL AIRPORT

uniquely positioned for growth

1999 IN REVIEW

5 Year Forecast

	Passengers	% Increase	Aircraft Movements	% Increase	Rent to Transport Canada	% increase
1997 actual	3,046,368		67,867		$3,977,000	
1998 actual	3,110,544	2.1	77,202	13.8	$5,301,000	33.3
1999 actual	**3,211,607**	**3.25**	**81,808**	**6.0**	**$5,948,000**	**12.2**
2000 forecast	3,377,000	5.1	81,860	0.1	$6,100,000	2.6
2001 forecast	3,478,000	3.0	83,340	1.8	$8,700,000	42.6
2002 forecast	3,583,000	3.0	84,800	1.8	$11,000,000	26.4
2003 forecast	3,690,000	3.0	86,290	1.8	$11,300,000	2.7
2004 forecast	3,801,000	3.0	87,730	1.7	$11,600,000	2.7
Increase 2004 over 1999		**18.4%**		**7.2%**		**95.0%**

Terminal fees and Landing fees received from airlines are based on aircraft movements
Other revenue sources such as parking and concessions vary based on numbers of passengers

Financials

Revenues:	$ 38 484 000
Expenses:	30 560 000
Excess:	7 924 000
Capital expenditures:	6 969 000
Year end cash:	4 064 000
Rent to federal government:	5 948 000
AIF revenues:	3 860 000

Summary of the Airport Authority's objectives for the year 2000

- Develop detailed architectural and engineering design for the planned expansion
- Resolve the issue of escalating Payments-in-lieu-of-taxes
- Achieve changes to our burdensome rent formula

1999 in Review

Board of Directors, Committee Membership and Compensation

Committees of the Board as of December 31, 1999

Executive
Louis Bertrand
Jeffrey Dale
Gayle Mullington
François Pichard
Regis Trudel
Whitman Tucker

Audit
Gaétan Bélec
Claude Bennett
Hugh Blakeney
Roger Lachapelle
François Pichard
Whitman Tucker

Marketing & Communications
Louis Bertrand
Jeffrey Dale
Michael Darch
Jim Durrell
Larry Malloy
Gayle Mullington
Michael Robinson
Carol Stephenson

Nominating
Gaétan Bélec
Claude Bennett
Jeffrey Dale
Gayle Mullington
Regis Trudel

Directors' Compensation in 1999

Annual Retainer	
Chair	$ 12,000
Vice-Chair	$ 10,000
Committee Chairs	$ 10,000
Other Directors	$ 7,000
Meeting Fees	
Over 3.5 hours	$ 500
Less than 3.5 hours	$ 250

Executive Management Salary Range

The salary range for the President of the Authority is $113,000 to $169,400. The salary range for each of the Vice-Presidents is $77,000 to $115,400.

Required Declarations

Each Director has filed a Conflict of Interest declaration for 1999, as required by the Bylaws, and is in compliance with the Guidelines included in the Bylaws.

An agreement in the amount of $269,399 with Triangle Pump Service Ltd. was not awarded on the basis of a public tendering process because the company is the only firm in the region with the technical resources and service response capability needed to meet operational demands. In addition contracts with Tenco Machinery Ltd. for the purchase of specialized runway maintenance equipment amounting to $164,000 and $490,000 were not awarded on the basis of a public tendering process in order to maintain a standard fleet of equipment and achieve operational efficiency.

Financial Statements

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. 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 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 Deloitte & Touche LLP, who were appointed at the annual general meeting. Their report is presented below.

Paul Benoit
President and Chief Executive Officer

John G. Weerdenburg, CA
Vice-President and Chief Financial Officer

Auditors' Report

To the Directors of Ottawa Macdonald-Cartier International Airport Authority,

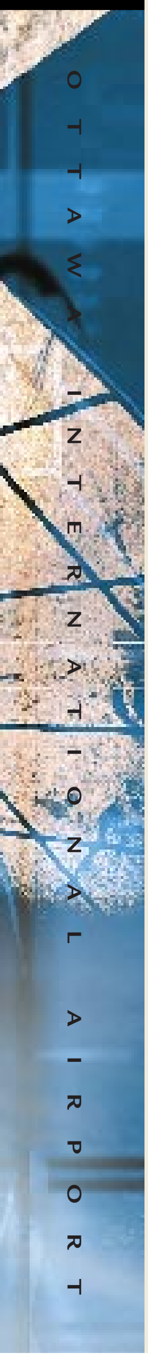
We have audited the balance sheet of Ottawa Macdonald-Cartier International Airport Authority as at December 31, 1999 and the statements of operations and changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in Canada. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Authority as at December 31, 1999 and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in Canada. As required by the Canada Corporations Act, we report that, in our opinion, these principles have been applied on a basis consistent with that of the preceding year.

Deloitte & Touche LLP

Chartered Accountants
Ottawa, Ontario
February 11, 2000



Balance Sheet

as at December 31, 1999
(in thousands of dollars)

	1999	1998
Current Assets		
Cash	$ 4,064	$ 123
Accounts receivable	3,188	2,202
Consumable supplies	325	442
Prepaid expenses and advances	175	164
	7,752	2,931
Capital Assets (Note 3)	14,372	9,463
Other Assets (Note 4)	4,120	1,759
	$ 26,244	$ 14,153
Current Liabilities		
Accounts payable & accrued liabilities	$ 4,952	$ 2,569
Current portion of long-term debt	1,783	1,260
	6,735	3,829
Security Deposits	318	294
Long-Term Debt (Note 5)	3,987	2,750
	11,040	6,873
Commitments and Contingencies (Note 10 & Note 11)		
Net Assets	15,204	7,280
	$ 26,244	$ 14,153

On behalf of the Board , Director

, Director

(See accompanying notes to the financial statements)

Statement of Operations and Changes in Net Assets

year ended December 31, 1999
(in thousands of dollars)

	1999	1998
Revenues		
Terminal fees and loading bridge charges	$ 10,930	$ 10,726
Landing fees	7,918	7,871
Concessions	5,518	4,973
Car parking	5,290	5,176
Airport improvement fees (Note 7)	3,860	–
Land and space rentals	3,221	3,151
Other revenue	1,747	1,650
	38,484	33,547
Expenses		
Ground rent (Note 10)	5,948	5,301
Materials, supplies and services	10,005	10,017
Salaries and benefits	7,554	7,465
Payments in lieu of municipal taxes (Note 11)	4,205	3,975
Amortization	2,618	2,261
Interest expense and financing charges	230	175
	30,560	29,194
Excess of Revenue over Expenses	**7,924**	4,353
Net Assets, Beginning of Year	7,280	2,927
Net Assets, End of Year	$15,204	$ 7,280

(See accompanying notes to the financial statements)

Statement of Cash Flows

year ended December 31, 1999
(in thousands of dollars)

	1999	1998
Cash provided by (used in) –		
Operations:		
Excess of revenues over expenses	$ 7,924	$ 4,353
Add non-cash items:		
Amortization of capital assets and organization costs	2,618	2,261
Gain on sale of capital assets	–	(10)
Interest on long-term debt	90	84
Changes in non-cash working capital:		
Decrease (increase) in accounts receivable	(986)	710
Decrease (increase) in consumable supplies	117	(75)
Decrease (increase) in prepaid expenses	(11)	480
Increase (decrease) in accounts payable and accrued liabilities	2,383	(853)
Increase in security deposits	24	5
Total operations	12,159	6,955
Financing activities:		
Repayment of long-term debt	(1,260)	(1,260)
Investing activities:		
Purchase of capital assets	(6,969)	(3,643)
Proceeds from sale of capital assets	11	20
Total investing activities	(6,958)	(3,623)
Increase in cash	3,941	2,072
Cash (Bank indebtedness), beginning of year	123	(1,949)
Cash, end of year	**$ 4,064**	$ 123
Cash consists of:		
Cash in bank	$ 1,036	$ 123
Bankers acceptance	3,028	–
	$ 4,064	$ 123

(See accompanying notes to the financial statements)

Notes to the Financial Statements

year ended December 31, 1999

1. Description of Business

Ottawa Macdonald-Cartier International Airport Authority (the "Authority") was incorporated January 1, 1995 as a corporation without share capital under Part II of the Canada Corporations Act. All earnings of the Authority are retained and reinvested in airport operations and development.

The objectives of the Authority are:

a) to manage, operate and develop the Ottawa International Airport, the premises of which are leased to the Authority by Transport Canada (see Note 10), 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.

On January 31, 1997, the Authority signed a 60 year ground lease with Transport Canada and assumed responsibility for the management, operation and development of the Ottawa International Airport.

The Authority is exempt from federal and provincial income tax, federal large corporation tax, and Ontario capital tax.

2. Significant Accounting Policies

These financial statements have been prepared by management in accordance with accounting principles generally accepted in Canada for commercial enterprises. 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. Examples of such estimations and assumptions include the useful lives of capital assets, valuation adjustments, and provisions for contingencies. Actual results could differ from those estimates. Adjustments, if any, will be reflected in operations in the period of settlement.

Inventories

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

Capital assets

Capital assets are recorded at cost, net of government assistance, if any, and are amortized over their useful lives on a straight-line basis as follows:

Furniture and equipment	10% - 20%
Computer equipment and software	20% - 50%
Vehicles	6% - 17%
Leasehold improvements	10% - 33%
Roadways and paved surfaces	10%

Construction in progress is recorded at cost and is transferred to leasehold improvements when the project is complete and the asset is placed in service.

Organization costs

Organization costs represent start-up expenditures incurred by the Authority in advance of the transfer of operations to the Authority from Transport Canada. Organization costs are amortized to operations on a straight line basis over 5 years.

Ground Lease

The ground lease with Transport Canada is accounted for as an operating lease.

Revenue recognition

Landing fees, terminal fees, and parking revenues are recognized as the airport facilities are utilized. Concession revenues are recognized on the accrual basis and calculated using agreed percentages of reported concessionaire sales, with specified minimum rent guarantees. Rental (and licence) revenues are recognized over the lives of respective leases, licences, and permits. Airport improvement fee ("AIF") revenue is recognized when passengers depart the terminal building.

3. Capital Assets (in thousands of dollars)

	1999	1998
Cost:		
Furniture and equipment	**$ 1,633**	$ 1,074
Computer equipment and software	**513**	414
Vehicles	**4,055**	3,400
Leasehold improvements	**4,770**	4,191
Roadways and paved surfaces	**3,111**	2,882
Construction in Progress	**4,899**	67
	18,981	12,028
Less accumulated amortization:		
Furniture and equipment	**522**	271
Computer equipment and software	**275**	145
Vehicles	**1,278**	870
Leasehold improvements	**2,019**	1,060
Roadways and paved surfaces	**515**	219
	4,609	2,565
	$ 14,372	$ 9,463

4. Other Assets (in thousands of dollars)

	1999	1998
Cost:		
Organization costs	**$ 2,840**	$ 2,840
Interest in future proceeds from 4160 Riverside Drive, at cost	**2,930**	-
	5,770	2,840
Less accumulated amortization:		
Organization costs	**1,650**	1,081
	$ 4,120	$ 1,759

In an agreement signed on May 27, 1999, the Authority agreed to assist the Regional Municipality of Ottawa-Carleton ("the Region") in acquiring lands municipally known as 4160 Riverside Drive by contributing to the Region 50% of the funds required for the acquisition. In return, the Region 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.

5. Long-Term Debt (in thousands of dollars)

	1999	1998
Non-interest bearing debt payable to Transport Canada in equal annual instalments and due on January 1, 2000	**$ 1,259**	$ 2,519
Note payable to the Regional Municipality of Ottawa-Carleton, bearing interest at 6.125% and repayable in ten annual payments of principal and interest commencing in 2000	**2,930**	-
Non-interest bearing debt to the Province of Ontario, discounted at a rate of 6.0%, payable over a 5 year period commencing in 2007	**1,581**	1,491
	5,680	4,010
Less: current portion	**1,783**	1,260
	$ 3,987	$ 2,750

The debt payable to Transport Canada was incurred in exchange for capital assets and inventories of consumable supplies acquired from Transport Canada in order to operate the Airport.

The note payable to the Regional Municipality of Ottawa-Carleton relates to the interest in future proceeds of 4160 Riverside Drive included in other assets.

The amount payable to the Province of Ontario relates to land transfer tax resulting from the long-term lease of the Airport to the Authority in 1997.

6. Operating Line of Credit

The Authority has an operating line of credit with its bank of $20 million bearing interest at the prime lending rate. This operating line is secured by a General Security Agreement over all property and assets, and a mortgage by way of a sublease of the Authority's interest in its lease with Transport Canada.

7. Airport Improvement Fees

On September 1, 1999, the Authority implemented an AIF of $10 per local boarded passenger to fund the cost of major capital expenditures. These fees are collected by the air carriers under an agreement between the Authority, the Air Transport Association of Canada, and the air carriers serving Ottawa International Airport. Under the agreement, AIF revenues may only be used to pay for the capital and related financing costs of major airport infrastructure development as jointly agreed with the air carriers. As at December 31, 1999, cumulative infrastructure expenditures of $4,899,000 had been incurred. (See note 3).

8. Pension Plan

The Authority sponsors a pension plan on behalf of its employees which has defined benefit and defined contribution components. The defined benefit component is for employees who were employees of the Authority on the date of transfer including former Transport Canada employees. During 1999, $9.7 million was transferred from the Public Service Superannuation Plan to the Authority's pension plan in respect of transferred employees who elected to transfer their entitlements to the defined benefit component of the plan. These amounts were transferred together with the actuarially determined pension benefit obligation on a fully funded basis. As this plan has been in existence for a short period of time, a first actuarial determination is being completed as at December 31, 1999. Management estimates that any surplus or deficit under either component of its pension plan, as determined by this actuarial determination, will not have a material effect on the financial condition of the Authority.

Pension Plan costs are charged to operations as services are rendered. The cost 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 pension cost for 1999 amounted to $ 689,000 (1998 - $ 638,000).

9. Financial Instruments

Fair value

The Authority's cash, accounts receivable, accounts payable and accrued liabilities, and security deposits are reflected in the financial statements at carrying values which approximate fair values due to the immediate and short-term maturity of these financial instruments. Fair values of long-term debt are similar to their carrying values taking into account their maturity dates.

Interest-rate swap agreements

During 1999, the Authority entered into interest-rate swap agreements with its bank to reduce the financial risk associated with future anticipated borrowings related to its expansion plans. Under these agreements, which have a notional amount of $30 million, the Authority will pay a fixed rate of interest ranging from 6.17% to 6.70 %, quarterly, for periods of 10 years commencing July 9, 2001 and January 2, 2004. In exchange, the Authority will receive a variable interest rate quarterly based on bankers' acceptance rates. The market valuation of these swap contracts as at December 31, 1999 results in a gain of $ 798,000 which has not been recognized.

Interest rate risk

The Authority's exposure to interest rate risk relates to its future anticipated borrowings reduced by the interest-rate swap agreements disclosed above.

Credit risk

The Authority is subject to credit risk through its accounts receivable. A significant portion of the Authority's revenues, and resulting receivable balances, are derived from airlines. The Authority performs ongoing credit valuations of receivable balances and maintains reserves for potential credit losses.

10. Commitments and Contingencies

On January 31, 1997, the Authority signed a 60 year ground lease with 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.

The lease contains a 20 year renewal option which may be exercised at the end of the lease term. At the end of the renewal term, unless otherwise extended, the Authority is obligated to return control of the Airport to the landlord.

Rent payable under the ground lease with Transport Canada includes base rent and participation rent and is calculated based on a formula reflecting annual passenger volumes, annual revenues, and predetermined base operating costs. Base rent is calculated on a capped passenger volume formula subject to adjustments for inflation. Participation rent is based on a measure of incremental revenues and commences in year 11 (2007) of the lease.

Estimated lease payments under the ground lease for the next five years are as follows:

2000	$ 6.1 million
2001	8.7 million
2002	11.0 million
2003	11.3 million
2004	11.6 million

In addition to the above, at December 31, 1999, the Authority had operating commitments in the ordinary course of business of approximately $ 3.7 million per year extending for various periods up to 5 years in duration. The Authority also has outstanding commitments relating to construction in progress, the Authority's planned expansion program and the purchase of capital assets amounting to approximately $ 5.4 million.

11. Payments in Lieu of Municipal Taxes (PILTs)

During 1998, the Province of Ontario amended the *Assessment Act* for application throughout the province:

a) to eliminate the business occupancy tax (BOT), by distributing this tax across the non-residential tax base, *and*

b) to set the assessment date of all properties in Ontario at June 30, 1996.

The Airport properties were exempt from paying BOT prior to this change in the tax regime. The assessments form the basis for determining the amount of PILTs.

The Authority has paid, and reflected in the statement of operations, the full PILTs requested by the Minister of Finance for the Province of Ontario. These payments were based on 1997 PILT, plus 30% to recognize the impact of collecting the former BOT through increased realty taxes, plus an additional 15% (10% in 1998) relating to the phase in of market value assessments announced by the Province. Based on the values assessed by the Province, PILTs for the Authority will increase to approximately $7.2 million after completion of the phase in period in 2001.

Management believes the values assessed by the Province are significantly overstated, and has filed an objection to appeal the values assessed to its land and buildings. Management believes that it has overpaid the amount of PILTs for 1998 and 1999 by an amount that will be determined as a result of this appeal. An estimate of the amount of overpayment cannot be made, and any settlement will be accounted for when the amount is settled.

12. The Year 2000 Issue

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. Although the change in date has occurred without interruption of service, and the Airport Authority has undertaken activities to address the year 2000 issue, it is not possible to be certain that all aspects of the Year 2000 Issue affecting the Authority, including those related to customers, suppliers, or other third parties, have been fully resolved.

13. Comparative Figures

Certain of the 1998 comparative figures, primarily those on the statement of operations, have been reclassified to conform to the financial statement presentation adopted in 1999.

1999 Board Members

Director	Appointed by
Regis Trudel, Chair	Region of Ottawa-Carleton
Gayle Mullington, Vice-chair	Region of Ottawa-Carleton
Louis Bertrand, Secretary	Communauté Urbaine de l'Outaouais
Gaétan Bélec	Communauté Urbaine de l'Outaouais
Claude Bennett	Region of Ottawa-Carleton
Hugh Blakeney	Region of Ottawa-Carleton
Jeffrey Dale	Region of Ottawa-Carleton
Michael Darch	Government of Canada
Jim Durrell	Region of Ottawa-Carleton
Roger Lachapelle	Communauté Urbaine de l'Outaouais
Larry Malloy	Government of Ontario
François Pichard	Government of Canada
Michael Robinson	Region of Ottawa-Carleton
Carol Stephenson	Region of Ottawa-Carleton
Whitman Tucker	Region of Ottawa-Carleton

1999 ANNUAL REPORT

flights daily
vols par jour

flights weekly
vols par semaine

Air Canada
Canadian
US Airways
Northwest Airlines
Business Express
Trillium Air
Continental
Bearskin
First Air
American Airlines
Canada 3000

Senior Management Team

Paul Benoit, President and Chief Executive Officer
John Weerdenburg, CA, Vice-President and Chief Financial Officer
Pierre Lanoix, Vice-President, Operations and Technical Services
John Spinks, Vice-President, Business Development and Marketing
Annette Nicholson, General Counsel
Bill Thistle, Director, Safety and Security Services
Richard Laniel, Director, Human Resources
Laurent Benoit, Director, Communications and Public Affairs

Design: Hoselton Brunet

1999 ANNUAL REPORT

OTTAWA INTERNATIONAL AIRPORT

Ottawa

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