connecting means...

HALIFAX INTERNATIONAL AIRPORT AUTHORITY

2017 ANNUAL REPORT


Nova Scotia is built on connections.

The settler's arrival. The traveller's departure. The taste of our freshest food in lands far from our own.

Each connection has contributed a story, a moment, a relationship that lets us know: when we're open to the world, we truly thrive.

Halifax is the gateway to that world. It's where those connections form and flourish. It always has been.

From the rails, to the road, to the rolling seas. And today, in the air.

We rely on this gateway and these connections to help us fulfill our potential as a city, a province and a region.

It's why we do what we do.

It's why going above and beyond isn't going above and beyond. It's simply standard.

It's why we make every guest feel at home, even those who are far from it.

It's why we embrace collaboration, working together to make a positive difference.

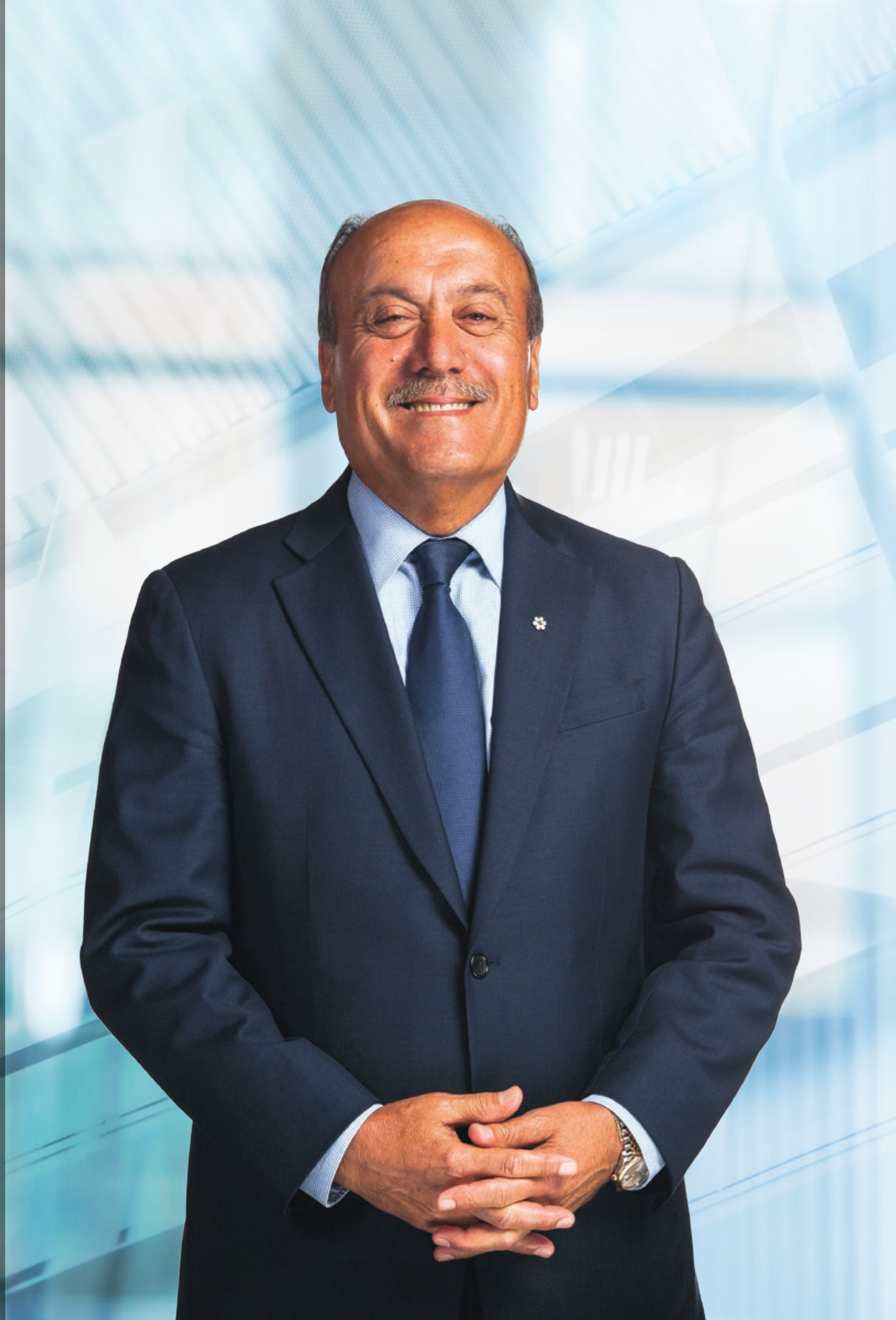
It's why we celebrate joy. Provide comfort. Or simply show someone the way.

Because this isn't just a place where planes arrive and depart. This is where our region's future takes shape.

This is where connecting means the world.

HalifaxStanfield

For me, connecting means accomplishment. Forty-one years ago, I arrived at Halifax Stanfield eager to discover what I could accomplish as a new citizen and what my contribution to this beautiful country would be.



Message from the Chair

Wadih Fares, Chair of the Board of Directors

For me, connecting means accomplishment. Forty-one years ago, I arrived at Halifax Stanfield eager to discover what I could accomplish as a new citizen and what my contribution to this beautiful country would be.

Many years later, Halifax Stanfield continues to be one of the most critical pieces of transportation infrastructure in Atlantic Canada that serves as the entry point for newcomers and as a gateway for travellers, both vital to the economic and social well-being of our region. Quite simply, our airport creates jobs and moves people, goods and ideas.

The airport is a catalyst for economic growth, the heart of a community, and the lifeblood of prosperity. Together with our airport community partners, we have a tremendous positive impact on Halifax and the entire province.

Take, for example, our tourism industry. Based on the Airport Authority's economic impact study commissioned in 2017, almost one-third of the province's visitors enter Nova Scotia through the airport, contributing over $943 million to the provincial economy (2016 figures). Every passenger flight from Europe arriving in Halifax creates seven person-years of employment in Nova Scotia and contributes $475,000 to the province's economic output. Add to that the new Halifax Convention Centre – and the tremendous number of visitors it will attract – and the impact grows even more.

While staying open to possibilities, planning is paramount. In 2017, we embarked on the first year of our latest five-year strategic plan. This comprehensive plan helps guide our activities, providing a blueprint for strategic growth and development at the airport.

I joined the Halifax International Airport Authority Board of Directors in March 2006. How fitting that the theme of the annual report that year was "New Arrivals Bold Departures." Beyond the obvious personal connection, it marked the opening of our U.S. preclearance facility – the first in North America following 9/11 – providing new air service possibilities. And we completed our first bond issue – laying the financial foundation for what we knew would be numerous opportunities for airport development.

Since then, I've had the privilege of serving on the Board for 12 years, including three years as Chair. During my tenure, we've seen tremendous growth in passenger traffic, cargo volumes, destinations served, as well as significant improvements in infrastructure and the passenger experience through innovation. I'm humbled to be part of the success story that is Halifax Stanfield.

As this will be my last message as Chair of the Board of Directors for Halifax International Airport Authority, I want to take this opportunity to thank my Board colleagues – both past and present – for their contributions and dedication. It has been a pleasure to serve with you over these many years. I have no doubt the organization will continue to flourish under the sound leadership of incoming Chair, Marie Mullally. I would also like to take this opportunity to welcome new member, Daniel Holland, who joined the Board in 2017.

To the management and staff of the Airport Authority, I extend my sincere gratitude for your ongoing commitment to superior customer service and for everything you do. You give our airport heart and soul. I'm proud of what we've accomplished together and to have been on this journey with each one of you.

Halifax Stanfield is well equipped and poised to prosper. I see a future of success and continued accomplishments.

For me, connecting means opportunity. I see it every day. It’s in the excitement of a family departing on a dream vacation, in the handshake of business people uniting, or in the loving embrace of a welcome home hug.

Message from the President & CEO

Joyce Carter, President & CEO

For me, connecting means opportunity. I see it every day. It's in the excitement of a family departing on a dream vacation, in the handshake of business people uniting, or in the loving embrace of a welcome home hug.

As you'll note throughout this report, 2017 was certainly memorable for many reasons. However, four highlights stand out in our eighteenth year of operation as indelible opportunities for Halifax Stanfield.

We introduced our new brand and tagline.

We aspire to help our passengers and visitors make the connections that are the lifeblood of a growing, vibrant community. The words and symbols help inspire us to new levels of service and they reinforce our commitment – not only to everyone who passes through our doors, but also to each other and to the larger community far beyond our boundaries.

Halifax Stanfield is, and will continue to be, a reflection of the pride and commitment that we share with our community. Our new brand and tagline provide us with the opportunity to do just that.

We eclipsed four million passengers.

In fact, 4,083,188 passengers travelled through Halifax Stanfield in 2017, marking one of the most significant milestones in the airport's 57-year history. Special thanks to all our airline partners and their passengers for enabling us to reach this record, and for their continued confidence in Halifax Stanfield.

It's incredible to think about the number of opportunities created by those four million-plus connections: uniting with family, advancing business interests, making friends, finding a new home, seeking adventure, discovering the world, making memories.

We were selected to showcase Halifax to the world.

We were hand-picked by Airports Council International (ACI) World to host their inaugural 2018 Customer Excellence Global Summit in Halifax in September 2018. It could have been held anywhere in the world.

We're extremely pleased to be hosting this major event at the new Halifax Convention Centre. It's a perfect fit given our airport's past and continued success in airport service quality on the international stage and it provides us with a wonderful opportunity to showcase our city, province and region to airport officials from the best airports around the globe.

We were recognized for our environmental sustainability efforts.

In 2017, we joined ACI's Airport Carbon Accreditation Program, a global consortium of airports dedicated to managing, reducing and ultimately neutralizing their carbon footprint. At the time, Halifax Stanfield was one of eight Canadian airports participating in the program and one of 27 airports in North America that had attained accreditation.

This is our opportunity to manage CO_2 emissions as part of the airport industry's response to the challenge of climate change. Halifax Stanfield's carbon management processes have earned the first accreditation level of mapping. We are now focussed on achieving the second accreditation level of reduction, which aims to reduce our carbon footprint.

I am grateful for the expert guidance from our Board of Directors. I want to express my sincere appreciation to our Board Chair, Wadih Fares, who has served with us for 12 years. His entrepreneurial spirit, relentless advocacy, and thoughtful counsel have created a legacy for our airport. I also want to acknowledge and thank Peter Spurway, Vice President Corporate Communications & Airport Experience, for his contribution to the Airport Authority in the 11 years he spent with us.

To the dedicated employees of the Airport Authority, our volunteers who give of their time, and the larger airport community, I sincerely thank you. It's through your efforts, day in and day out, that together we dare to reach higher, push to be stronger, and strive to be better.


connecting means... unity

There's no doubt airports are emotional places. That's why we've embraced a customer-first culture to connect with passengers, visitors and each other. We work hard every day to make Halifax Stanfield welcoming, relaxing and safe. It's a community effort. It's "The Stanfield Way."

From our Tartan Team volunteers who gave over 15,000 hours of their time, and the over one thousand graduates from "The Stanfield Way" – our service culture program, to the 5,665 professionals in our airport community, everyone works together.

As a testament to this shared purpose, we were very pleased to receive some wonderful recognition in 2017.

We were selected by Airports Council International World to host their inaugural 2018 Customer Excellence Global Summit in Halifax in September.

In a Corporate Research Associates poll, Halifax Stanfield was rated as having the best reputation among dozens of organizations from around our region included in the study.

Halifax Stanfield tied for third best airport in North America for overall passenger satisfaction in the global Airport Service Quality ratings – the world-renowned and globally established customer service benchmarking program measuring customer satisfaction.

Our airport was also rated by passengers as one of the world's best in the Skytrax World Airport Awards. We were second best airport in the world for our size and fourth best regional airport in North America, improving our placement in both categories over the previous year.

Moreover, our social media network includes over 40,000 followers across five platforms with a reach of about 50,000 people monthly. In fact, we're the fourth most followed airport on Twitter in the country. And in 2017, we had over five million page views on our website.

We also connected with various business and community partners throughout the year. We held sessions in East Hants, Halifax, Truro, and Sydney, and conducted a comprehensive stakeholder engagement survey.

We had another successful year for our Community Outreach Program, with $155,000 in donations plus $72,000 in in-kind support to more than 200 charities, business and community groups, local sports teams, and our signature partner, Dartmouth North Community Food Centre. As well, seven organizations received funds to meet basic needs through our union-management sponsored Humanities Fund, and we assisted Air Canada's Dreams Take Flight initiative.

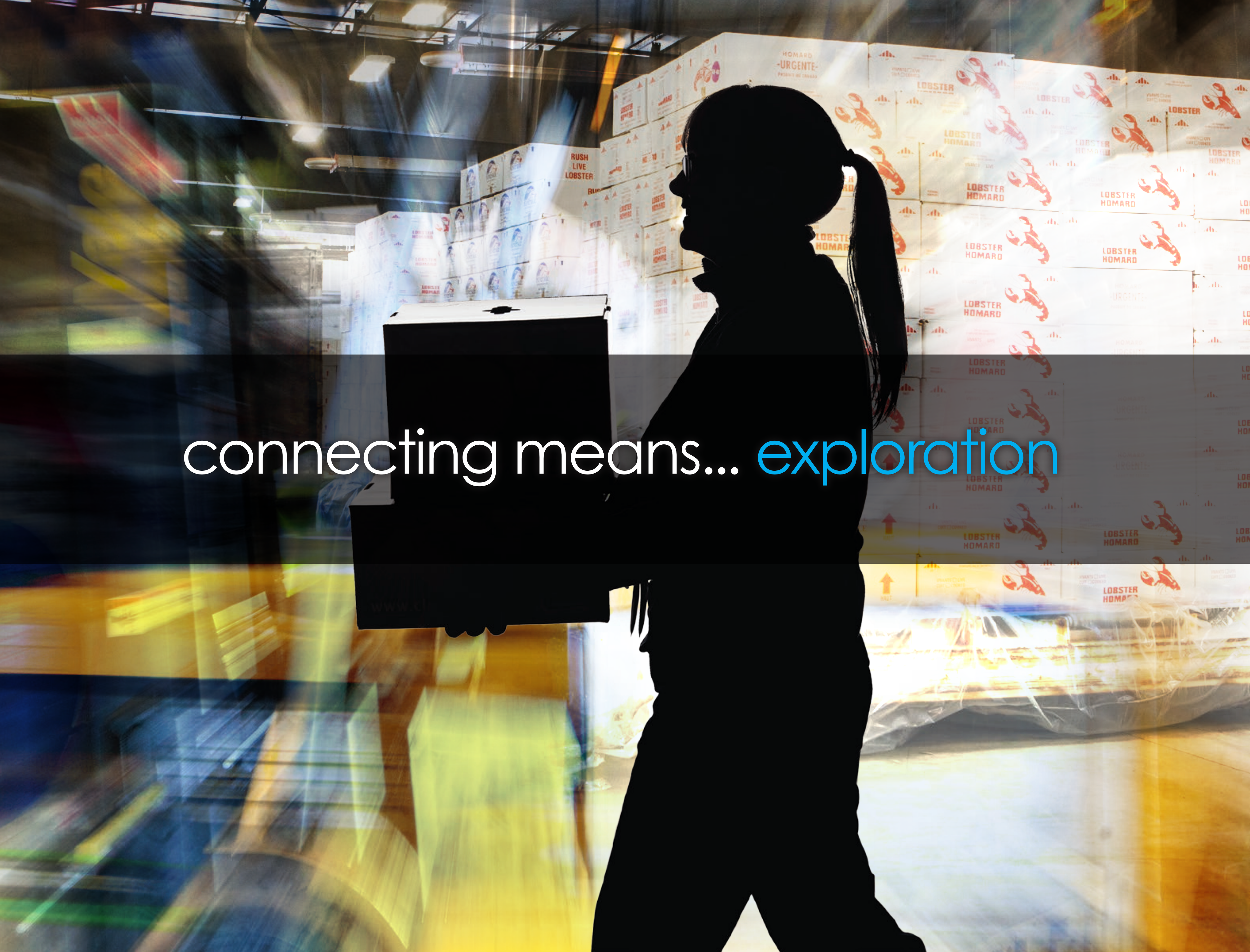
Together with Autism Nova Scotia, we launched Autism Aviators to assist individuals on the autism spectrum. By organizing a biennial mock travel day, participants experienced first-hand the airport process, with the goal of that familiarity helping to ease the stress for them and their families when it comes time to travel through our airport.

We hosted several special events in 2017. In March, we marked International Women's Day with a breakfast featuring The Honourable Doctor Mayann Francis, former Lieutenant Governor of Nova Scotia, as our guest speaker.

In May, our main lobby was transformed into a modern-day Pier 21, as 38 new Canadian citizens were sworn in at a public ceremony – a splendid way for us to help celebrate Canada's 150th birthday.

In September, our Altitude East conference brought together 140 delegates from airports, airlines, and the air industry for informative keynote addresses, panel discussions, and business-to-business meetings that were primarily focussed on air service and business development opportunities.

We also hosted the 39th annual SWIFT (Summer Winter Integrated Field Technologies) Conference. The event brought together 500 delegates from across Canada, the United States and Europe to exchange technical expertise and discuss common issues of national and international concern. The accompanying comprehensive equipment expo was staged at our Combined Services Complex.


connecting means... exploration
HOMARD
-URGENTE-
RUSH
LIVE
LOBSTER
LOBSTER
HOMARD

Halifax Stanfield accounts for over half of all airport passengers in Atlantic Canada, and in 2017 we reached the monumental milestone of surpassing the four million passenger mark.

With a 4.5 per cent increase over the previous year, Halifax Stanfield served 4,083,188 passengers.

During the year, Halifax Stanfield was served by 19 scheduled and charter passenger airlines flying to 46 destinations. The airport served an average of 175 flights each day to various points within Canada, the United States, Europe, Mexico, and the Caribbean.

Looking at the three air service sectors, domestic traffic was up 6.5 per cent over 2016 to 3,480,899 passengers. Domestic is the largest segment of air service, accounting for 85 per cent of total passenger traffic. Contributing to this strong increase was WestJet's new twice daily service to Montréal, the re-introduction of its service to Gander and moving its Hamilton service from seasonal to year-round. Air Canada provided additional seat capacity on its flights to Fredericton, Goose Bay, Montréal, Ottawa, and St. John's. Flair Airlines also contributed to seat capacity growth with its service to Hamilton.

The transborder sector, representing 7 per cent of the airport's overall traffic, decreased by 10.8 per cent, to 291,265 passengers.

This decline was primarily the result of American Airlines' termination of service to Philadelphia. Offsetting the loss, WestJet increased seat capacity to Boston and Orlando. During the winter season, Air Canada provided additional seat capacity to Fort Lauderdale and Air Transat re-introduced service on this route. Sunwing also provided modest growth on its services to Orlando and St. Petersburg. As well, Elite Airways launched a new seasonal service to Portland, Maine, with continuing service to Sarasota-Bradenton in Florida.

Representing 8 per cent of passenger traffic, the international sector declined slightly, by 0.9 per cent, to 311,024 passengers. In positive news, there was increased demand and passenger growth in European markets including services provided by Condor to Germany, Icelandair to Reykjavik, Air Canada to London Heathrow, and WestJet to Glasgow.

As airlines introduce next generation aircraft to their fleets, such as the 737MAX and A321neo, which have higher fuel efficiency and the ability to fly longer ranges, we believe new and exciting air service opportunities await Halifax Stanfield.

It's why in 2017 we began laying the groundwork for our Hub Development Strategy, which is focussed on evolving our airport into a larger hub to position Halifax Stanfield as a Gateway to Canada and complement existing hubs in Eastern Canada. It's these new aircraft types that position us as a gateway for passengers transiting from Europe and beyond through Halifax to other parts of Canada and into the United States and beyond.

The development of this hub will allow us to play a further role in developing tourism and facilitating immigration in the region and open many new markets for both business and leisure travellers.

It was also a record year for cargo, with 34,051 metric tonnes processed, representing a 2.2 per cent increase over 2016. In terms of export value, cargo shipped through Halifax Stanfield was worth a staggering $445.9 million, up 10.2 per cent over the previous year.

Much of this cargo is live lobster and other seafood exports. As demand for these ocean delicacies continues to flourish, especially to Europe and Asia, we are poised for continued growth in seafood exports. In fact, China was our top market for live Nova Scotia lobster in 2017, with the volume of exports to this country increasing by 63 per cent over the previous year, double the average growth of all other export destination countries.

Our efforts to grow as an international hub include a focus on China, an emerging economy with tremendous potential from a tourism and trade perspective. In 2017, we advanced our China Strategy to include strategically focussed visits throughout the year to this country, including participation in a regional trade visit.

Also in 2017, we completed an application to the National Trade Corridors Fund, a federal funding initiative by Transport Canada to gain access to financial support that would allow the airport to continue its growth and support of the cargo logistical chain through the development of a proposed Air Cargo Logistics Park.

In April 2018, we disappointingly learned that our application wasn't selected for funding. We strongly believe this project will enhance transportation infrastructure, foster trade, increase export capacity and create jobs, and we're now focussed on considering alternate sources of investment.

connecting means... growth

In 2017, we welcomed new shops in the terminal building, including Amos Pewter and BOSO Bamboo Boutique pre-security, and Island Beach in departures.

We introduced new food and beverage options including A&W and Pannizza pre-security and Vino Volo in departures. Also in departures, Tim Hortons opened in its new location.

We undertook an ambitious capital program to enhance the airport experience, support growth, and improve efficiency and productivity.

Construction wrapped up on the Airport Power Systems Improvement Project. These upgrades have improved the reliability and redundancy of the airfield and airport terminal building's electrical power supply systems, reducing the risk of power failure while enhancing backup power systems.

Work began on our 10-year Airfield Restoration Program to maintain the integrity of high-traffic areas and ensure long-term safety and reliability. The 2017 work focussed on the South Apron as well as sections of Taxiway Alpha and Runway 05/23.

We continued our focus on our passenger experience improvement program aimed at enriching the ambience and enhancements of the terminal building. We updated the floor and seating in the food court. And we continued to renovate public washrooms.

Construction began on a project to create additional space for expanded screening capacity in the pre-board security screening area. Plans are underway to expand the terminal building on the first floor, which, in turn, will create more space in the domestic/international holdroom on the second floor for additional concessions and seating space.

We continued work on replacing the central chiller plant, which will give us a more energy efficient cooling system.

We also replaced the airport's main sewage pumping station, which had reached the end of its serviceable life, with a new facility designed to handle the growth of our airport well into the future.

Supporting our strategic priority of maximizing airport efficiency, we concentrated our technology efforts within four main areas of development: business continuity and disaster recovery, physical and data security systems, airline common use and passenger processing, and transformative technologies.

In an effort to modernize document management and improve collaboration and communication throughout the Airport Authority, our Business Solutions & Information Technology team launched a new project to refresh our traditional data file management and employee intranet by adopting Microsoft Office 365 services and SharePoint.

Halifax Stanfield became the first airport in Canada to implement an Infax TRAX® SmartRestroom, a user interface that allows the airport to view survey results and real-time passenger analytics. We can view visitor feedback and immediately address issues.

We made upgrades to our parking system, public address system, WiFi service, and digital gate signage and worked with Apple to map the entire air terminal building and identify various points of interest such as the location of washrooms, shops and restaurants.

And we collaborated with Canada Border Services Agency to improve the airport experience of our passengers. We installed 24 Primary Inspection Kiosks in the international arrivals area, which is complemented by an eDeclaration mobile application. Employing the latest technology to expedite the customs process aligns with our strategic priority of maximizing airport efficiency and we were delighted to launch this enhancement for the benefit of returning residents and arriving visitors.


connecting means... collaboration
TANFIELD
NAL

Safety, security and environmental excellence are always our top priority and are woven in the fabric of everything we do.

In 2017, we successfully completed a Transport Canada audit of our Safety Management System and implemented semi-annual safety workshops for managers and supervisors.

In October, we joined forces with airports across the country to mark Canadian Airports Safety Week to foster safe and healthy work practices among airport employees, while actively promoting safety 24-7. We also introduced our Perks of Reporting Safety Hazards recognition program.

We signed the Nova Scotia Health and Safety Leadership Charter, joining organizations from across the province, to pledge our collective commitment to workplace health and safety.

And we earned a certificate of recognition for Occupational Health and Safety after successfully passing all requirements of an external audit based on Workers' Compensation Board safety standards.

Our Emergency Response Services team responded to 773 calls in 2017, including aircraft incidents, fire and smoke reports, emergency stand-bys, and medical situations.

And our very dedicated crews worked tirelessly to clear 337 centimeters of snow and ice from our airfield, and keep our airfield lights operating and in service, ensuring that aircraft could continue to land and take-off safely and efficiently.

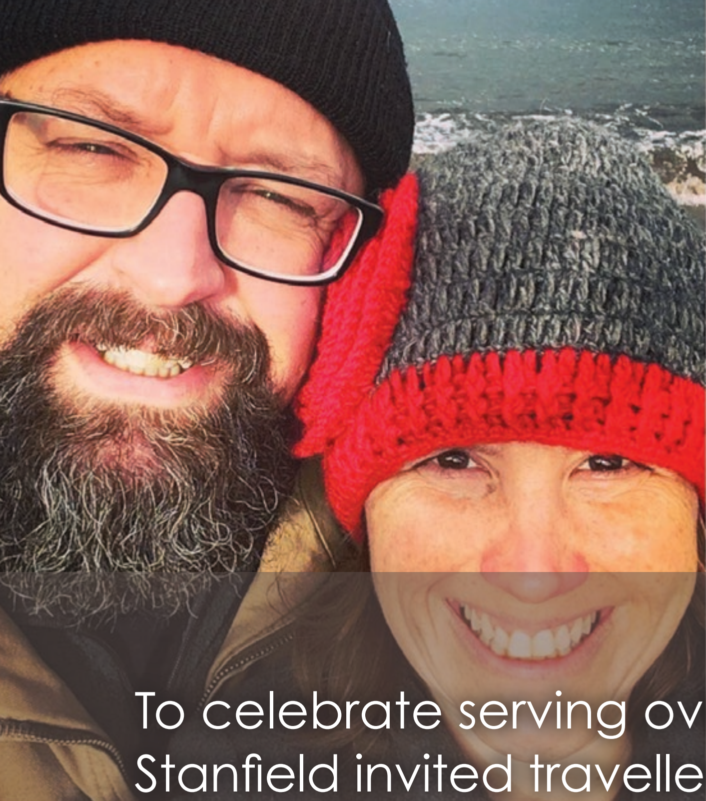
On the security side, we made the successful switch in providers for airport security, security operations centre, and parking and curbside service, as G4S Secure Solutions took over these functions at the beginning of the year.

Improvements were made to the Airport's security infrastructure, including enhancements to the camera network, increased protection of important building systems, and new physical security measures to further protect the travelling public. We also improved our security planning and risk assessment systems.

On the environment front, we achieved Level One of the Airports Council International Airport Carbon Accreditation program and took steps to achieve Level Two. This certificate recognizes our work to manage CO2 emissions as part of the airport industry's response to the challenge of climate change. Halifax Stanfield's carbon management processes earned the first accreditation level of mapping and we are now focussed on achieving the second accreditation level of reduction, which aims to reduce our carbon footprint. We are committed to improving environmental efficiency and carbon reduction in the aviation industry.

We updated our Environmental Management System to the latest ISO 14001 Standard.

And we began our Crisis Management and Business Continuity Plan. The objective is to create a single integrated plan to ensure continued operations in the face of a disruptive event or crisis situation.



phaedracharlton • Follow

phaedracharlton Hey @hfxstanfield connecting means after 10 years of #marriage ❤️ that we still #love spending time together and making any #journey an #adventure, whether it is to #europe✈️ , the #beach , on a #roadtrip🚘 , or even the #grocerystore. Of course an #anniversary #trip anywhere @aircanada 🇨🇦 flies would be #fun too! 😉 #4mconnections #letsallcelebrate .
.
#newlywedsforever #10thanniversary #happyanniversary #happyanniversarytous #travel #specialmoments #fantasticairport #littlemoments #itsnotthesizeoftheairportitsthehospitality #stressfreetravel #travelblogger #eastcoastgateway

20 likes

Vanessa Ferguson @VanessaFerg Follow

Replying to @HfxStanfield @AirCanada

Connecting means self-discovery, adventure and making the entire world feel like home #4mconnections

9:29 AM - 13 Feb 2018

2 Likes

Ashley Mah @ashley_mah Follow

@HfxStanfield Connecting means that a "solo trip" always turns into an adventure with new friends #4mconnections

5:43 AM - 27 Feb 2018

To celebrate serving over four million passengers in 2017, Halifax Stanfield invited travellers to share what connecting means to them.

Katelyn Boucher @katelynboucher Follow

Connecting means asking the stranger seated next to you how their travels are going #4mconnections

2:40 PM - 9 Feb 2018

2 Likes

Alma Tower @almatower Follow

Connecting means spreading kindness in our communities, throughout 🇨🇦 and the world #4mconnections

12:44 PM - 9 Feb 2018 from Halifax, Nova Scotia

2 Likes

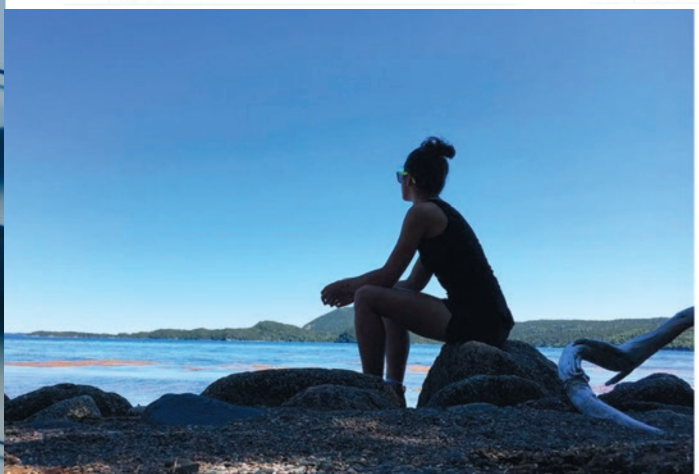
Emily Sutherland @emilysrj Follow

Replying to @HfxStanfield @AirCanada

Connecting means... taking a chance at a job opportunity that others can only dream of #4mconnections

5:30 PM - 9 Feb 2018

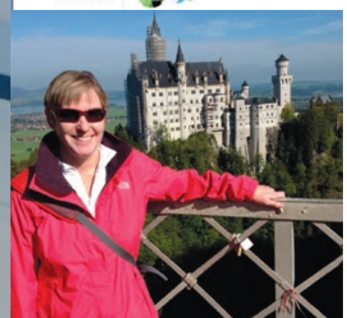
2 Likes



rebecca.rathbone • Follow
Terra Nova National Park

rebecca.rathbone Connecting means going out and having sincere encounters with new people and places, and coming home a better person for it ✌️
.
@hfxstanfield #4mconnections #TerraNova #TerraNovaNationalPark #NationalPark #ParksCanada @parks.canada #Adventurer #Newfoundland #Canada #ExploreCanada #ExploreNL #ExploreNewfoundland #TravelCanada #TravelNL #VisitNewfoundland

60 likes



holli.burnett • Follow

holli.burnett Connecting means enjoying new countries, cultures, and cuisines #4mconnections

kirstiocean Neuschwanstein Castle 😍 😍 😍 😍

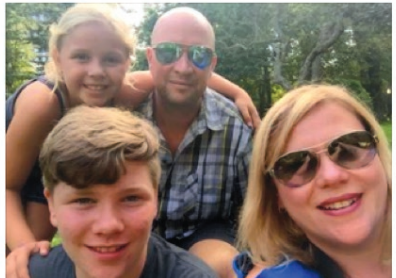
michelle.zareski Hey you two beautiful people, have the time of your lives! 💗 🥂 😘

4 million passengers – countless connections

samanthas6 • Follow
Torres Del Paine, Patagonia

samanthas6 Connecting means having friends who will go on crazy adventures with you #4mconnections

Erica MacPherson Connecting means, bringing this commuting Daddy home safely from working away. .#4mconnections



Kelley Blair
@wdskip
Follow

Replying to @HfxStanfield @AirCanada

#4mconnections Connection means connecting with my Mom and being with her during her most scary moments - surgeries, tests. Mom was diagnosed with Lung cancer March 2017, then in October diagnosed with Bladder cancer, and now January 2018 we find out she has Kidney cancer.

11:06 AM - 9 Feb 2018

Randy McNutt
@mcnutt_randy
Follow

Connecting is dropping off friends and family to explore the globe, greeting them upon their return and enjoying listening to their worldly experiences. #4Mconnections

9:05 AM - 1 Mar 2018

1 Like

Mitchell VO
@pryymal
Follow

Connecting means being able to travel half way around the world in less than a day, just to feel at home with the ones you love. #4mconnections

10:38 AM - 1 Mar 2018

Amy Elizabeth
@ElizabethAmy21
Follow

Replying to @HfxStanfield @AirCanada

Connecting means joining together! My husband and I arrived at @HfxStanfield as new parents with our adopted son 💕 #4mconnections

12:36 PM - 9 Feb 2018

Paul Lunn
@paul_lunn81
Follow

Connecting means exploring and learning about the world around us. #4Mconnections @HfxStanfield

Sarah Livingston
@SarahMarion18
Follow

Replying to @HfxStanfield @AirCanada

Connecting means being able to go to school in Newfoundland and still being able to come home to Nova Scotia to see my family and friends 😊 #4mconnections

12:22 PM - 9 Feb 2018

5 Likes

Jess Ride
@JessicaRideout1
Follow

Connecting means embracing cultures around the world and learning about the kindness of people everywhere! #4mconnections @AirCanada @HfxStanfield

3:49 PM - 26 Feb 2018

Amy Conrad
@ShoreChick88
Follow

Replying to @HfxStanfield

Connecting means the joy of being able to be with my mom and see her hug her 2 grandsons again after my brother got restationed from NS to Winnepeg with the military. Winning would mean the world to her #4mconnections 💕

6:58 AM - 12 Feb 2018

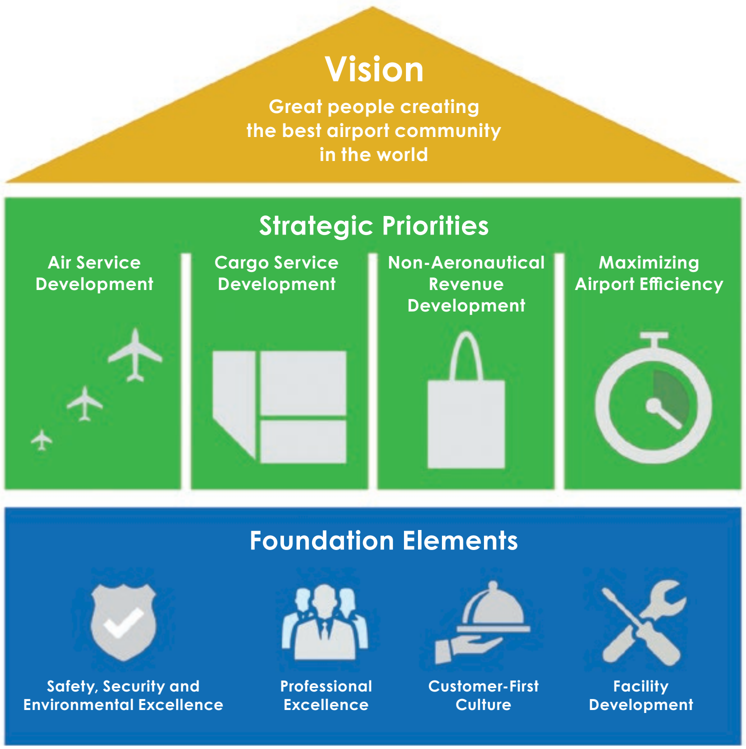
Air Service Summary 2017

Scheduled and Charter Passenger Services			Scheduled and Charter Air Carriers	
19 Domestic Destinations	**10 Transborder (USA) Destinations**	**17 International Destinations**	**19 Passenger Carriers**	**12 Cargo Carriers**
Calgary, AB Charlottetown, PE Deer Lake, NL Edmonton, AB Fredericton, NB Gander, NL Goose Bay, NL Hamilton, ON Moncton, NB Montréal, QC Ottawa, ON Saint John, NB St. John's, NL Stephenville, NL Sydney, NS Toronto, ON Toronto City Centre, ON Vancouver, BC Winnipeg, MB	Boston, Massachusetts Fort Lauderdale, Florida Newark, New Jersey New York (JFK), New York Orlando, Florida Philadelphia, Pennsylvania Portland, Maine Sarasota-Bradenton, Florida (one- stop via Portland, Maine) St. Petersburg, Florida Tampa, Florida	Cuba – Cayo Coco, Holguin, Santa Clara, Varadero Dominican Republic – Puerto Plata, Punta Cana, Samana France – Paris (one-stop via Dublin) Germany – Frankfurt, Munich Iceland – Reykjavik Ireland – Dublin Jamaica – Montego Bay Mexico – Cancun Scotland – Glasgow St. Pierre et Miquelon – St. Pierre United Kingdom – London (Heathrow)	Air Canada Air Saint-Pierre Air Transat American Airlines ASL Airlines France Condor Flugdienst Delta Air Lines Elite Airways EVAS Flair Airlines (formerly NewLeaf) Icelandair Jazz Porter Airlines Provincial Airlines Sky Regional Sunwing Airlines United Airlines WestJet WestJet Encore	Air Canada Air Saint-Pierre Atlas Air (DHL) ASL Airlines France Cargojet Condor Flugdienst Federal Express (FedEx) Icelandair Korean Air Cargo National Cargo Qatar Airways Cargo WestJet

Business Strategies

The five-year strategic plan, covering the period 2017-2021, is designed to provide a blueprint for Halifax International Airport Authority (HIAA) to move towards its vision for the airport.

The following diagram highlights the key strategic priorities, the foundation elements that support them and their supporting role for HIAA's corporate vision:



From the overarching plan, an annual business plan is developed each fiscal year.

The 2017-2021 strategic plan has identified the following priorities to direct and measure performance over the plan period. Corporate performance in 2017 relating to the strategic priorities and foundation elements as described in the strategic plan and annual business plan are as follows:

Air Service Development

Objective: *Continued service expansion as Atlantic Canada's gateway hub*

Surpassed the four million passenger milestone, growing traffic by 4.5 per cent and exceeding the target of 2.7 per cent while seat capacity grew by 2.3 per cent, consistent with expectations. We began implementation of our Hub Strategy, which will allow us to play a greater role in developing tourism and facilitating trade, investment and immigration in the region. New ultra low-cost carriers (ULCCs) preparing to enter the Canadian market have included service in Halifax as part of their national networks.

Business Strategies (continued)

Cargo Service Development

Objective: *Facilitate cargo service expansion to support regional economic development*

Cargo volume was 34,051 tonnes, an increase of 2.2 per cent over the previous year and ahead of expectations. To expand Halifax Stanfield's capacity and role in the regional supply chain, we submitted a comprehensive application to the Government of Canada's National Trade Corridors Fund (NTCF), to support the creation of the Halifax Stanfield Air Cargo Logistics Park. In April 2018, we disappointingly learned that our application wasn't selected for funding. We strongly believe this project will enhance transportation infrastructure, foster trade, increase export capacity and create jobs, and we're now focussed on considering alternate sources of investment.

Non-Aeronautical Revenue Development

Objective: *Use an entrepreneurial approach to diversify products and services in support of air service development*

Non-aeronautical revenue was 51.9 per cent of total operating revenue, slightly above the annual target. Thus, non-aeronautical revenue exceeded aeronautical revenue as the primary revenue source for HIAA. Less reliance on aeronautical revenue allows Halifax Stanfield to be more competitive in the market. New concessions introduced in 2017 included a mix of local and national brands, which saw Halifax Stanfield welcome A&W, Amos Pewter, BOSO Bamboo Boutique, Pannizza, and Vino Volo.

Maximizing Airport Efficiency

Objective: *Use innovation to drive continuous improvement and cost containment*

HIAA's operating cost per enplaned passenger was $27.78, an improvement from the target of $28.66. Significant inroads were made in reducing utilities consumption as a result of various projects that were completed in 2017. Upgrades were made to the parking system, public address system, WiFi service, and digital gate signage. Work also progressed on replacing the central chiller plant, which will give us a more efficient cooling system. Also noteworthy, 24 Primary Inspection Kiosks were installed in the international arrivals area to improve passenger flow, stabilize costs and enhance the overall passenger experience.

Safety, Security and Environmental Excellence

Objective: *Integrate safety, security and environmental excellence in all aspects of the airport's business and operations*

HIAA joined Airports Council International's (ACI) Airport Carbon Accreditation Program, a global consortium of airports dedicated to managing, reducing and ultimately neutralizing their carbon footprint. We reached our 2017 goal of achieving Level One of the ACI Airport Carbon Accreditation program and took steps to achieve Level Two. We updated our Environmental Management System to the latest ISO 14,001 standard and began a comprehensive Crisis Management and Business Continuity Plan.

Business Strategies (continued)

Professional Excellence

Objective: *Optimize employee engagement and performance*

To measure employee engagement, we increased the frequency by which we survey our staff, from biennially to annually. The 2017 survey had a record 80 per cent participation rate. While the results did not show an improvement in engagement, they once again indicated that staff are proud to work at HIAA, want to continue working here and would recommend HIAA to others. Two committees were formed to focus on interdepartmental and multi-level teamwork, cooperation and communication; and performance feedback and recognition. In 2018, we will continue with the implementation of recommendations the committees provided with a more targeted approach, focussing on team-specific recommendations.

Customer-First Culture

Objective: *Strengthen our culture of superior service*

To measure customer satisfaction, we continue to participate in the Airport Service Quality (ASQ) survey. The survey measures 34 separate elements of the passenger airport experience and how well each element satisfies passenger expectations. The overall satisfaction score in 2017 was 4.33 out of 5 compared to 4.37 in 2016. To improve passenger satisfaction, we will continue our ongoing passenger experience improvement program in 2018, aimed at enriching the ambience and enhancements of the terminal building, including further improvements to our in-terminal WiFi offering.

Facility Development

Objective: *Develop airport infrastructure and services to efficiently support growth and enhance customer experience*

As part of HIAA's approved capital program, $30 million was invested into the maintenance and improvement of the airport's infrastructure in 2017. This included completion of the Airport Power Systems Project, improving the reliability and redundancy of the airfield and airport terminal building's electrical power supply systems; the first year of our 10-Year Airfield Restoration Program; and the start of construction on a project to create additional space for improved passenger flow and expanded screening capacity in the pre-board screening area.

Five-Year Forecast

	ACTUAL			FIVE-YEAR FORECAST*				
YEAR	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**
Passenger Volume	3,702,705	3,908,799	4,083,188	4,156,685	4,264,759	4,362,849	4,450,106	4,539,108
Per cent Change	1.1 %	5.6 %	4.5 %	1.8 %	2.6 %	2.3 %	2.0 %	2.0 %
Total Aircraft Movements	78,295	80,332	78,960	79,604	80,798	82,010	83,240	84,489
Per cent Change	-3.3 %	2.6 %	-1.7 %	0.8 %	1.5 %	1.5 %	1.5 %	1.5 %
Expenditures on Capital Assets, net of Government Contributions ($ 000's)	$ 23,196	$ 34,057	$ 30,131	$ 53,000	$ 40,000	$ 43,000	$ 54,000	$ 41,000
Rent Payable to Transport Canada ($ 000's)	$ 6,284	$ 6,709	$ 7,034	$ 7,400	$ 7,600	$ 8,000	$ 8,300	$ 8,600

* The forecast figures indicated are subject to change.

Connecting Means... Prosperity

Overall, 2017 was a solid year financially.

Total revenues rose to $100.2 million, up from $97.4 million in 2016. The dominant factors that accounted for this growth included a 4.5 per cent rise in traffic to a record 4,083,188 passengers, continued growth in parking revenue, increased earnings from concessions, as well as improved commercial revenue.

Expenses in 2017 were $95.3 million compared to $92.3 million in 2016. The increase in expenses was primarily driven by increased depreciation, higher ground lease rent and increased promotions and marketing activity.

Overall, revenues exceeded expenses in 2017 by $4.9 million, compared to $5.1 million in 2016. This result is before accounting for the non-cash impact of our defined benefit pension plan.

Under the Airport Authority's mandate, this surplus will be re-invested in airport operations and development to improve our facilities and services.

In recognition of our prudent financial management, Standard & Poor's once again affirmed our A+ corporate and bond credit ratings for the twelfth straight year. At the same time, Standard & Poor's maintained their outlook on HIAA as positive. This annual assessment reflects the continued stability and strong business risk profile of our organization.

Following a competitive process, we also negotiated and renewed our banking agreement and credit facility with CIBC, securing funding and availability of credit for the next five years.

The most recent economic impact study reaffirmed that Halifax Stanfield is a valuable asset, worth billions to the province of Nova Scotia. In fact, Halifax Stanfield contributes in total over $2.8 billion to the Nova Scotia economy annually. And for every dollar the airport generates, the broader economy of Nova Scotia receives $2.54 in economic output.

This includes not only the impact of the airport and tenant operations, but also the benefit from exporter activity making use of our cargo facilities and the impact of tourists who use Halifax Stanfield as their gateway to the region.

Airport operations create 15,220 full-time equivalent jobs – including 5,665 on-site – generating over $762 million in wages and salaries. And with $635 million invested in construction and renovation since 2000, this represents more than 70 per cent of all airport-related capital improvements in Atlantic Canada and demonstrates Halifax Stanfield's significant regional role in air passenger and air cargo activity.

And in 2017, we revised our Enterprise Risk Management Policy to address risk on an enterprise-wide basis, creating a process for identifying those risks that threaten achievement of our strategic objectives and developing associated mitigation strategies. The approach is intended to align risk management with our annual business plan and five-year strategic plan.

Financial Statements

INDEPENDENT AUDITORS' REPORT

To the Directors of the **Halifax International Airport Authority**

We have audited the accompanying financial statements of **Halifax International Airport Authority** [the "Authority"], which comprise the balance sheet as at December 31, 2017 and the statements of operations and changes in equity and cash flows for the year ended December 31, 2017, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for private enterprises, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

Opinion
In our opinion, the financial statements present fairly, in all material respects, the financial position of **Halifax International Airport Authority** as at December 31, 2017, and the results of its operations and its cash flows for the year ending December 31, 2017, in accordance with Canadian accounting standards for private enterprises.

Grant Thornton LLP

Halifax, Canada
March 23, 2018

Chartered Professional Accountants
Licensed Public Accountants

Balance sheet

As at December 31

[in thousands of dollars]	2017 $	2016 $
ASSETS		
Current		
Cash and cash equivalents	13,010	20,036
Accounts receivable	7,581	5,272
Inventories	1,236	1,017
Prepaid expenses	1,123	1,025
Total current assets	22,950	27,350
Capital assets, net *[note 3]*	388,814	382,507
Debt Service Reserve Fund *[note 4]*	7,427	7,427
Accrued benefit asset *[note 7]*	9,575	5,781
	428,766	423,065
LIABILITIES AND EQUITY		
Current		
Accounts payable and accrued liabilities	22,414	23,762
Deferred revenue	717	818
Total current liabilities	23,131	24,580
Long-term debt *[note 4]*	283,449	283,422
Security deposits	1,514	1,375
Total liabilities	308,094	309,377
Equity in capital assets *[note 5]*	120,672	113,688
	428,766	423,065

Commitments *[note 6]*
Contingencies *[note 10]*

See accompanying notes

On behalf of the Board:

Director

Director

Statement of Operations and Changes in Equity

Year ended December 31

[in thousands of dollars]	2017 $	2016 $
REVENUE		
Terminal and passenger security fees	19,615	19,807
Parking	14,396	13,872
Concessions	12,818	12,241
Landing fees	10,727	10,728
Rental	4,364	4,024
Interest *[note 5]*	256	302
Other	1,116	761
	63,292	61,735
Airport improvement fees *[note 5]*	36,908	35,617
	100,200	97,352
EXPENSES		
Salaries, wages and benefits	22,160	22,154
Amortization	23,931	21,974
Materials, services and supplies	19,730	19,710
Interest on long-term debt *[note 4] [note 5]*	14,938	14,953
Ground lease rent	7,034	6,709
General and administrative *[note 3]*	6,013	5,303
Property taxes	1,500	1,462
	95,306	92,265
Excess of revenue over expenses before pension plan (loss) gain	4,894	5,087
Defined benefit pension plan (loss) gain *[note 7]*	2,010	(2,074)
Excess of revenue over expenses for the year	6,904	3,013
Equity in capital assets, beginning of year	113,688	110,595
Equity in capital assets	120,592	113,608
Amortization of deferred financing costs	80	80
Equity in capital assets, end of year *[note 5]*	120,672	113,688

See accompanying notes

Statement of Cash Flows

Year ended December 31

[in thousands of dollars]	2017 $	2016 $
OPERATING ACTIVITIES		
Excess of revenue over expenses for the year	6,904	3,013
Add (deduct) items not affecting cash		
Amortization	23,931	21,974
Accrued benefit asset/liability	(3,794)	197
Net change in non-cash working capital balances related to operations	(3,936)	2,681
Cash provided by operating activities	23,105	27,865
INVESTING ACTIVITIES		
Expenditures on capital assets	(30,131)	(34,057)
Cash used in investing activities	(30,131)	(34,057)
Net decrease in cash during the year	(7,026)	(6,192)
Cash and cash equivalents, beginning of year	20,036	26,228
Cash and cash equivalents, end of year	13,010	20,036

See accompanying notes

[Tabular amounts are in thousands of dollars]

1. General

Halifax International Airport Authority [the "Authority" or "HIAA"] was incorporated on November 23, 1995 as a corporation without share capital under Part II of the *Canada Corporations Act*. On February 1, 2000, the Authority signed a 60-year ground lease with Transport Canada and assumed responsibility for the management, operation and development of the Halifax Robert L. Stanfield International Airport [the "Airport" or "HSIA"]. In 2014, the Authority was granted an extension of the lease for an additional 20 years, extending the lease to January 31, 2080. The excess of revenue over expenses for the year is retained and reinvested in airport operations and development.

HSIA is a world-class airport creating prosperity for its region by connecting Atlantic Canada to the world through flight. The airport is the largest airport in Atlantic Canada, and the region's gateway to the world.

The Authority is governed by a Board of Directors whose members are nominated by the Halifax Regional Municipality, the Province of Nova Scotia and the Government of Canada, as well as the Halifax Chamber of Commerce. The nominated members can also appoint additional members who represent the interests of the community.

The Authority is exempt from federal and provincial income taxes, federal large corporation's tax, and Nova Scotia capital tax.

2. Summary of Significant Accounting Policies

The Authority's financial statements have been prepared in accordance with Part II of the Chartered Professional Accountants ["CPA"] of Canada Handbook – Accounting Standards for Private Enterprises, which sets out generally accepted accounting principles for non-publicly accountable enterprises in Canada, and include the significant accounting policies described hereafter.

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of certain assets and liabilities at the date of the financial statements and the reported amounts of certain revenue and expenses during the year. Actual results could differ from those estimates.

Cash and cash equivalents

Bank balances, including bank overdrafts with balances that fluctuate from positive to overdrawn, are presented under cash and cash equivalents. Cash equivalents include highly liquid investments that are readily convertible to known amounts of cash and that are subject to an insignificant risk of change in value. An investment normally qualifies as a cash equivalent when it has a short maturity of approximately three months or less from the date of acquisition.

Government assistance

Amounts received or receivable resulting from government programs for capital development are reflected as reductions of the cost of the assets to which they relate when the Authority becomes eligible to accrue them, provided there is reasonable assurance the benefits will be realized.

Inventories

Inventories consist of materials, parts and supplies and are stated at the lower of cost, determined on an average cost basis, and net realizable value.

[Tabular amounts are in thousands of dollars]

2. Summary of Significant Accounting Policies (continued)

Ground lease

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

Capital assets

Capital assets are recorded at cost, including interest on funds borrowed for capital purposes, net of contributions and government assistance, and are amortized over their estimated useful lives on a straight-line basis at the following rates:

Computer hardware and software	20% - 33%
Leasehold improvements	2.5% - 10%
Machinery, equipment, furniture and fixtures	5% - 20%
Vehicles	5% - 17%

Construction in progress is recorded at cost and is transferred to leasehold improvements when the projects are complete and the assets are placed into service.

Long-term debt

Long-term debt is initially measured at fair value, net of transaction costs and financing fees. It is subsequently measured at amortized cost. Transaction costs and financing fees are amortized over the term of the debt.

Revenue recognition

Landing fees, terminal fees, parking revenue and passenger security fees are recognized as the airport facilities are utilized. Concession revenue is recognized on the accrual basis and calculated using agreed percentages of reported concessionaire sales, with specified minimum guarantees where applicable. Rental revenue is recognized over the terms of the respective leases, licenses and permits. Airport improvement fees ["AIF"] are recognized when originating departing passengers board their aircraft as reported by the airlines.

Employee benefit plans

The Authority sponsors a pension plan on behalf of its employees, which has defined benefit and defined contribution components. In valuing pension obligations for its defined benefit component, the Authority uses the accrued benefit actuarial method prorated on services and best estimate assumptions. Pension plan assets are valued at current market values. Defined contribution component amounts are expensed as incurred.

Actuarial gains and losses are recognized in full in the period in which they occur. Current service cost and the interest cost on the accrued benefit obligation are included in the results of the Statements of Operations and Changes in Equity. The change in the long-term pension benefit obligation in the year is recognized in the Statements of Operations and Changes in Equity.

Financial instruments

The Authority's financial instruments consist of cash and cash equivalents, accounts receivable, Debt Service Reserve Fund, accounts payable and accrued liabilities and long-term debt. Accounts receivable are accounted for at amortized cost. Cash and Cash Equivalents and the Debt Service Reserve Fund are recorded at fair value with realized and unrealized gains and losses reported in earnings in the period during which they arise. Accounts payable and accrued liabilities and long-term debt are accounted for at amortized cost with gains and losses reported in earnings in the period during which they arise. The Authority has no held-to-maturity or available-for-sale financial assets.

Transaction costs are capitalized and added to the cost of financial assets and liabilities not classified as held-for-trading.

[Tabular amounts are in thousands of dollars]

3. Capital Assets

Capital assets consist of the following:

	2017			2016
	Cost $	Accumulated amortization $	Net book value $	Net book value $
Computer hardware and software	16,277	12,983	3,294	3,553
Leasehold improvements	522,538	160,540	361,998	348,418
Machinery, equipment, furniture and fixtures	17,784	11,701	6,083	3,812
Vehicles	17,447	8,193	9,254	8,860
Construction in progress	8,185	—	8,185	17,864
	582,231	193,417	388,814	382,507

During the year, $1.1 million in government contributions were received or receivable [2016 – less than $0.1 million] and were applied to capital assets. The contributions relate to capital development.

During the year, no loss [2016 – $0.5 million] was recognized in general and administrative expenses that related to the disposal of capital assets.

[Tabular amounts are in thousands of dollars]

4. Long-term Debt

Long-term debt consists of the following:

	2017 $	2016 $
5.503%, non-amortizing Series A Revenue Bonds due July 19, 2041. Interest payable semi-annually in arrears on January 19 and July 19 of each year until maturity, which commenced on January 19, 2007.	150,000	150,000
4.888%, non-amortizing Series C Revenue Bonds due November 15, 2050. Interest payable semi-annually in arrears on May 15 and November 15 of each year until maturity, which commenced on May 15, 2011.	135,000	135,000
	285,000	285,000
Less transaction costs, net of accumulated amortization	1,551	1,578
	283,449	283,422

Bond issues

In July 2006, the Authority completed its inaugural $150 million Revenue Bond issue. The $150 million 5.503% Series A Revenue Bonds are due on July 19, 2041. In November 2010, the Authority completed a $135 million Revenue Bond issue. The $135 million 4.888% Series C Revenue Bonds are due on November 15, 2050.

The net proceeds from these offerings were used to finance the capital plan and for general corporate purposes. These purposes included repaying existing bank indebtedness and funding of the Debt Service Reserve Fund. The bonds are direct obligations of the Authority ranking pari passu with all other indebtedness issued under the Master Trust Indenture.

[Tabular amounts are in thousands of dollars]

4. Long-term Debt (continued)

Credit facilities
The Authority has authorized credit facilities with the Canadian Imperial Bank of Commerce, which provide the Authority with a combined availability of $94.5 million, comprised of a $72.0 million Capex facility and a $22.5 million revolving operating and letter of credit facility. These facilities are secured under the Master Trust Indenture and are available by way of overdraft, prime rates, loans, or bankers' acceptances.

As at December 31, 2017, an amount of $13.9 million of the operating and letter of credit facility had been committed, with $2.1 million designated to pension plan funding regulations and $11.8 million designated to the Operating and Maintenance Reserve Fund.

Reserve funds
Pursuant to the terms of the Master Trust Indenture, the Authority is required to establish and maintain with a trustee a Debt Service Reserve Fund. The balance within this fund must be equal to at least 50% of annual bond debt service costs. As at December 31, 2017, the Debt Service Reserve Fund included $7.4 million [2016 – $7.4 million] in interest-bearing deposits held in trust. These trust funds are held for the benefit of bondholders for use in accordance with the terms of the Master Trust Indenture.

The Authority is also required to maintain an Operating and Maintenance Reserve Fund. The balance in the Operating and Maintenance Reserve Fund must be equal to at least 25% of certain defined operating and maintenance expenses for the previous fiscal year. Approximately $12.0 million will be required to fund the Operating and Maintenance Reserve Fund in 2018. The Operating and Maintenance Reserve Fund may be satisfied by cash, letters of credit, or the undrawn availability under a committed credit facility.

Capitalized interest
Interest on long-term debt amounting to $0.1 million [2016 – less than $0.1 million] was capitalized as part of construction in progress during the year.

5. Airport Improvement Fees

The AIF revenue is used to fund the cost of the Authority's capital program and related financing costs, along with debt and operational surpluses. Operational surpluses consist of excess of revenue over expenses before depreciation and interest. The AIF rate at December 31, 2017 was $25 [2016 – $25] and applies to each departing enplaned passenger. The AIF are collected by the air carriers for a fee of 6% under an agreement between the Authority, the Air Transport Association of Canada, and the air carriers serving the Airport. Under the agreement, AIF revenue may only be used to pay for the capital and related financing costs as jointly agreed with air carriers operating at the Airport.

[Tabular amounts are in thousands of dollars]

5. Airport Improvement Fees (continued)

A summary of the AIF collected and capital and related financing expenditures are as follows:

	2017 $	2016 $
AIF revenue [net]:		
AIF revenue	39,302	37,932
AIF collection costs	(2,394)	(2,315)
	36,908	35,617
Interest on surplus funds	256	302
Net funds received	37,164	35,919
Capital expenditures funded by AIF	30,131	33,989
Interest expense funded by AIF	14,938	14,953
	45,069	48,942
Excess of expenditures over AIF revenue	(7,905)	(13,023)
Excess of expenditures over AIF revenue, beginning of year	(338,203)	(325,180)
Excess of expenditures over AIF revenue, end of year	(346,108)	(338,203)

From January 1, 2001 to December 31, 2017, the cumulative capital expenditures funded by AIF totaled $711.8 million [2016 – $666.8 million] and exceeded the cumulative AIF revenue by $346.1 million [2016 – $338.2 million].

Equity in capital assets of the Authority is as follows:

	2017 $	2016 $
Equity in capital assets provided by AIF	38,080	39,784
Equity in capital assets provided by other operations	82,592	73,904
Equity in capital assets, end of year	120,672	113,688

The opening adjustment to equity in capital assets represents deferred financing costs amounting to $2.8 million related to a cash flow hedge, which was discontinued before the end of the original hedge term. The balance of these costs was allocated to equity in capital assets on January 1, 2007, the date at which the hedge was discontinued.

The deferred costs are amortized over the remaining term of the previously hedged instruments. The amortization related to the current year amounts to $0.1 million [2016 – $0.1 million] and cumulative amortization to date amounts to $1.0 million.

[Tabular amounts are in thousands of dollars]

6. Commitments

Transfer agreement
Effective February 1, 2000, the Authority signed a 60-year ground lease with Transport Canada which provides for the Authority to lease the Airport. A 20-year extension was granted in 2014, extending the lease to January 31, 2080. Unless otherwise extended, the Authority is obligated to return control of the Airport to Transport Canada. Lease payments are based on a percentage of gross revenue on a progressive scale.

The estimated lease obligations over the next five years are approximately as follows:

	$
2018	7,400
2019	7,600
2020	8,000
2021	8,300
2022	8,600

Long-term debt – bond issues
The interest payable over the next five years on the Authority's Series A and Series C Revenue Bonds is as follows:

	$
2018	14,854
2019	14,854
2020	14,854
2021	14,854
2022	14,854

Construction in progress
As at December 31, 2017, the Authority had outstanding contractual construction commitments amounting to approximately $6.4 million [2016 – $7.5 million].

[Tabular amounts are in thousands of dollars]

7. Pension Plan

The Authority sponsors a pension plan [the "Plan"] on behalf of its employees, which has defined benefit and defined contribution components. An actuarial valuation has been prepared as at January 1, 2017 for the purposes of funding the Plan. A measurement date of December 31, 2017 has been used for the purposes of the financial statements.

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

a. Plan assets are valued at fair value for the purpose of calculating the expected return on the Plan assets.

b. At December 31, 2017, the plan assets were invested in various pooled funds.

c. Due to the nature of the benefit promise, the Authority's defined benefit obligation cannot be accurately predicted. Gains and losses arise because of changes in assumptions and from experience differing from what has been assumed. Under CICA Handbook section 3462, these gains and losses are recognized immediately in the Statements of Operations and Equity.

d. Differences in the actual investment return on plan assets and the return using the discount rate are recognized immediately in the Statements of Operations and Changes in Equity.

e. The last actuarial valuation for funding purposes was prepared as at January 1, 2017. The next scheduled actuarial valuation for funding purposes will be performed as at January 1, 2018.

f. The Authority uses a December 31 measurement date.

The following table provides information concerning the assets, accrued benefit obligation, funded status and pension assets of the Plan as at December 31:

	2017 $	2016 $
Plan assets	57,572	52,450
Accrued benefit obligation	(47,997)	(46,669)
	9,575	5,781

The following table provides information concerning the components of the pension gain (loss):

	2017 $	2016 $
Employers' current service cost	(679)	(719)
Interest cost on accrued benefit obligation	(1,854)	(1,842)
Expected return on the assets	2,107	2,121
	(426)	(440)
Actuarial (loss) on accrued benefit obligation	(105)	(1,743)
Difference between expected and actual return on assets	2,541	109
Pension gain (loss)	2,010	(2,074)

[Tabular amounts are in thousands of dollars]

7. Pension Plan (continued)

The significant actuarial assumptions adopted in measuring the Authority's accrued pension benefits, using the funding valuation basis, are as follows:

	2017 %	2016 %
Discount rate – year end benefit obligation	4.00	4.00
Discount rate – net benefit expense	4.00	4.25
Rate of compensation increase	3.25	3.25

Other information related to the Authority's defined benefit component is as follows:

	2017 $	2016 $
Employer's contribution	1,784	1,887
Employees' contributions	136	142
Benefits paid	1,446	1,368

	2017 %	2016 %
Equity securities	38	43
Fixed income securities	54	49
Real estate securities	8	8
	100	100

Pension expense amounted to $1.0 million [2016 – $1.0 million] for the defined contribution component for which the pension expense is equal to the contributions made by the Authority to the Plan during the year.

The pension gain (loss) for the defined benefit component in 2017 was $2.0 million [2016 – ($2.1 million)].

8. Capital Risk Management

The Authority is a corporation without share capital and, accordingly, is funded through operating revenue, AIF revenue, reserve funds, the debt capital markets and its bank credit facility. Aeronautical charges are set each year to cover the projected operating costs, after consideration of the projected air traffic and passenger activity and non-aeronautical revenue. Any funds generated by the Authority are used to cover costs within its mandate.

The Authority's objective for managing capital is to acquire and maintain sufficient capital to safely and effectively manage the Airport's operations. The Authority aims to manage capital to deliver world-class facilities and services to the travelling public. The capital managed by the Authority is composed of long-term debt. As at December 31, 2017, the balance outstanding, excluding any current portion, amounts to $285.0 million [2016 – $285.0 million].

The Authority's indebtedness is secured under the Master Trust Indenture, and supplemented from time to time with established common security and a set of common covenants by the Authority for the benefit of its lenders. The covenants that the Authority must meet include two specific coverage tests for operating expenses and debt service payments. The gross debt service covenant states that the total revenue, including the revenue account balance at the beginning of the year, must at least cover operating expenses, including interest and principal payments. The debt service covenant states that the net revenue for that specific year must be at least 1.25 times the total interest and principal payments for that year. As at December 31, 2017, the Authority is in compliance with all covenants outlined in the Master Trust Indenture.

[Tabular amounts are in thousands of dollars]

8. Capital Risk Management (continued)

In accordance with the Master Trust Indenture, two reserve funds must also be maintained: a Debt Service Reserve Fund and an Operating and Maintenance Reserve Fund. As at December 31, 2017, the Authority satisfies the requirements for both of these reserve funds.

9. Financial Instruments

Fair value

The Authority's financial instruments consist of cash and cash equivalents, accounts receivable, Debt Service Reserve Fund, accounts payable and accrued liabilities and long-term debt. The difference between the carrying values and the fair market values of the financial instruments, excluding long-term debt, are not material due to their short-term maturities. The carrying amount of the current portion of long-term debt approximates its fair value given its short-term nature. The fair value of the bonds approximates the carrying value.

Risk management

The Authority is exposed to a number of risks as a result of the financial instruments on its balance sheet that can affect its operating performance. These risks include interest rate risk, liquidity risk, credit risk, and concentration risk. The Authority's financial instruments are not subject to foreign exchange risk or other price risk.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Authority is subject to interest rate risk relating to its Debt Service Reserve Fund and credit facilities. The Authority manages its interest rate risk through the use of fixed-rate financing where applicable.

The Authority has entered into fixed-rate long-term debt and, accordingly, the impact of interest rate fluctuations has no effect on interest payments until such time as this debt is to be refinanced.

However, changes in prevailing benchmark interest rates and credit spreads may impact the fair value of this debt.

The Authority's most significant exposure to interest rate risk relates to its credit facilities. The Authority's Capex facility, which is in place for the financing of near-term construction costs related to the Authority's Capital Program, is subject to floating interest rates. Management believes that the impact of interest rate fluctuations on construction costs is not material.

The Authority's Debt Service Reserve Fund is subject to changes in interest rates. Management believes that the impact of interest rate fluctuations on the Debt Service Reserve Fund is not representative of the Authority's exposure to interest rate risk as interest income is not essential to the Authority's operations. These funds are intended for reinvestment in airport operations and development, and not for purposes of generating interest income.

If interest rates had been 50 basis points [0.50%] higher or lower and all other variables were held constant, including timing of expenditures related to the Authority's capital expenditure programs, the Authority's earnings for the year would not have been significantly impacted.

[Tabular amounts are in thousands of dollars]

9. Financial Instruments (continued)

Liquidity risk

The Authority manages its liquidity risk 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 has ready access to sufficient financing as well as committed lines of credit through credit facilities with a major Canadian bank.

The future annual payment requirements of the Authority's obligations under its long-term debt are described in note 6.

Credit and concentration risks

The Authority is subject to credit risk through its accounts receivable, which consist primarily of current aeronautical fees and AIF owing from air carriers. The Authority performs ongoing credit valuations of receivable balances and maintains an allowance for potential credit losses. The Authority's right under the *Airport Transfer (Miscellaneous Matters) Act* to seize and detain aircraft until outstanding aeronautical fees are paid mitigates the risk of credit losses. The majority of the Authority's accounts receivable are paid when they are due.

A significant portion of the Authority's revenue, and resulting receivable balances, are derived from air carriers. The Authority derives approximately 51% [2016 – 48%] of its landing fee and terminal fee revenue from Air Canada and its affiliates. Management believes, however, that the Authority's long-term exposure to any single airline is mitigated by the fact that approximately 80% of the passenger traffic through the Airport is origin and destination traffic and therefore other carriers are likely to absorb the traffic of any carrier that ceases operations. In addition, the Authority's unfettered ability to increase its rates and charges mitigates the impact of these risks.

10. Contingencies

The Authority may, from time to time, be involved in legal proceedings, claims and litigation that arise in the ordinary course of business and may enter into agreements that provide contingent support for new business. The Authority believes any liabilities arising from these matters would not reasonably be expected to have a material adverse effect on its financial position.

Corporate Governance

Halifax International Airport Authority (Airport Authority) is governed by a Board consisting of a maximum of 14 directors nominated by the following entities:

Government of Canada	2
Province of Nova Scotia	1
Halifax Regional Municipality	4
Halifax Chamber of Commerce	3
Airport Authority Board of Directors	4

Generally, a director may serve no more than a total of nine years. However, at any given time, by a vote of the Board, one director's term can be extended for three years, to a maximum total of 12 years. The Board regularly reviews the skills and experience of its board members to ensure the appropriate competencies are represented on the Board.

The Board has overall responsibility for the stewardship of the Airport Authority, overseeing governance and strategic direction. The Board also oversees management, who are responsible for the day-to-day conduct of the business, with the fundamental objective of ensuring that the Airport Authority meets its obligations and operates in a safe, efficient and responsible manner. The Board meets as often as is required to carry out its responsibilities and maintains four standing committees, which are accountable to the Board: the Executive Committee, chaired by Wadih Fares; the Audit Committee, chaired by Marie Mullally; the Capital Projects Committee, chaired by Stephen Dempsey; and the Governance Committee, chaired by Rob Batherson. The purpose of each Committee is as follows:

Executive Committee
The Executive Committee assists the Board by (i) within the limits of its delegated authority, addressing matters that arise between regular Board meetings that require immediate attention/action; (ii) carrying out functions as delegated to the Executive Committee by the Board and in particular those functions pertaining to the President and Chief Executive Officer (CEO) position; and (iii) acting in an advisory capacity to the President and CEO on matters that will be brought to the full Board for future consideration.

Audit Committee
The Audit Committee assists the Board by (i) approving the Airport Authority's quarterly unaudited financial statements and reviewing the annual audited financial statements; (ii) monitoring the integrity of the Airport Authority's financial reporting process and internal control system regarding financial reporting; and (iii) monitoring the independence and performance of the Airport Authority's external auditors. The Audit Committee acts in an advisory capacity to the Board except for approving the quarterly unaudited financial statements and the annual audit plan.

Capital Projects Committee
The Capital Projects Committee assists the Board in (i) approving and reviewing the 10-Year Capital and Financial Plan and all proposed major capital projects; and (ii) monitoring the progress and results of approved projects against pre-established measures and targets.

Corporate Governance (continued)

Governance Committee
The Governance Committee assists the Board by providing a focus on governance that is intended to enhance the Board's performance as well as to add value and support to the Airport Authority in achieving its corporate objectives. As part of this mandate, the Governance Committee leads the Board nomination process and receives reports and makes recommendations on a variety of governance matters including (i) the Board Governance Framework, consisting of the Board Governance Policy and accompanying plans/programs; (ii) Board composition and effectiveness; and (iii) the terms of reference for each Board committee.

The Airport Authority has adopted conflict of interest guidelines to govern the conduct of, and the disclosure and avoidance of conflicts of interest for, all officers and directors. These disclosures are updated as required.

During 2017, the Governance Committee of the Board reported that there were no breaches of the conflict of interest guidelines by any officer or director of Halifax International Airport Authority.

Board of Directors Compensation

W. Fares (Chair)	$ 70,000
M. Mullally (Vice Chair)	$ 41,100
D. Bastow	$ 18,300
R. Batherson	$ 26,350
B. Buckles	$ 20,700
S. Dempsey	$ 26,950
J. Fitzpatrick	$ 19,900
D. Holland (joined the Board January 31, 2017)	$ 12,870
A. MacGregor	$ 17,700
A. MacKenzie	$ 17,100
A. MacLean	$ 17,700
S. Porter	$ 17,700

Board Secretary Compensation

J. S. Cowan	$ 29,100

Notes: Amounts represent payments made in 2017

Executive Compensation
The salary range for the President & CEO and for the Vice Presidents of the Airport Authority during 2017 was $150,000 to $325,000. In addition to base salaries, annual performance incentive payments totaling $391,650 were paid during the year. Performance incentives are contingent upon corporate achievements.

Corporate Governance (continued)

Contracts in excess of $113,175
In accordance with its lease with Transport Canada, Halifax International Airport Authority is required to report all contracts in excess of $113,175 ($75,000 in 1994 dollars adjusted by the Consumer Price Index) that were entered into during the year and that were not awarded on the basis of a public competitive process. In 2017, the Airport Authority entered into three sole source contracts.

A sole source contract for $1,500,000 was awarded to WPS Canada to replace the Airport Authority's Parking and Curbside Services technology. WPS Canada was awarded the contract to install the original equipment in the Airport's parking structure following receipt of competitive proposals in 2008. The new contract was awarded to WPS Canada in recognition of the valuable customizations invested in the existing platform which represent significant ongoing value to the organization.

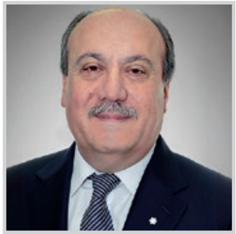
A sole source contract was awarded to Schneider Electric, not to exceed $174,000, for electrical power meters to be deployed throughout the Airport. Schneider Ion power meters were selected for installation at the Airport as part of a previous capital project and their technology specifications have been fully integrated into the energy monitoring systems used to monitor and manage electricity consumption. Replacing this existing standard technology with alternatives offering different specifications would have resulted in unnecessary additional cost to the Airport Authority.

A sole source contract not to exceed $250,000 was negotiated with Halifax International Fuel Facilities Corporation (HIFFC) to relocate an existing jet fuel line to accommodate ongoing air terminal building modifications. HIFFC, as owner and operator of the fuel system, was contracted to move the line so that construction could proceed.

Board of Directors

Wadih M. Fares CHAIR

C.M., P. Eng., FEC, D. Comm.
President & CEO, WM Fares Group



Nominator and Date Appointed:
Halifax Chamber of Commerce March 2006

Meeting Attendance*:

Board (Chair)	7/8
Executive Committee (Chair)	3/3

Marie Mullally VICE CHAIR

FCPA, FCA, ICD.D
President & CEO, Credit Union Atlantic

Nominator and Date Appointed:
Halifax Chamber of Commerce April 2009

Meeting Attendance*:

Board (Vice Chair)	8/8
Executive Committee	3/3
Audit Committee (Chair)	4/4

Doug Bastow DIRECTOR

Retired Airline Executive
Retired Airline Pilot

Nominator and Date Appointed:
Airport Authority September 2016

Meeting Attendance*:

Board	8/8
Capital Projects Committee	5/5

Robert Batherson DIRECTOR

President, Colour PR

Nominator and Date Appointed:
Halifax Regional Municipality July 2013

Meeting Attendance*:

Board	8/8
Executive Committee	3/3
Governance Committee (Chair)	5/5

* Ratio equals number of meetings attended / number of meetings eligible to attend. Excludes Annual Public Meeting. As Chair and Vice Chair, Mr. Fares' and Ms. Mullally's attendance at these committee meetings (other than the Executive Committee for Mr. Fares and the Audit Committee for Ms. Mullally) is discretionary and therefore, the above table does not reflect their attendance at other Committee meetings.

Board of Directors

Brian Buckles DIRECTOR

Retired Scotiabank Executive

Nominator and Date Appointed:
Government of Canada May 2011

Meeting Attendance*:

Board	8/8
Audit Committee	4/4
Capital Projects Committee	5/5

Stephen Dempsey DIRECTOR

Executive Director, Offshore Energy Research Association of Nova Scotia

Nominator and Date Appointed:
Halifax Regional Municipality May 2011

Meeting Attendance*:

Board	8/8
Executive Committee	3/3
Capital Projects Committee (Chair)	5/5

John Fitzpatrick DIRECTOR

QC, Partner, BOYNECLARKE LLP

Nominator and Date Appointed:
Halifax Regional Municipality July 2014

Meeting Attendance*:

Board	7/8
Capital Projects Committee	5/5
Governance Committee	5/5

Daniel Holland DIRECTOR

Principal & Director, Solais Partners

Nominator and Date Appointed:
Halifax Regional Municipality January 2017

Meeting Attendance*:

Board	7/7
Audit Committee	4/4

(*Mr. Holland was appointed to the Board on January 31, 2017).

* Ratio equals number of meetings attended / number of meetings eligible to attend. Excludes Annual Public Meeting.

Board of Directors

Ann MacGregor — DIRECTOR

Radio Host and Promotions Director, Hector Broadcasting

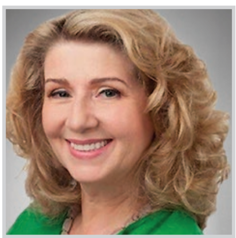
Nominator and Date Appointed:
Government of Canada March 2015

Meeting Attendance*:

Board	8/8
Governance Committee	5/5

Ann MacKenzie — DIRECTOR

CPA, CA, MEC, ICD.D
Chief Executive Officer, ACENET



Nominator and Date Appointed:
Airport Authority March 2015

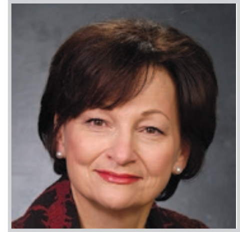
Meeting Attendance*:

Board	8/8
Audit Committee	4/4

* Ratio equals number of meetings attended / number of meetings eligible to attend. Excludes Annual Public Meeting.

Ann MacLean — DIRECTOR

Former Mayor of New Glasgow
Retired Senior Administrator



Nominator and Date Appointed:
Province of Nova Scotia February 2015

Meeting Attendance*:

Board	8/8
Audit Committee	4/4

Sherry Porter — DIRECTOR

Retired Corporate Executive

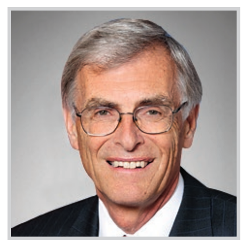
Nominator and Date Appointed:
Halifax Chamber of Commerce
March 2015

Meeting Attendance*:

Board	8/8
Governance Committee	5/5

James S. Cowan — BOARD SECRETARY

QC
Partner, Stewart McKelvey



our people… who make connecting possible

Karen Sinclair, Roxanne Hilchie, Sandi Nicholson, Joshua Kolstee, Mel Thomas, Mike Walker, Jennifer Delorey Lyon, Robert Miller, Brian Thomas, Claude Cunningham, Brian Gillette, Kevin Mosher, Mike Christie, Kelly Corbett, Cathy Paget, Blair Christian, Paula Cook, Tom Murray, Shane Boutilier, Peter Khattar, Carol Mackie, Joyce Carter, Sean Dempsey, Howard Rose, Dave St. Laurent, Kevin Boutilier, Chris Waugh, Bug Turple, Clayton Maynard, Michael Samson, Rachael Robinson, Scott Singer, Derek Forrest, Todd Hickey, Scott Roberts, Kim Oakley, Gordon Brooks (In Memoriam 1971-2017), Marcel Laforest, Edward Dempsey, Shawn Hicks, Reg Verge, Jeff Rhyno, William Cowan, Nicole Burchell-Isenor, Carl Brown, Jaan Soosaar, Bill Crosman, Kellie Hannam, Chris Collier, David Dawe, Darin Clarke, Robert Clarke, Jo-Anne McLean, Deborah Newcombe, Terry Hilchey, Jeff MacMillan, Robert Silver, Twila Grosse, Burton Wright, Doug Eisan, Corey Teed, Glenda Gillam, Patrick Oster, Mike Rantala, Jamie Dwyer, Theresa Rath Spicer, Doug Meek, Melissa Lee, Alan Carragher, Taras Chemerys, Scott Baines, Don Welton, Danny Chaplin, Tom Winsor, Lee Nolter, Steven Hilchie, Tim Fisher, Malcolm Phippen, Catherine Huddleston, Kathryn Langridge, Paul Dalrymple, Peter Sworin, Bill Wellwood, Corinne Burke, Sherrie Clow, Ken Bayers, Shelia Williams, Jennifer Starratt, Tim Bull, Alex Skinner, Kris Stevens, Rachel Griffiths, Ryan Bowman, Reg Beeler, Melissa Upton, Jaime Cayaoyao, Tonya McLellan, Dean Bouchard, Derek Fraser, Paula Fisher, Tom Antonio, Andy Lyall, Dustin Drew, Paul Brigley, Tara Vidito, Craig Henman, Anita Chisholm, Rick Wyatt, Rick Gooding, Karen Murphy, John Melbourne, Ron Conway, Erika Triff, Nadine Allen, Arnold Wood, Cathy Towers, Troy Appleby, Paul Baxter, Laila Nargis, Donald Myers, Drake Clarke, Joey Young, Chris Cartwright, Craig Paul, Rhonda Brassard, Stephanie Gorman, Carole Rankin, Darrell Corkum, Todd Ball, Paul McLaughlin, Michael Hanson, Steve Bezanson, Paula Cannon, Alex Lyall, Chris Altass, Mark Urquhart, Milly Walker, Todd D'Arcy, Ashley Gallant, Jim Moulton, Jason Howie, Dan Pride, Richard Garson, Daniel Archibald, Donald Mattinson, Scott Robertson, Peter Hilton, Shawn DeLong, Joyce Hoskin, Jeff Hauser, Brianne Bezanson, Peter Spurway, Gregory Shackleton, Jamie Wilkins, Kelly Martin, Paul Chisholm, Joel Christie, Brian LeBlanc, Steven Clarke, Brodie MacNevin, Jonathon Heffernan, Craig Singer, Wayne DeCoste, Greg Bruce, Valerie Seager, Leah Sutherland, Keith Gurschick, David Brown, Donna Anderson, Janet Young, Robert Hewitt, Matthew Flynn, Mindy Li, Janice Chen, Jane Scott, Dean Letto, Jim Tanswell, Art Nowen, Ruth Stoddard, Glen Boone, Rick Boutilier, Nancy Fong, Maureen Brown, Bill Turple, Laurie Brown, Bert van der Stege, Stephen Fudge, Tony McMillen, Delbert Geddry, Kim Porter, Tim Leeman, Kyle Mohler, Joey MacPherson, David Rowe, Leigh Robinson, Norman Ross, Paul Hood, Matt McDonald, Tim Zinck, Betsy McCully, Jack Weir, Danny Kennedy, Larry Naugle, Jennifer Best-White, Daniel Chandler, Myles Swain, Mark Fletcher, Nicole Scaplen (in 2017).

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