Halifax International Airport Authority
2019 Annual Report

Foreword

The 2019 Annual Report provides an overview of the performance and growth achieved at Halifax International Airport Authority (HIAA) over the previous fiscal year. It highlights specific accomplishments and examines the strategic outlook for the organization.

Published in the spring of 2020, this Report was created during the COVID-19 pandemic, which greatly impacted citizens and communities around the world. The resulting travel restrictions and public health regulations put in place to keep people safe during the pandemic resulted in unprecedented economic impacts on a variety of industries, including aviation.

HIAA would like to thank the thousands of dedicated airport and airline employees across Canada, who have worked tirelessly bringing Canadians home, when they needed it most; as well as those working in other essential services sectors who have put themselves at risk to protect and support the health and safety of their communities.

We would also like to thank our stakeholders and community members, who have entrusted us with facilitating their safe return throughout this rapidly changing situation. Your trust and support during these challenging times has meant the world to us, and we look forward to when we can serve you once again.

HalifaxStanfield

Message from the Chair of the Board of Directors

Marie Mullally

When I think about the team at Halifax International Airport Authority (HIAA), I am struck by their commitment to our region. Even in the face of a global pandemic that has devastated the aviation industry, they are demonstrating admirable alignment of decision-making with their organizational values and vision as they look to serve our community.

As my time on the Board of Directors comes to a close, I am both humbled and honoured to have played a role in guiding the organization's future. Through the varying backgrounds and experiences of the Board of Directors, I am proud to say we have led with the best interests of HIAA at the forefront of every discussion and decision.

Despite what is happening in 2020, I want to highlight several achievements from last year that will support the Airport's recovery.

We have elevated the way cargo travels through our region. Halifax Stanfield supports the Province's cargo sector and economy, in part due to the global demand for the rich, fresh flavour of Nova Scotia seafood. HIAA staff and partners set another record for cargo in 2019, processing 41,000 metric tonnes. That's an 11 per cent increase over the prior year, and the sixth year in a row we've achieved a new cargo record. Our new Air Cargo Logistics Park will further increase cargo capacity and support communities and businesses across the region. Upon completion, this Logistics Park will be the largest in Atlantic Canada and will create opportunities for businesses in Nova Scotia and the region to get their high-quality products to market, all while putting Nova Scotia on the world stage.

Message from the Chair of the Board of Directors (continued)

Foundationally, we realized the importance of innovating to make continuous improvements across the organization. This understanding has served as a catalyst to improve processes, optimize resources and create opportunities for new ideas to be implemented and evaluated. As an example, in 2019 HIAA worked with Canada Border Services Agency to establish an "International To Domestic" (ITD) connections portal in the terminal which made the customs process easier and faster for connecting passengers flying in from select international or U.S. destinations. ITD enables a relatively seamless transition, saving passengers from extra trips to baggage claim and security screening, while allowing more time to enjoy airport amenities. This mindset will help us better adapt to changes in the industry and improve the overall passenger experience on an ongoing basis.

As we entered the second half of our current five-year Strategic Plan, we saw success in key areas, including cargo and non-aeronautical revenue growth. The Strategic Plan has allowed us to respond to unexpected challenges in 2019, such as the grounding of the 737 MAX aircraft, and to address the extraordinary times in 2020. Facing these significant headwinds will be a focal point for the entire HIAA team, who will be a critical catalyst for economic recovery.

It has been a pleasure to serve HIAA over the past 11 years. In 2019, we were pleased to welcome two new board members: Pernille Fischer Boulter and Joe Fiander. I extend my sincere appreciation to all my fellow directors on the Board as well as to Joyce Carter, our President & CEO. We are very fortunate to have Joyce at the helm and there is no better leader to navigate these unchartered waters. I am confident that our strong foundation, exceptional leadership, and the unwavering commitment of the entire HIAA community will support a prosperous future for our region.

Message from the President & CEO

Joyce Carter

Halifax Stanfield has gone through a significant transformation throughout its near 60-year history. From the way you arrive, check in for a flight, proceed through security, and prepare to depart, every aspect of your journey has evolved in response to technology or world events. Today, the airport provides an essential transportation link for the safe and efficient movement of people and goods across the region. This purpose is overwhelmingly evident as we navigate one of the most difficult situations in aviation's, and our airport's, history, the COVID-19 pandemic.

Throughout my career at Halifax Stanfield, I've witnessed some challenging events and developments, and I can assure you that this has, by far, been the most impactful on our business, community and industry. Over the 20 years HIAA has managed, operated, and developed the airport, we've grown and established ourselves as an important contributor to the region, one that we're proud to serve. It's for this reason I'm confident we'll get through this challenging time and be ready to serve our community again, when the time is right.

2019 was the third year in a row we served more than four million passengers at Halifax Stanfield. Our work continues to be focused on our people, passengers, and partners, which has proven to lay a solid foundation for us in recent years. While 2019 and 2020 have both brought unanticipated challenges, specifically the grounding of the Boeing 737 MAX and the COVID-19 pandemic, we've been able to adjust and respond with confidence that we will continue to operate an essential service for our community and support the provincial economy.

In 2019, we continued efforts to increase the number of destinations connected to Halifax Stanfield and as a result, our hub strategy and airline partnerships strengthened. New connections helped solidify us as a hub on Canada's East Coast. We saw impressive growth last year in travel to and from the U.S., mostly as a result of new services added to Chicago and Philadelphia, as well as

Message from the President & CEO (continued)

increased capacity to New York. Total U.S. air travel grew by 19 per cent compared to 2018 – we're really pleased to have seen growth and potential in this important market. We'll work hard to re-establish these connections in the years to come.

Building on changes in the industry, seen and unforeseen, we implemented a comprehensive crisis management and business continuity program. This program includes an inventory of crisis-specific and department-based plans focused on the dynamic operational landscape of Halifax Stanfield and the aviation industry. To bolster our resiliency, we completed several crisis and business continuity themed exercises internally and with stakeholders throughout 2019. These exercises demonstrated the value in planning and adaptability when it's needed most.

It was also gratifying to see the completion of several significant projects that demonstrate our dedication to ongoing improvement. If you visited Halifax Stanfield in 2019, you may have noticed the newly renovated domestic baggage claim area, the installation of CATSA Plus, our expanded departures area, and, the reopening of our much-loved observation deck.

When I reflect at the end of each year, I'm always grateful for our Board of Directors and their continued support. I want to thank Marie Mullally for her outstanding leadership as our Board Chair over the past two years. Marie has made significant contributions to our organization during her 11 years as an HIAA board member. Working alongside her as we've navigated complex and challenging issues has been my privilege. Her collaborative approach, strategic vision, and commitment to corporate governance excellence was always evident, and we are fortunate, as an organization and community, to have had her guidance over the years.

We've come a long way, but there's more work to do. If 2019 and 2020 proved anything, it's that we're resilient and can pull through in challenging times. To the amazing team at HIAA, our Board of Directors, our wonderful volunteers, members of the airport community and our partners, thank you for continuing to rise to the occasion and for your ongoing commitment to Halifax Stanfield.

Together, we are stronger.

Safety

At HIAA, our top priority is to create a safe place for aircraft to land and take off, for passengers to board and disembark, and for thousands of people who visit and work at the airport, every day. Across the organization, our well-trained and highly skilled teams have built a solid foundation that allows us to do just that.

31,000 m^2

Metres of runway resurfaced – the equivalent of the entire MacKay Bridge

48

Diversions handled by Duty Managers and the Emergency Response Services team

1,600

Lights changed to LED to complete the LED Airfield Lighting Project

619

Calls responded to by the Emergency Response Services team (288 medicals)

Safety (continued)

We recognize the importance of having a strong safety culture to ensure safety remains top of mind for all employees. In 2019, we conducted a safety culture survey to provide us with deeper insights into our employees' outlook on safety. The results of the survey will assist us in developing practices and protocols to help ensure the continued safety of our passengers, visitors, and employees.

Employees at all levels are involved in developing annual safety goals and objectives, which fosters a high level of awareness and compliance. Safety awareness communications, inspections, reporting, investigations, and auditing are just some of the day-to-day activities that keep our workplace, and everyone who enters it, as safe as possible. We constantly review everything we do to ensure we understand, and control risks associated with our activities.

Our ability to safely operate on a 24/7 basis requires a lot of teamwork. HIAA relies on the Airfield Maintenance and Planning and Infrastructure teams to ensure the runways at Halifax Stanfield are ready for aircraft to land and take off – the core function of our business. We also work closely with several airport community partners to ensure the ongoing safe operation of our facility. To create highly capable and responsive teams, we provide comprehensive training and the necessary tools for our employees to excel at their jobs.

222cm

snow and ice cleared from our airfield

Irregular events can happen at any time and we remain vigilant. As an example, Halifax Stanfield is an identified location for flight diversions and frequently receives aircraft that were not planning on coming here. A variety of teams across the airport community are ready to respond if, and when, they're needed.

Members across the airport community are reliant on us to always be prepared and it's a task we're committed to follow through on. When people within our organization demonstrate this so clearly, it ensures the continued safety of our operations, every day.

Air Service

Over the past few years, Halifax Stanfield has seen impressive growth in the number of non-stop destinations we serve. In addition to offering non-stop destinations for our community, our success in building our hub strategy has been leveraging our strategic location as an ideal gateway for connecting passengers travelling to and from Europe. In recognition of this, in 2019, we were proud to be named the most international medium-sized airport in North America by OAG, the world's leading provider of digital flight information, intelligence and analytics.

46

Destinations served by 17 scheduled and charter airlines

205

Flights arriving and departing, daily

21

Non-stop destinations

74,700*

Total aircraft movements

11,500

Average passengers each day, travelling to various points within Canada, the United States, Europe, Mexico, and the Caribbean

*Estimated as total aircraft movements unavailable at the time of report preparation.

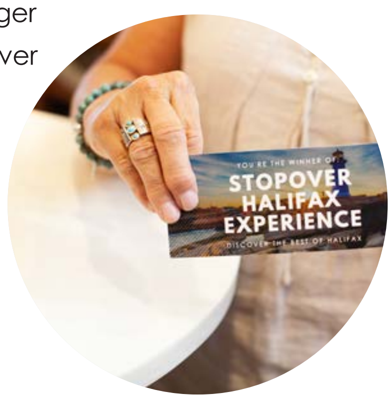
Air Service (continued)

Seeing Halifax become an established global gateway is gratifying for our airport community and region as a whole. With our new ITD customs processing facility and the ease of our preclearance facility; travelling to, from and through Halifax Stanfield has never been easier.

Finding opportunities for connecting passengers to spend more time in the region was a light-bulb moment for HIAA and from that, Stopover Halifax was born. The program, launched in 2019 in partnership with Discover Halifax and WestJet, allows connecting passengers to visit our region from as little as seven hours up to seven days at no additional airfare.

Working together with our partners, we can create the best offering possible and in turn, support growth of the entire region. We have a lot to offer and Stopover Halifax taps into a new, broader market that we weren't accessing before – just one example of the great collaboration we have with our partners.

Between the launch of successful partnerships and four new non-stop routes in 2019, it's clear to see the widespread demand for flights to and from Halifax. New services are promoted locally and internationally, in collaboration with tourism agencies, to make the biggest impact, and attractive passenger experiences like Stopover Halifax will help our region thrive.



Cargo Tonnage (Metric Tonnes)

▲ +11.3 %

41,129 in 2019
(up from 36,938 in 2018)

In 2019, Halifax served over 40 destinations and more non-stop options than ever before. A lot of work goes into securing a new route and once it's here, we work with our airline partners to ensure its success by increasing awareness and highlighting our service offerings. When passengers choose to fly to/from Halifax, they can spend less time backtracking to other locations on the way to their destination.

Passenger Numbers

Total	**4,188,443**	▼ -3 %
Domestic	**3,524,167**	▼ -3 %
U.S.	**361,348**	▲ +19 %
International	**302,928**	▼ -18 %

Our partnerships and collaborative efforts create a dynamic formula for constant evolution and variety of choice for travellers. We're committed to continuing this approach with our partners in future, connecting our community with the world.

Sustainability

As a critical piece of transportation infrastructure in our communities, we continue to ask ourselves how we can meet the current and ever-evolving needs of our passengers and partners without compromising the needs of the future. Building on global changes, in 2019 we focused on improving our sustainability efforts from an environmental, economic and social perspective. We're committed to ensuring we reduce our environmental impact, while creating a lasting impression on the communities we serve.

4,132

Tonnes of CO_2 saved from our atmosphere by reducing emissions by 20% compared to 2012 levels. A goal for 2025 was met 6 years ahead of schedule!

Level 2

ACI Carbon Accreditation renewed for the 2nd year

$191,000

Invested in community sponsorships, donations, and in-kind support

9,957m³

Amount of water saved by reducing use – the equivalent of filling four Olympic-size swimming pools! (2019 water use = 61,508 m³ versus 2018 water use = 71,465 m³)

Sustainability (continued)

Historically, we've always strived for excellence and considered the environment in our projects but being sustainable now goes beyond environmental efforts. We've strategically shifted our community involvement to ensure we're providing meaningful support that is truly representative of our region, as demonstrated though the selection of our signature partnership with Immigrant Services Association of Nova Scotia (ISANS) in 2019. We also saw a clear opportunity to save energy and costs while elevating the passenger experience when we expanded the terminal building. This project enables us to better serve our passengers and airport partners and reduces our environmental footprint – which also has a long-term, added bonus of financial savings through reduced energy use.

On the environmental side, reducing our carbon footprint remains a priority and because of this, in 2019, we renewed our Level 2 Certification with Airports Council International's Airport Carbon Accreditation program. The program assesses and recognizes airports' efforts to manage and reduce their CO_2 emissions on an annual basis. Moving forward, we'll further divert solid waste from landfills, reduce water consumption and be more sustainable in our procurement practices, as examples.

We see it as our responsibility to find sustainable ways of operating our business with a thoughtful, holistic view towards the legacy we're creating, and we see this trend in airports across the country. When you look at the benefits, which include improved customer satisfaction, enhanced community relationships, reduced environmental, health and safety risks and reduced operating costs: it all adds up.

Sustainability is woven throughout our organizational strategies to ensure we'll be here for the long-term, with the least amount of negative impact possible. We're dedicated to identifying opportunities that will take our organization to the next level and continue this important conversation while inspiring others to get involved.

300,000 kWh

Amount of energy saved by replacing 1,600 incandescent light fixtures with LED fixtures on the airfield

Airport Experience

Halifax Stanfield encompasses 5,600 dedicated airport community members who, together, create a welcoming, customer-first culture that has been recognized around the world. Collectively, we strive to create an atmosphere that consistently supports and enhances the airport experience, and makes our visitors smile.

4.42

Score out of 5 on the Airport Service Quality survey

14

St. John Ambulance Therapy Dog volunteer teams

93

Hours of entertainment by 27 performers and 11 choirs

19,058

Volunteer hours contributed by 94 Tartan Team members

#1

First airport in Canada to achieve Level 1 of Airports Council International's Customer Experience Accreditation

Airport Experience (continued)

Recognizing that each one of us plays a role in continuing this legacy, employees across Halifax Stanfield continued to participate in The Stanfield Way training in 2019, to emphasize the importance of being happy, helpful, courteous, caring and kind. Our unique approach is part of the reason why we were the first airport in Canada to achieve Level 1 of Airports Council International's Customer Experience Accreditation, a globally recognized system that allows airports to achieve the highest level of customer experience at their airport.

To complement this, we continued to evaluate ourselves through the Airport Service Quality (ASQ) survey, which measures various elements of the airport experience and we're proud to see improvements this year over 2018. Last year, several initiatives were undertaken with the needs of our passengers, visitors and airlines in mind. Our concessions offer diversified retail options with a little something for everyone, whether you fancy a pub, sit-down restaurant or coffee shop.

Additional projects were completed, including CATSA Plus, which allows for more efficient travel through increased screening capacity. Improvements were made to several gates and the domestic baggage claim area, which are now easier to navigate with the added benefit of being more open and airier. These enhancements add to the existing quality services and experiences offered at Halifax Stanfield, creating an environment that people are excited to be a part of.

As an airport, we're more than just the place where someone arrives or departs our beautiful region. We're often the first, and many times the last, impression many visitors experience and it's amazing what a first or last impression can do. Having exceptional employees and volunteers, who are always eager to provide a helping hand, and a facility that has been created with our passenger's current and future needs in mind, is a true testament to our dedication to a unique airport experience at Halifax Stanfield.

21

Participants in the Autism Aviators mock travel day

Autism Aviators is a program in partnership with Autism Nova Scotia that aims to ease the travel process for individuals on the autism spectrum and their families. Participants get to experience an airport firsthand, including check-in, security screening, waiting at a gate and boarding an aircraft, in preparation for future travel.

181

Graduates from The Stanfield Way training program

Air Service Summary 2019

Scheduled Passenger Services

21 Domestic Destinations

Calgary, AB
Charlo, NB*
Charlottetown, PE
Deer Lake, NL
Edmonton, AB
Fredericton, NB
Gander, NL
Goose Bay, NL
Hamilton, ON
London, 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

9 Transborder (USA) Destinations

Boston, Massachusetts
Chicago, Illinois
Fort Lauderdale, Florida
Newark, New Jersey
New York (LGA), New York
Orlando, Florida
Philadelphia, Pennsylvania
St. Petersburg, Florida
Tampa, Florida

16 International Destinations

Cuba – Cayo Coco, Holguin, Santa Clara, Varadero
Dominican Republic – Puerto Plata, Punta Cana, Samana
France – Paris
Germany – Frankfurt
Ireland – Dublin
Jamaica – Montego Bay
Mexico – Cancun
Scotland – Glasgow
St. Pierre et Miquelon – St. Pierre
United Kingdom – London (Heathrow) London (Gatwick)

* Charlo, NB operates out of PAL Aviation Services FBO

Scheduled and Charter Air Carriers

17 Passenger Carriers	17 Cargo Carriers
Air Canada	Air Canada
Air Saint-Pierre	Air Saint-Pierre
Air Transat	ASL Belgium
American Airlines	Atlas Air
Condor Flugdienst	Cargojet
Delta Air Lines	Cargolux
EVAS	Cargo Logic Air
Flair Airlines	Condor Flugdienst
Jazz	EVAS
PAL Airlines	Federal Express (FedEx)
Porter Airlines	Kalitta Air
Sky Regional	Korean Air Cargo
Sunwing Airlines	National Air Cargo
Swoop	PAL Airlines
United Airlines	Sky Lease Cargo
WestJet	Suparna Airlines
WestJet Encore	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 identified, the foundation elements that support them and their supporting role for the HIAA's corporate vision:

From that overarching plan, an annual business plan is developed each calendar year.

The 2017-2021 strategic plan has identified the following priorities to direct and measure performance over the plan period. Corporate performance in 2019 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*

For the third consecutive year, we served more than 4 million passengers. Passenger traffic declined by 3 per cent year over year, primarily due to the global grounding of the Boeing 737 MAX. A notable area of improvement included transborder traffic, which was up 19 per cent year over year. We continued implementation of our hub strategy, designed to take advantage of our prime geographic location on Canada's East Coast, allowing us to play a greater role in developing tourism and facilitating trade, investment and immigration in the region. Key to this strategy includes the addition of new or returning services. In 2019 new services included, Dublin, London, ON, Chicago, and Philadelphia.

Cargo Service Development

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

Cargo volume was 41,129 metric tonnes, an increase of 11.3 per cent over the previous year and ahead of expectations. This is the sixth consecutive year of cargo volume growth at the region's primary air cargo gateway. The growth in cargo was attributed to significant increases in exports. The overall value of cargo exports for 2019 was $621 million, an increase of more than 42 per cent from 2018.

HIAA commenced construction of the Halifax Stanfield Air Cargo Logistics Park (ACLP), which was made possible by federal and provincial government funding commitments. In total, $23 million was pledged – $18 million from the Government of Canada and $5 million from the Province of Nova Scotia. HIAA will also invest $13 million in the project.

Upon completion, the ACLP will connect commercial and logistics businesses to air cargo opportunities spanning the globe. It will also increase cargo capacity at Halifax Stanfield with respect to new warehousing, specialized cold storage facilities and much needed large aircraft parking. These enhancements will improve transportation infrastructure and the overall cargo logistical chain to the benefit of our province and region.

Non-Aeronautical Revenue Development

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

Non-aeronautical revenue in 2019 was 53.4 per cent of total operating revenue, well ahead of the annual target. Thus, non-aeronautical revenue exceeded aeronautical revenue as HIAA's primary revenue source. Less reliance on aeronautical revenue streams allows Halifax Stanfield to be more competitive in the market. Our multi-year concessions program was completed in 2019 with the opening of The Crispy Leaf, offering more diversity for pre-security dining options. Hudson group renovated their pre-security location in the arrivals area by filling gaps in their offerings such as flowers. Post-security, Firkin & Flyer opened their expanded seating area as part of the domestic and international hold room expansion project.

Maximizing Airport Efficiency

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

HIAA's operating cost per enplaned passenger was $29.43, slightly above the target set of $28.97. The reduction in expected total passengers by three per cent contributed to this result. We continued to focus on reducing utilities consumption in 2019. Notable projects included completing conversion of the airfield lighting system from incandescent to LED fixtures, with a total of 1,600 fixtures replaced in 2019; the replacement of the Central Chiller Plant with a newer and more energy efficient system that uses significantly less water; and, the introduction of mobile self-service check-in kiosks, which allows us to increase kiosk availability since they are battery-powered, run on a secure Wi-Fi network and built on a retractable wheelbase. Having the flexibility to move them anywhere in the terminal based on flight schedules, or as demand requires, ensures we optimize our investment and enhance the passenger experience. Work also continued on the Connections Project, a strategic Enterprise Resource Planning (ERP) initiative that will improve productivity, collaboration and foster innovation across our corporate administrative functions within Finance, Procurement and Human Resources.

Safety, Security and Environmental Excellence

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

HIAA has actively participated in the Airport Carbon Accreditation program since 2016 and has implemented a carbon management plan that includes a commitment to reduce emissions from our operations by 20% by 2025 compared to 2012 levels. This goal was achieved ahead of schedule in 2019 thanks to the implementation of many energy efficiency projects.

A number of safety and security initiatives were completed in 2019 including; a crisis management and business continuity program, providing an inventory of crisis-specific plans focused on the airport's dynamic operational landscape; 15 crisis and business continuity exercises; an in-depth safety culture survey to allow open discussions about safety and identify opportunities to improve, with emphasis on encouraging employee input and participation; as well as a security management system (SeMS), which increases awareness and allows for preventive and continuous improvements.

Professional Excellence

Objective: *Optimize employee engagement and performance*

In 2019, there was an emphasis on employee health and wellness to optimize employee engagement and performance. The new four-year HIAA – UCTE Local 80829 Collective Agreement included two key health and wellness initiatives; a new Health Spending Account that encourages, among other things, greater investment in proactive paramedical services, as well as the creation of a Mental Health and Wellness Committee, with a mandate to identify training to support co-workers in crisis, help communicate mental health resources and reduce the stigma of mental illness.

HIAA's annual employee engagement survey had a record participation rate of 81%, and the best engagement scores achieved in four years: 87% of employees agree or strongly agree that they would recommend HIAA as a place to work.

Customer-First Culture

Objective: *Strengthen our culture of superior service*

To measure customer satisfaction, we continued 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 2019 was 4.42 out of 5. This is an improvement over the 4.33 result in 2018. We were the first airport in Canada to achieve Level 1 of the new Airport Customer Experience Accreditation program. To improve passenger satisfaction, we will continue our ongoing passenger experience improvement program, aimed at enriching the ambience of the terminal building, including washroom upgrades, architectural improvements, and general terminal enhancements and work with our contracted service providers to increase the scores in those respective areas.

Facility Development

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

As part of HIAA's approved capital program, $35.1 million was invested in the maintenance and improvement of the airport's infrastructure in 2019. This included completion of the third year of the Airfield Restoration Program and the extended RESA (Runway End Safety Area) for Runway 23; completion of the passenger processing terminal expansion project, which included the deployment of CATSA Plus and an expanded holdroom; renovations to the domestic baggage claim area; initiating construction of the Air Cargo Logistics Park; implementation of a simplified ITD passenger processing facility for connecting passengers from select international and U.S. destinations; and, completion of the first phase of a three-year program to replace roof systems of the terminal building.

Financial Overview

Looking over our financial performance for 2019, it was a strong result achieved through record cargo activity, sound fiscal management, measured capital investment, and continuous strategic oversight.

Total revenues rose to $114.4 million, up from $111.5 million in 2018. Factors contributing to this increase included continued growth in ancillary revenues from airport concessions activity and parking services.

We have three primary revenue streams. Aeronautical revenue is generated directly from airline activity; non-aeronautical revenue comes from other ancillary sources such as parking, on-site retail and commercial ventures, and real estate; and airport improvement fee revenue comes from a charge to originating passengers to support the airport's ongoing capital investments. Halifax Stanfield is committed to maintaining a competitive fee model for air carriers which encourages the deployment of additional seat capacity into our market at lower incremental cost. HIAA continues to focus on growth and diversification of non-aeronautical revenue, reducing reliance on aeronautical fees to fund operational costs.

Expenses in 2019 were $102.9 million compared to $99.6 million in 2018. The increase in expenses was primarily driven by increased amortization, higher ground lease rent, increased costs related to services, materials and supplies, and increased salaries and benefits related to strategic initiatives. Overall, revenue exceeded expenses by $11.5 million, compared to $11.8 million in 2018. This result is prior to accounting for the non-cash impact of our defined benefit pension plan. Under HIAA's mandate, this surplus will be reinvested in airport operations and development to improve our facilities and services. Capital investments totalled $35.1 million in 2019, compared to $41.4 million in 2018.

Financial Overview (continued)

In recognition of our consistent economic performance and prudent financial management, Standard & Poor's renewed HIAA's credit rating of AA-.

The most recent economic impact study once again verified that Halifax Stanfield is an economic engine worth more than ever to Nova Scotia's economy – $3.8 billion in 2018, a 5.2 per cent increase from 2017. This encompasses not only the impact of 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 a gateway to the region.

Airport operations created 14,756 full-time equivalent jobs – including 5,600 on-site jobs, contributing $355 million annually in provincial labour income. Recent infrastructure projects at Halifax Stanfield have also made their mark on Nova Scotia's economy. In 2018, HIAA and its tenants invested more than $50 million in upgrades to improve airport operations, enhance passenger processing, and increase business development opportunities. These construction and renovation projects created over $90 million in economic output and over 550 full-time-equivalent jobs.

As a major economic and fiscal generator, Halifax Stanfield creates jobs, connects people and transports goods and ideas around the world, operating as a gateway for tourism, trade, investment and immigration. It's clear, Halifax Stanfield continues to serve as one of the most critical pieces of transportation infrastructure in Atlantic Canada.

The financial impacts of COVID-19 on the global aviation sector continue to be monitored and assessed as travel restrictions and public health measures are adjusted domestically, in the United States and internationally. While HIAA expects a significant downturn in passenger traffic and associated revenues in 2020, recovery planning is in progress to ensure Halifax Stanfield is able to support airlines, airport business and travellers again, when the time is right.

Financial Statements

Independent Auditors' Report

To the Directors of:
Halifax International Airport Authority

Opinion
We have audited the consolidated financial statements of Halifax International Airport Authority (the "Authority"), which comprise the consolidated balance sheet as at December 31, 2019, and the consolidated statements of operations and changes in equity and consolidated cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Halifax International Airport Authority as at December 31, 2019, and the results of its consolidated operations and its cash flows for the year then ended in accordance with Canadian accounting standards for private enterprises.

Basis for Opinion
We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

Independent Auditors' Report (continued)

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Authority to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Halifax, Canada
March 27, 2020

Grant Thornton LLP

Chartered Professional Accountants

Consolidated Balance sheet

As at December 31

[in thousands of dollars]	2019 $	2018 $
ASSETS		
Current		
Cash and cash equivalents *[note 3]*	23,943	23,541
Accounts receivable	8,343	5,492
Inventories	1,219	1,321
Prepaid expenses	1,451	1,256
Total current assets	34,956	31,610
Capital assets, net *[note 4]*	413,905	404,976
Debt Service Reserve Fund *[note 5]*	7,427	7,427
Accrued benefit asset *[note 8]*	4,499	7,443
	460,787	451,456
LIABILITIES AND EQUITY		
Current		
Accounts payable and accrued liabilities	26,301	27,217
Deferred revenue and deferred contributions *[note 3]*	12,917	10,275
Total current liabilities	39,218	37,492
Long-term debt *[note 5]*	283,507	283,477
Security deposits	1,499	1,517
Total liabilities	324,224	322,486
Equity in capital assets *[note 6]*	136,563	128,970
	460,787	451,456

Commitments *[note 7]*
Contingencies *[note 11]*

See accompanying notes

On behalf of the Board:

Director

Director

Consolidated Statement of Operations and Changes in Equity

Year ended December 31

[in thousands of dollars]	2019 $	2018 $
REVENUE		
Terminal and passenger security fees	20,413	20,759
Parking	15,745	15,308
Concessions	15,460	14,349
Landing fees	12,267	12,034
Rental	5,019	4,549
Interest *[note 6]*	705	603
Other	1,239	1,106
	70,848	68,708
Airport improvement fees *[note 6]*	43,527	42,745
	114,375	111,453
EXPENSES		
Salaries, wages and benefits	24,248	23,517
Amortization	26,269	25,302
Materials, services and supplies	21,619	20,723
Interest on long-term debt *[note 5 and 6]*	14,968	14,980
Ground lease rent	8,449	8,146
General and administrative	5,716	5,405
Property taxes	1,610	1,562
	102,879	99,635
Excess of revenue over expenses before pension plan loss	11,496	11,818
Defined benefit pension plan loss *[note 8]*	(3,983)	(3,600)
Excess of revenue over expenses for the year	7,513	8,218
Equity in capital assets, beginning of year	128,970	120,672
Equity in capital assets	136,483	128,890
Amortization of deferred financing costs	80	80
Equity in capital assets, end of year *[note 6]*	136,563	128,970

See accompanying notes

Consolidated Statement of Cash Flows

Year ended December 31

[in thousands of dollars]	2019 $	2018 $
OPERATING ACTIVITIES		
Excess of revenue over expenses for the year	7,513	8,218
Add items not affecting cash		
Amortization	26,269	25,302
Accrued benefit asset	2,944	2,132
Net change in non-cash working capital balances related to operations	(1,234)	16,234
Cash provided by operating activities	35,492	51,886
INVESTING ACTIVITIES		
Expenditures on capital assets	(35,090)	(41,355)
Cash used in investing activities	(35,090)	(41,355)
Net decrease in cash during the year	402	10,531
Cash and cash equivalents, beginning of year	23,541	13,010
Cash and cash equivalents, end of year	23,943	23,541

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.

The Authority has one wholly owned subsidiary, Halifax Stanfield Services Inc. [HSSI]. HSSI provides aviation services to third parties.

2. Summary of Significant Accounting Policies

The Authority's consolidated 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 consolidated 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.

Principles of consolidation
The financial statements include the accounts of the Authority and its wholly-owned subsidiary HSSI. All inter-company balances and transactions have been eliminated on consolidation.

Cash and cash equivalents
Bank balances, including bank overdrafts with balances that fluctuate from positive to overdrawn, and restricted cash 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. Restricted cash relates to funding received from the Province of Nova Scotia to support air service growth and cargo logistics infrastructure development.

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. During the year, $2.4 million [Nil – 2018] of government contributions were

[Tabular amounts are in thousands of dollars]

2. Summary of Significant Accounting Policies (continued)

received or receivable that were applied to capital assets. Assistance for future air service support are applied to the related expenditure as the related air service activity is realized in accordance with agreed terms and conditions. During the year, $1.7 million [$1.8 million – 2018] of assistance was applied to expenditures.

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.

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. Cash and Cash Equivalents

Cash includes $7.6 million [$9.3 million – 2018] remaining from funds received in 2018 from the Province of Nova Scotia to support air service growth initiatives. The funding is available for use at HIAA's sole discretion to support new service opportunities that meet pre-defined criteria. The funds must be committed by December 31, 2020 and fully discharged by March 31, 2024. Cash also includes $4.5 million [nil – 2018] from the Province of Nova Scotia to support the cargo logistics infrastructure development. The funding is available for offset a portion of the costs associated with the development as they are incurred.

4. Capital Assets

Capital assets consist of the following:

	2019			2018
	Cost $	Accumulated amortization $	Net book value $	Net book value $
Computer hardware and software	19,580	16,001	3,579	3,538
Leasehold improvements	568,714	200,033	368,681	361,555
Machinery, equipment, furniture and fixtures	22,863	14,215	8,648	7,383
Vehicles	18,586	11,123	7,463	8,910
Construction in progress	25,534	-	25,534	23,590
	655,277	241,372	413,905	404,976

During the year, $2.4 million [Nil – 2018] of government contributions were received or receivable that were applied to capital assets. The contributions relate to capital development.

5. Long-term Debt

Long-term debt consists of the following:

	2019 $	2018 $
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	1,493	1,523
	283,507	283,477

5. Long-term Debt (continued)

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.

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, 2019, an amount of $14.5 million of the operating and letter of credit facility had been committed, with $2.1 million designated to pension plan funding regulations and $12.4 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, 2019, the Debt Service Reserve Fund included $7.4 million [2018 – $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 $12.9 million will be required to fund the Operating and Maintenance Reserve Fund in 2020. The Operating and Maintenance Reserve Fund may be satisfied by cash, letters of credit, or the undrawn availability under a committed credit facility.

6. 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, 2019 was $28 [2018 – $28] and the Intra-Provincial rate was $15 [2018 - $15] 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]

6. Airport Improvement Fees (continued)

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

	2019 $	2018 $
AIF revenue [net]:		
AIF revenue	46,348	45,513
AIF collection costs	(2,821)	(2,768)
	43,527	42,745
Interest on surplus funds	705	603
Net funds received	44,232	43,348
Capital expenditures funded by AIF	30,424	41,355
Interest expense funded by AIF	14,968	14,980
	45,392	56,335
Excess of expenditures over AIF revenue	(1,160)	(12,987)
Excess of expenditures over AIF revenue, beginning of year	(359,095)	(346,108)
Excess of expenditures over AIF revenue, end of year	(360,255)	(359,095)

From January 1, 2001 to December 31, 2019, the cumulative capital expenditures funded by AIF totaled $813.5 million [2018 – $768.1 million] and exceeded the cumulative AIF revenue by $360.3 million [2018 – $359.1 million].

Equity in capital assets of the Authority is as follows:

	2019 $	2018 $
Equity in capital assets provided by AIF	44,142	41,147
Equity in capital assets provided by other operations	92,421	87,823
Equity in capital assets, end of year	136,563	128,970

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 [2018 – $0.1 million] and cumulative amortization to date amounts to $1.1 million.

7. 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:

	$
2020	8,800
2021	9,100
2022	9,500
2023	9,800
2024	10,100

[Tabular amounts are in thousands of dollars]

7. Commitments (continued)

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:

	$
2020	14,854
2021	14,854
2022	14,854
2023	14,854
2024	14,854

Construction in progress
As at December 31, 2019, the Authority had outstanding contractual construction commitments amounting to approximately $5.0 million [2018 – $6.1 million].

8. 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 December 31 for both funding and measurement purposes. The responsibility for governance of the Plan including overseeing aspects of the Plan such as investment decisions lies with the Authority through a Pension Committee. The Pension Committee in turn has appointed experienced independent experts such as investment advisors, investment managers, actuaries and custodians for assets. In 2019, the Authority executed a plan de-risking strategy that involved the purchase of an annuity buy-out contract for all retired plan member pensions as at April 1, 2020. This transaction resulted in a settlement cost of $5.6 million. The benefit obligation was transferred to an insurance company on December 23, 2019.

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, 2019, 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 December 31, 2019. The next scheduled actuarial valuation for funding purposes will be performed as at December 31, 2020.

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:

	2019 $	2018 $
Plan assets	23,017	56,769
Accrued benefit obligation	(18,518)	(49,326)
	4,499	7,443

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

	2019 $	2018 $
Employers' current service cost	(568)	(650)
Interest cost on accrued benefit obligation	(1,953)	(1,904)
Expected return on the assets	2,261	2,303
	(260)	(251)
Actuarial loss on accrued benefit obligation	(4,288)	(221)
Difference between expected and actual return on assets	6,167	(3,128)
Settlement cost	(5,602)	-
Pension loss	(3,983)	(3,600)

[Tabular amounts are in thousands of dollars]

8. Pension Plan (continued)

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

	2019 %	2018 %
Discount rate – year end benefit obligation	3.50	4.00
Discount rate – net benefit expense	4.00	4.00
Rate of compensation increase	3.25	3.25

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

	2019 $	2018 $
Employer's contribution	1,039	1,468
Employees' contributions	112	121
Benefits paid	1,659	1,567

	2019 %	2018 %
Equity securities	32	37
Fixed income securities	61	55
Real estate securities	7	8
	100	100

Pension expense amounted to $1.0 million [2018 – $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 loss for the defined benefit component in 2019 was $4.0 million [2018 – $3.6 million].

9. 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, 2019, the balance outstanding, excluding any current portion, amounts to $285.0 million [2018 – $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, 2019, the Authority is in compliance with all covenants outlined in the Master Trust Indenture.

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, 2019, the Authority satisfies the requirements for both of these reserve funds.

[Tabular amounts are in thousands of dollars]

10. 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 fair value of the bonds as at December 31, 2019 is approximately $394 million.

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.

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 7.

[Tabular amounts are in thousands of dollars]

10. Financial Instruments (continued)

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 43% [2018 – 46%] 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.

11. 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.

12. Subsequent Events

Subsequent to December 31, 2019 the worldwide aviation industry began to experience a significant decline in demand as the result of a coronavirus outbreak and the spread of COVID-19. This infectious disease spread was declared a pandemic by the World Health Organization on March 11, 2020 and on-going efforts by national governments to contain and mitigate the impact of this disease have curtailed both international and domestic aviation activity. During January and February of 2020, Halifax International Airport Authority financial results were not significantly impacted, however, commencing in the later part of March, HIAA will experience a significant decline in air carrier activity and revenue streams will be materially impacted relative to historic trends. The Authority expects that available credit facilities and on-going cost mitigation efforts will provide the necessary working capital to carry on normal operations until aviation activity begins to return towards normal levels in the latter half of 2020.

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 Marie Mullally; the Audit Committee, chaired by Ann MacKenzie; the Capital Projects Committee, chaired by John Fitzpatrick; 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; (iii) proving oversight and guidance to the CEO on strategic development and priorities; and (iv) 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's responsibilities include (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's responsibilities include (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 2019, the Governance Committee of the Board reported that there were no breaches of the conflict of interest guidelines by any officer or director of the Airport Authority.

Board of Directors Compensation

Chair: M. Mullally	$ 70,000
Vice Chair: S. Dempsey	$ 35,100
D. Bastow	$ 17,700
R. Batherson	$ 26,350
P. Boulter (joined the Board May 24, 2019)	$ 5,541
J. Fiander (joined the Board May 24, 2019)	$ 5,841
J. Fitzpatrick	$ 26,350
D. Holland	$17,700
A. MacKenzie	$ 25,750
A. MacLean	$ 20,100
B. Nycum	$ 17,700
S. Porter	$ 20,100

Board Secretary Compensation

J. S. Cowan (term completed December 31, 2018)	$ 7,450

Notes: Amounts represent payments made in 2019

Executive Compensation
The salary range for the President & CEO and for the Vice Presidents of the Airport Authority during 2019 was $165,000 to $345,000. In addition to base salaries, annual performance incentive payments totaling $404,800 were paid during the year. Performance incentives are contingent upon corporate achievements.

Contracts in excess of $116,670
In accordance with its lease with Transport Canada, the Airport Authority is required to report all contracts in excess of $116,670 ($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 2019, the Airport Authority entered into one sole source contract.

A five-year sole source contract was awarded to Siemens Canada Limited, not to exceed $304,984, to provide service to the Airport Authority's building automation controls system. The Airport Authority has invested heavily in automated building environmental controls to ensure facilities are ventilated, heated and cooled efficiently and that energy costs are minimized. The software is proprietary technology, and service to the system can only be provided by Siemens. Siemens' products and services are an example of standardization at the Airport Authority and the vendor has previously and satisfactorily performed these services. This standardization and prior experience represent a demonstrated and quantified cost saving to the Airport Authority.

Board of Directors

Marie Mullally CHAIR

FCPA, FCA, ICD.D
President & CEO, CUA

Nominator and Date Appointed:
Halifax Chamber of Commerce
April 2009

Meeting Attendance*:

Board (Chair)	8/8
Executive Committee (Chair)	4/4

Stephen Dempsey VICE CHAIR

Retired Corporate Executive

Nominator and Date Appointed:
Halifax Regional Municipality
May 2011

Meeting Attendance*:

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

Robert Batherson DIRECTOR

Executive Vice President, PR,
Trampoline

Nominator and Date Appointed:
Halifax Regional Municipality
July 2013

Meeting Attendance*:

Board	7/8
Executive Committee	4/4
Governance 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	4/4

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

Board of Directors (continued)

Pernille Fischer Boulter DIRECTOR

CITP
President & CEO, Kisserup International Trade Roots Inc.

Nominator and Date Appointed:
Federal Government
May 2019

Meeting Attendance*:

Board	3/6
Governance Committee	2/2

*Ms. Boulter was appointed to the Board on May 24, 2019

Joe Fiander DIRECTOR

Retired Corporate Executive

Nominator and Date Appointed:
Federal Government
May 2019

Meeting Attendance*:

Board	6/6
Audit Committee	3/3

*Mr. Fiander was appointed to the Board on May 24, 2019

John Fitzpatrick DIRECTOR

QC, Partner, BOYNECLARKE LLP

Nominator and Date Appointed:
Halifax Regional Municipality
July 2014

Meeting Attendance*:

Board	8/8
Executive Committee	4/4
Capital Projects Committee (Chair)	4/4

Daniel Holland DIRECTOR

Principal, Solais Partners

Nominator and Date Appointed:
Halifax Regional Municipality
January 2017

Meeting Attendance*:

Board	8/8
Audit Committee	5/5

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

Board of Directors (continued)

Ann MacKenzie — DIRECTOR

CPA, CA, MEC, ICD.D
Retired Corporate Executive

Nominator and Date Appointed:
Airport Authority
March 2015

Meeting Attendance*:

Board	8/8
Executive Committee	4/4
Audit Committee (Chair)	5/5

Ann MacLean — DIRECTOR

Former Mayor of New Glasgow
Retired Senior Administrator

Nominator and Date Appointed:
Province of Nova Scotia
February 2015

Meeting Attendance*:

Board	7/8
Audit Committee	5/5
Governance Committee	4/4

Benjamin Nycum — DIRECTOR

CEO, William Nycum & Associates Limited

Nominator and Date Appointed:
Halifax Chamber of Commerce
March 2018

Meeting Attendance*:

Board	8/8
Capital Projects 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	4/4
Capital Projects Committee	4/4

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

Our People

Karen Murphy, Peter Khattar, Darrell Corkum, Kimberly Oakley, Joshua Kolstee, Ryan Bowman, Tim Bull, Dean Bouchard, Brodie MacNevin, James Zinck, Jonathon Heffernan, Michael Rantala, Jeff Bowman, Andrew Edwards, Kim Ottenbrite, Matt McDonald, Wayne DeCoste, Troy Appleby, Paula Cannon, Mark Urquhart, Glenda Gillam, Jeffrey Hauser, Arnold Wood, Dan Pride, Nadine Allen, Daniel Archibald, Donald Myers, Reg Beeler, Craig Singer, Derek Forrest, James Moulton, Rachel Griffiths, Daniel Chaplin, Sheri Murphy, Melissa MacDonald, Deb Newcombe, Paula Fisher, Chad Manuel, Kathryn Langridge, Brian LeBlanc, Betsy McCully, Rick Boutilier, Dean Letto, Paul McLaughlin, Carol Mackie, Steve Bezanson, Rob Silver, Tim Fisher, Jennifer Delorey Lyon, Keith Gurschick, Matt Flynn, Steven Bradshaw, Kathy Temple, Joseph Young, Tara Vidito, Chris Collier, Chris Waugh, Jack Weir, Glen Boone, Robert Miller, Scott Baines, Jeremy Newton, Valerie Seager, Marcel Laforest, Todd Hickey, Leigh Robinson, Milly Walker, Alexa Taggart, Jennifer Best-White, Melissa Nguyen, Paul Hood, Steven Clarke, Mike Johnston, Mark Fletcher, Cathy Paget, Ruth Stoddard, Kyle Mohler, Rob Kelly, Scott Robertson, Howard Rose, Andrew Bowman, Jane Scott, Paul Dalrymple, Alan Carragher, Alex Lyall, Melissa Lee, Arthur Nowen, Amanda Smees, Mike Hanson, Kellie Lunn, Derek Fraser, Scott Singer, Chris Bresowar, Danny Kennedy, Kelly Corbett, Mike Christie, Robert Hewitt, Jeffrey Rhyno, William D Turple, Victor Cadoret, Ed Dempsey, Anita Chisholm, Robert Rose, Chris Altass, William A Turple, Jamie Dwyer, Shane Boutilier, Craig Paul, Chris deMan, Nicole Burchell-Isenor, Paul Chisholm, Shawn DeLong, Rick Wyatt, Hayley Boutilier, Thomas Winsor, Stephanie Gorman, Robert Clarke, Will Sutherland, Chris Cartwright, Myles Swain, Sandi Nicholson, Sarah Livingstone, Doug Eisan, Kris Stevens, Donald Mattinson, Cindy James, Bill Crosman, Jessica Fougere, Brian Gillette, Jamie Wilkins, Jorge Perez, Shawn Hicks, Greg Bruce, Cory Teed, Melissa Upton, Burton Wright, Leah Batstone, Sheila Williams, Kevin Mosher, Tony McMillen, Mark Amos, Terry Hilchey, Adrian Doiron, Michael Eakins, Mel Thomas, Brandon Dearman, Scott White, Kaushalendra Chauhan, Jaime Cayaoyao, David Rowe, Tim Leeman, Jaan Soosaar, Stephen Fudge, Todd D'Arcy, Dustin Drew, Twila Grosse, Layla Nargis, Laurie Brown, Tonya McLellan, Rachael Robinson, Jo-Anne McLean, Tom Murray, Mike Walker, Doug Meek, James Tanswell, Drake Clarke, Andrea Landry, Tom Antonio, Claude Cunningham, Ron Conway, Tiffany Chase, Paul Brigley, Joyce Carter, Ken Bayers, Kim Porter, Paul Baxter, Roxanne Hilchie, William Wellwood, Don Welton, Joel Christie, Jeff MacMillan, David Brown, Kevin Boutilier, Max Ball, Malcolm Phippen, Jason Howie, Michael Samson, Craig Henman, Joey MacPherson, Daniel Chandler, Meaghan Ramsay, Erika Triff, Danny Jennings, Leanna Brown, Darin Clarke, Clayton Maynard, Rick Gooding, Brian Thomas, Craig Cormier, Peter Hilton, Taras Chemerys, Sherrie Clow, Carl Brown, Melanie White (in 2019).

HalifaxStanfield

1 Bell Boulevard, Halifax, N.S. B2T 1K2
Tel: 902.873.4422 Fax: 902.873.4750

www.halifaxstanfield.ca