

ELEVATING EXPERIENCES

Fort McMurray Airport Authority
Annual Report 2013



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We are Canada's Premier Regional Airport.

MESSAGE FROM THE BOARD CHAIR AND PRESIDENT & CEO

2013: A year of elevating experiences

Fort McMurray International Airport (YMM) is elevating the airport experience. With a new terminal and new flights to new destinations, YMM is building an airport worthy of the growing region and the passengers it serves.

Into the new era for YMM

The new YMM airport terminal will redefine air travel for the Wood Buffalo region. Five times larger than the older terminal, the new 15,000-square metre (161,458 square feet) terminal can accommodate up to 1.5 million passengers a year, allowing faster and more efficient

passenger movement, a new level of comfort, and exceptional retail and dining options. The new terminal is on schedule to open in June 2014.

Our busy current terminal (renamed the North Terminal) has had many improvements. To ensure passenger comfort while the new terminal was under construction, the older terminal received many upgrades in 2013, including a larger passenger lounge, an additional baggage claim area, renovated washrooms, and an upgraded security and information booth that made it easier for passengers of any mobility to access. It will continue to be used as a terminal for workforce charters, cargo and private aircraft.

We remain on a strong financial footing. Revenues will rise as the terminal building and its many new services open. When the new terminal is complete and operating smoothly, YMM will shift focus from developing the new building to expanding the airport's commercial land and runways, and upgrading technology and equipment to serve a larger facility.

Mission

We are responsible stewards of our airports, achieving superior performance in the conduct of safe, secure, effective and efficient operations. Our airport businesses contribute significantly to the economy of the Region, Alberta and Canada.

Corporate Values

- Excellence in Safety, Security and Environment Performance
- Commercially Focused, Fiscally Responsible Business Sustainability
- Exemplary Customer Service through Teamwork
- Leadership

Key Success Drivers

1. To optimize the customer experience by leading a high performing airport team that provides superior facilities and services
2. To be financially sustainable and environmentally responsible
3. To foster effective stakeholder relations



Left: **Scott Clements**
Fort McMurray Airport Authority
President and CEO

Right: **Sheldon Schroeder**
Chair, Board of Directors

More flights, more destinations

Passenger growth has soared past the 1-million mark. YMM served nearly 1.2 million passengers in 2013 with numbers expected to climb close to 1.3 million in 2014, thanks to new domestic and U.S. flights, leisure charters and work charters.

More passengers mean more flights to more destinations in Canada and in the U.S. WestJet will add a new non-stop flight to Las Vegas in June, the number one requested destination by local residents. Along with the non-stop United Airlines Denver flight added in 2013, YMM is linked to key global air hubs in the centre of the U.S. As well, WestJet recently announced new non-stop services to Kelowna and Vancouver for May, bringing YMM's domestic destination total to seven.

YMM goes international

YMM was granted official status as a port of entry into Canada in 2013 with core customs service provided by the Canadian Borders Services Agency (CBSA). This means workers and visitors to the Wood Buffalo region do not have to stop in Edmonton or Calgary first to clear Customs as was done in the past. U.S. passengers can get on a flight in Denver (DEN) and land directly at YMM. This milestone not only provides extra convenience for cross-border passengers, but also bolsters YMM's long-term plans to add more U.S. and international passenger and air cargo services.

Obtaining international status was crucial to YMM's current and future growth. This critical new status justified expanding airside and groundside facilities and services. Fort McMurray Airport is now officially Fort McMurray International Airport.

Committing to people

The new terminal means new opportunities for the people who work at YMM. A larger airport requires a larger staff trained and prepared to deliver high-performing service. YMM knows a high-performing work environment also treats high-performing employees well. The foundation is there for YMM to become one of the region's top employers of choice.

In providing superior customer service, YMM is introducing Team YMM, a service concept that brings YMM staff and members from 40 companies that work at the airport under one banner. Through sharing unique skills and expertise with each other, Team YMM can deliver friendly, top-tier customer service that elevates passenger satisfaction in a safe, secure facility.

Business and service expansion

To enhance YMM's status as a major economic driver in the Wood Buffalo region, YMM is developing the land around the airport for local businesses. Crucial road and sanitary work was completed in 2013, allowing YMM to move on to developing new commercial lots for Golden Hawk Industrial Park and Snowbird Way in 2014. As well, with air cargo service expected to grow in 2014 and beyond, YMM has applied for government funding to lengthen the current runway for larger air freight deliveries.

Community investment

Continued development at the airport and record passenger growth fuelled by oil sands development are expanding YMM's status as an economic driver for the region. The *2013 YMM Economic Impact Study* shows that YMM generated a total of \$412.4 million in GDP in 2013.

The 44 businesses and organizations at YMM employ the equivalent of 746 full-time workers. Combine those jobs with the spin-off jobs in the region spurred by the airport and that number climbs to 1,894.

YMM's economic impact will continue to grow with the region and as new air services are added and more cargo is shipped through the airport.

YMM is also a significant contributor to the community. The Community Investment Program provided funding for important community projects in 2013, and local organizations can apply again on the YMM website for 2014. YMM will continue to focus on local causes for youth, Canada's military and local aviation heritage in 2014. YMM has partnerships with the YMCA of Wood Buffalo and the Rotary Northstar Squadron Air Cadets, providing ongoing support for youth and leadership programs.

Plans for 2014

Elevating the passenger experience is at the core of Team YMM's plans for 2014. YMM will have a new terminal,



Photos courtesy of WestJet

a new name and a new brand that promises to deliver an experience that exceeds passenger expectations.

The new brand includes the official new name, Fort McMurray International Airport. The new logo illustrates the beauty and unique heritage of the Wood Buffalo region. The logo features a bird's wing, a tail of an aircraft and the take-off of a jet plane, and its colours blue, green and yellow are inspired by the aura borealis seen in the nighttime sky over the region.

The new terminal will accommodate an even busier flight schedule forecast for 2014, with four passenger bridges and eight gates on airside. Passengers will experience elevated service, with a new business lounge and a tastier and trendier shopping and dining experience. Major brands such as Starbucks, Earls, Famoso Pizzeria, and local retail icon Chocolates & Candlelight are among those named to the 16 new shopping and dining outlets at YMM.

The look and functional design of the new terminal will astound. Its robust material palette, long-span spaces, and clear structure — designed by office of mcfarlane biggar architect + designers inc (OMB) — has already earned YMM recognition from the Canadian Architect Award of Excellence. Along with YMM's bold public art display program, the new terminal's surroundings will elevate and comfort passengers.

YMM communications will continue to expand online and on mobile. The flyymm.com website will change to align with the new YMM brand while making it easier for mobile

and tablet users to access important travel information. Passengers and stakeholders will continue to have direct conversations with YMM through Facebook and Twitter, whether to stay up-to-date with the latest travel information or share their ideas or stories directly with YMM.

Ultimately, the new terminal building and the great strides we have made as an airport authority over the past four years are elevating the service we provide to the region. We are closer than ever before to being Canada's premier regional airport.

Sheldon Schroeder
Chair, Board of Directors

Scott Clements
President and
Chief Executive Officer

YOUR NEW FORT McMURRAY INTERNATIONAL AIRPORT

In 2014, everything changes: from where you catch your plane, to the services and amenities provided, to the places you can go. Expect your airport experience to be elevated.

Scott Clements, President and CEO of the airport authority, is a former commander of the Royal Canadian Air Force and an experienced executive leader for airport authorities. He was President and CEO for Edmonton Airports from 1995 to 2004 when it underwent its first major expansion since its opening. When it came time to expand Fort McMurray Airport, the newly established Fort McMurray Airport Authority recruited Scott to oversee the expansion.

PROFILE: Scott Clements,
Fort McMurray Airport Authority
President and CEO



Rendering courtesy of office of mcfarlane biggar architects + designers inc.

When was the decision made to expand the airport?

It was our number one priority from day one. We had an airport terminal built in the 1980s that was designed to handle about one-fifth of the passengers we have now. We envisioned YMM as a premier regional airport that could grow with the Wood Buffalo region. That vision has underpinned everything we do.

Did the decision to go international happen at the same time?

Yes, it went hand in hand with expansion.

The thriving oil sands industry demands workers and equipment from all over the world, but in the past they had to first enter Canada through either Edmonton or Calgary before travelling here. With YMM now a port of entry, companies can quickly move labour and equipment directly into the region.

At the same time, obtaining international flights to major U.S. hubs like Denver and leisure destinations like Las Vegas and Puerto Vallarta, Mexico contribute to the overall appeal of living in the Wood Buffalo region. It makes people living and working in Wood Buffalo region feel more connected to the rest of North America, and helps make the case for others to move here with the improved quality of life created by better air service.

How will an expanded international airport impact the Wood Buffalo region?

The oil sands industry will continue to expand, so the demand for workers will keep rising. YMM will have the capacity to handle 1.5 million people annually. As well, we're increasing our capacity to handle more tonnes of

cargo so fewer trucks will be needed on Highway 63 to meet supply demands.

After the new terminal opens, we will shift our focus to developing commercial land around the airport. Businesses already established in Fort McMurray are expanding and more are looking to move in. By seizing these opportunities to offer space for new and expanding businesses, we can generate more non-aeronautical revenue for YMM and keep our costs lower to attract new business.

What can visitors to Wood Buffalo expect from the new terminal?

An airport is often the first and last impression for visitors to any city or region. We worked closely with the designers to create a place that conveys the passion and energy of the Wood Buffalo region. This is an airport terminal that accommodates more people easily. This is an airport terminal that offers more comforts. This is an airport terminal that offers you plenty of choice in shopping, dining or simply exploring. This is an airport terminal that offers a warm, friendly welcome and a helping hand through our Airport Ambassador program. This is an airport terminal that elevates travel in the Wood Buffalo region to a whole new level.

We will keep pursuing new air services for the people, businesses and organizations in the Wood Buffalo region. Our vision remains clear, and that is to be Canada's premier regional airport, connecting the world to all that this great region offers.

Our new look

With flights to the U.S. and Mexico, YMM's name and logo have been changed to reflect the airport's new international status. The airport is now officially called the Fort McMurray International Airport with the YMM airport code used as shorthand.

The new logo reflects both the natural and aviation history of the Wood Buffalo region. The logo design combines features of a bird's wing, the tail of an aircraft and a jet plane taking off. The logo's colour design is a combination of blue, yellow and green — colours inspired by the aura borealis that gives the sky above Wood Buffalo its unique beauty.



Your premier regional airport

The new terminal will open June 2014, elevating air travel for the Wood Buffalo region to a whole new altitude. The \$258-million facility is five times larger than the previous terminal. Passengers can move more efficiently, enjoy more room and comfort, and shop or dine from a wide choice of retail and dining outlets.

The new terminal is one-of-a-kind, an environmentally sustainable facility built for the northern climate. Its unique look and design is already being recognized by leading industry builders and designers.

State-of-the-art, sustainable facility

The new YMM terminal looks like no other airport in North America, designed to leave a smaller environment footprint while delivering the biggest impact in the public eye.

The overall architecture — designed by office of mcfarlane biggar architects + designers inc (OMB), managed by Stantec and built by the Ledcor Group — features a clear structure with long-span spaces, high windows and ceilings to allow for ample natural daylight, and a simple shifting of levels that are appealing to the eyes and help orient passengers.

Passengers will marvel at the unique laminated pine wood beam used to support the roof, which is the largest of this type of material in North America. The exposed mass timber structure complements the other refined yet durable materials used for the terminal's interior, including triple glazed windows, terrazzo flooring and acoustic wood panels.

The exterior terminal design is also very robust, able to withstand the harsh, northern winter climate with innovative climatic features:

- Over 179 exterior pre-weathered steel panels
- Over 125 exterior pre-cast panels
- Over 3,194 square metres (10,478 square feet) of curtain wall
- Over 7,626 square metres (25,020 square feet) of carpet

The design also aligns with YMM's environmental sustainability plan, with green features, including:

- Extensive natural day lighting
- Exterior layers of thick, airtight insulation
- In-floor radiant heating
- Passive ventilation
- Sophisticated heat recovery systems
- Flexible design that accommodates changing airline and security requirements
- Engineered wood using timber reclaimed from areas in B.C. devastated by pine beetle
- Large south-facing courtyard that passively harnesses solar energy for the building



Renderings courtesy of
office of mcfarlane biggar architects + designers inc.



Did You Know?

PROJECT WAS 1 OF 11 WINNERS OF THE
**2013 CANADIAN ARCHITECT
AWARD OF EXCELLENCE**
FOR EMBODYING QUALITIES OF INNOVATION
AND OVERALL DESIGN EXCELLENCE

THE TERMINAL'S ROOF
IS THE LARGEST
CLT & GLULAM BEAM STRUCTURE
IN NORTH AMERICA.

CLT – timber is cut and layered cross-wise to increase rigidity and strength

Glulam – several layers of standardized-cut timber glued together to increase strength as vertical columns or horizontal beams

**OVER 644,663
KILOGRAMS**

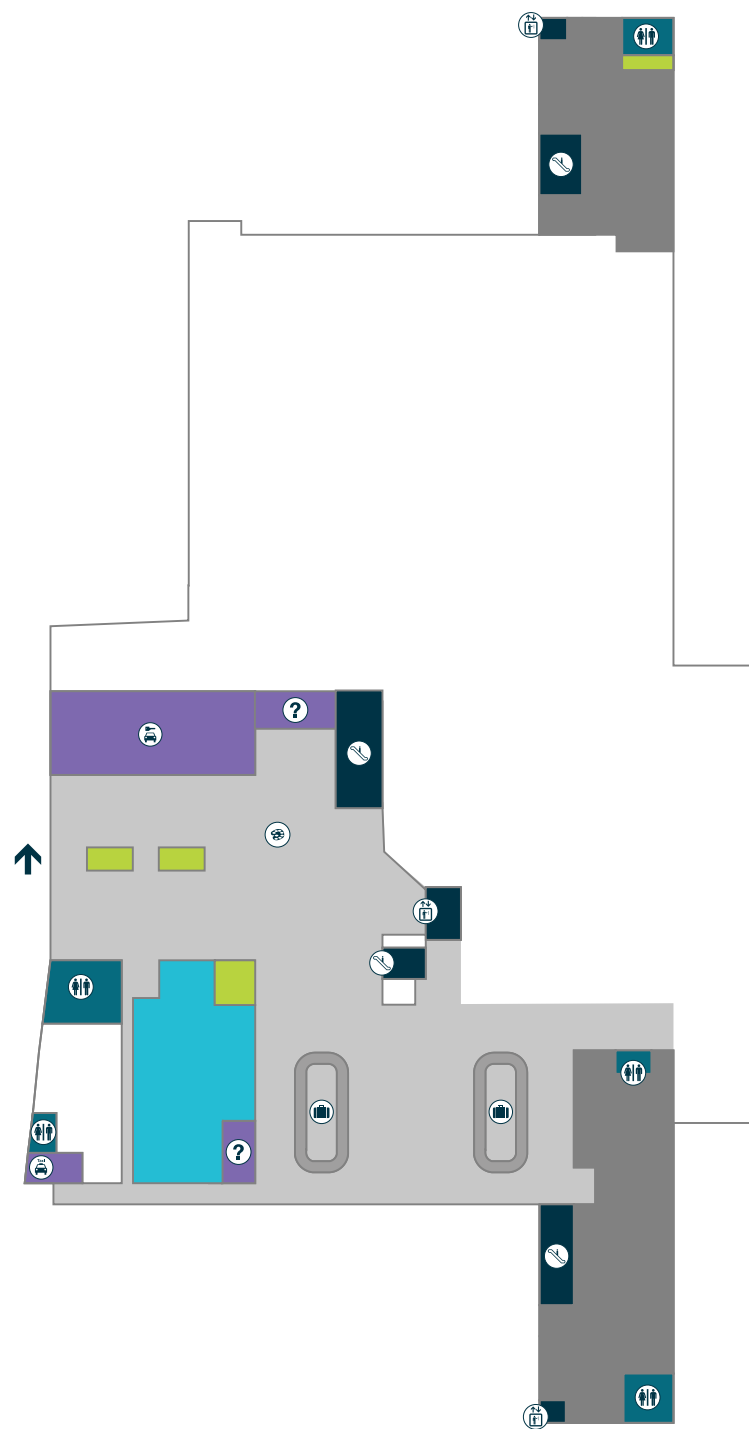
(1.4 MILLION POUNDS) OF PINE WOOD
MATERIAL WAS USED TO BUILD THE ROOF

NEW GROUNDS, NEW BUILDING

LEVEL 01 ARRIVALS

- Airport Authority
- Food & Beverage
- Retail
- Services
- Washrooms
- Elevator/Staircase

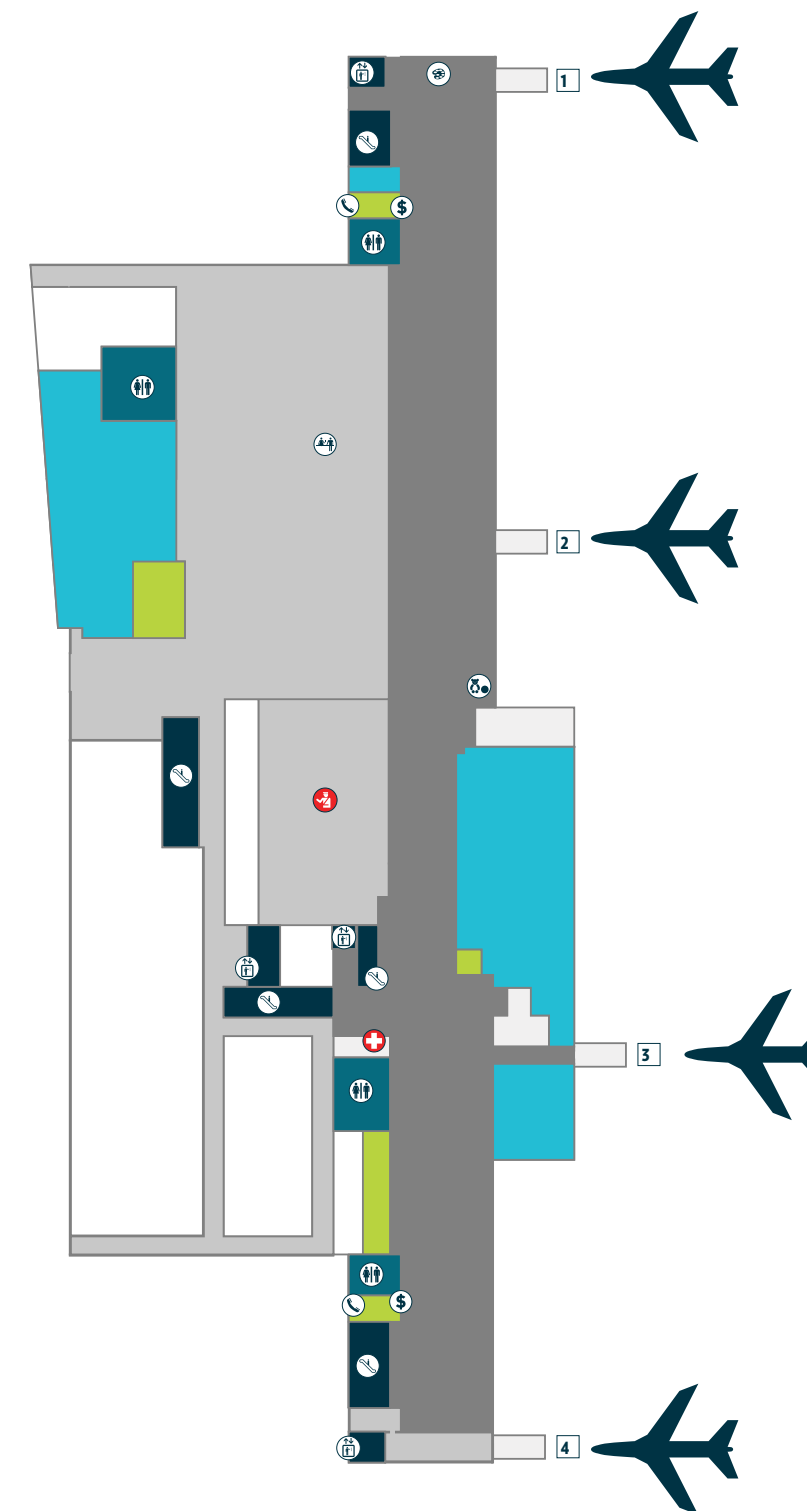
- Pre-Security
- Post-Security
- ? Information
- E Elevators
- E Escalators/Stair
- C Children's Play Area (unsupervised)
- + Health Care Services
- S Security Checkpoint
- W Washrooms
- A Art Exhibit
- B Baggage Claim
- T Ticketing/Check-in
- \$ ATM
- C Car Rentals
- P Passenger Pickup
- T Taxis
- W Free Wi-Fi
- P Phone
- 1-4 Gates
- ↑ Entrance/Exit



LEVEL 02 DEPARTURES

- Airport Authority
- Food & Beverage
- Retail
- Services
- Washrooms
- Elevator/Staircase

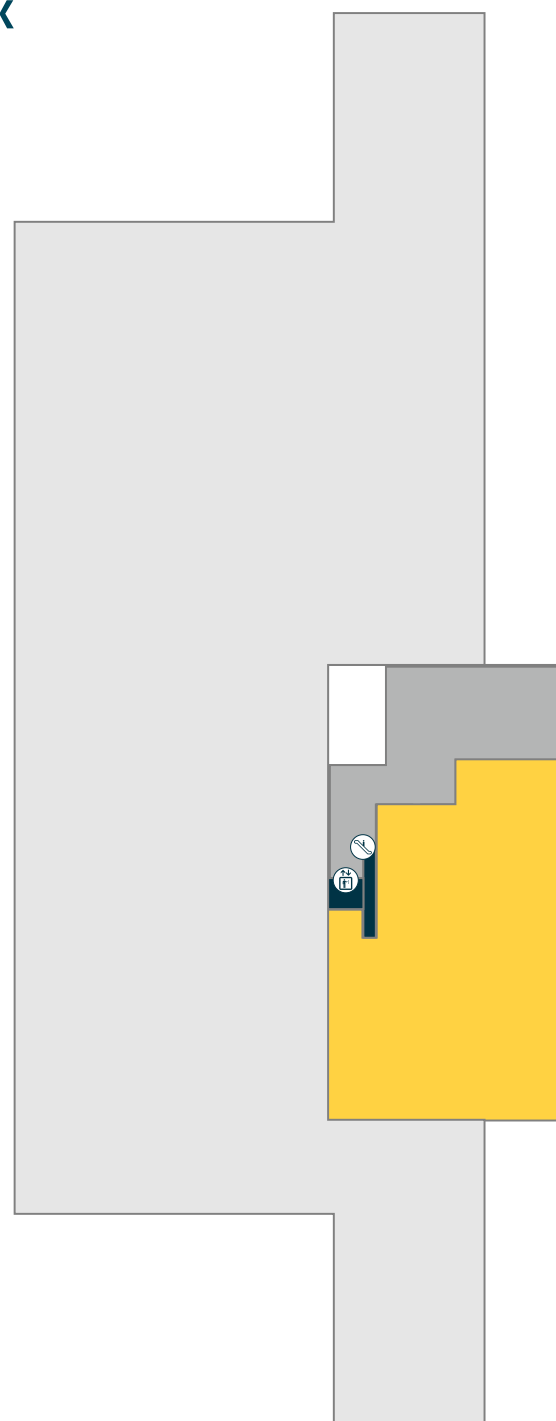
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- T Ticketing/Check-in
- \$ ATM
- C Car Rentals
- P Passenger Pickup
- T Taxis
- W Free Wi-Fi
- P Phone
- 1-4 Gates
- ↑ Entrance/Exit



N LEVEL 03 OBSERVATION DECK & FMAA OFFICES

- Airport Authority
- Food & Beverage
- Retail
- Services
- Washrooms
- Elevator/Staircase

- Pre-Security
- Post-Security
- ? Information
- E Elevators
- ↕ Escalators/Stair
- 👶 Children's Play Area (unsupervised)
- + Health Care Services
- 🛑 Security Checkpoint
- ♿ Washrooms
- 🎨 Art Exhibit
- 🧳 Baggage Claim
- 🎫 Ticketing/Check-in
- 💰 ATM
- 🚗 Car Rentals
- 🚘 Passenger Pickup
- 🚕 Taxis
- 📶 Free Wi-Fi
- ☎ Phone
- 1-4 Gates
- ↑ Entrance/Exit



TERMINAL STATS

CAPACITY: **1.5 MILLION PASSENGERS**

16 FOOD + BEVERAGE & RETAIL OUTLETS

INTERACTIVE OBSERVATION AREA

FOUR AIRCRAFT BRIDGES

PORT OF ENTRY
ESTABLISHED OCTOBER 7, 2013

SECURITY: CANADA CUSTOMS

220-SQUARE FOOT **DYNAMIC ADVERTISING SCREEN**

SIZE OF **2.5** CANADIAN FOOTBALL FIELDS

TWO (2) BAGGAGE CAROUSELS

APPROXIMATELY **15,000** SQUARE METRES
5x SIZE OF NORTH TERMINAL

OVER 2,200 PARKING STALLS WITH POWER

CUSTOMER SERVICE AND VISITOR INFORMATION CENTRE

ART DISPLAYS FROM ARTISTS LOCALLY & ACROSS WESTERN CANADA

3 HIGH-DEFINITION DIGITAL BILLBOARDS



Photo courtesy of Earls

Tastier, trendier experiences

YMM passengers will enjoy a tastier and trendier experience in 2014 when the new terminal opens. The larger space in the new terminal provides room for 16 new dining and shopping outlets, including:

- Two full-service restaurants (on either side of security)
- Six retail outlets

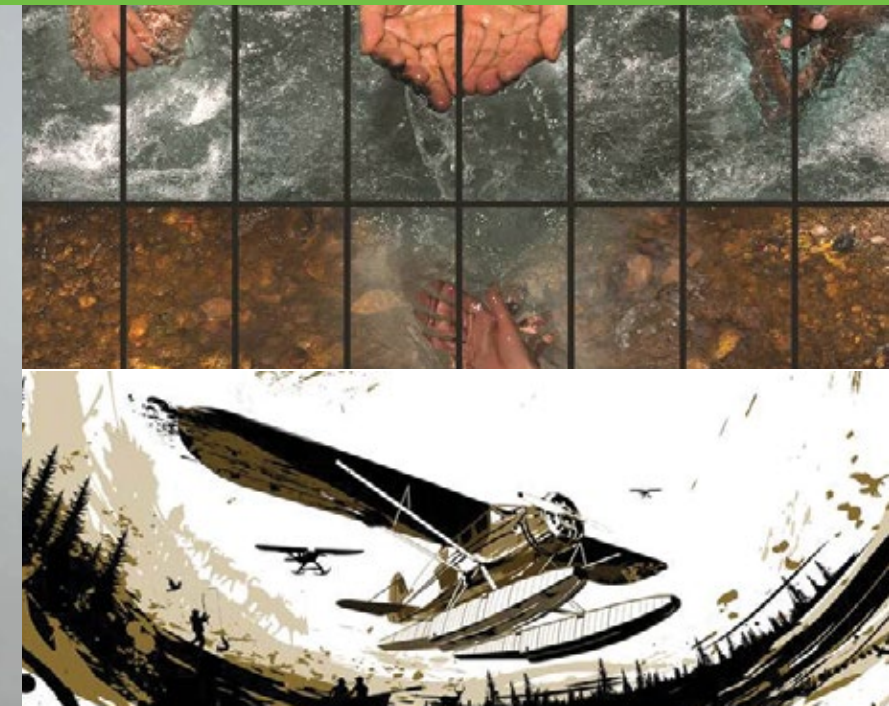
Many famous brand names will be setting up in YMM, including:

- | | |
|---|---|
| ➤ Best Buy Express | ➤ Jugo Juice |
| ➤ Burger King | ➤ Mary Brown's Famous Chicken & Taters (first airport location) |
| ➤ Chocolates & Candlelight (local retail icon, two outlets) | ➤ Nicholby's Convenience (two outlets, Duty Free in-store) |
| ➤ Earls Kitchen + Bar (first airport location) | ➤ Starbucks |
| ➤ Elements (skin care) | ➤ Subway |
| ➤ Famoso Neapolitan Pizzeria (first airport location) | ➤ Tim Hortons |

Focusing on customers

New and enhanced services are available to passengers before they even leave home, from improved parking to convenient transit service to the airport. The new terminal is hassle-free, contributing towards a more relaxing and memorable airport experience. Some of the services include:

- | | |
|---|---|
| ➤ New YMM website | ➤ Barrier-free access for persons with disabilities |
| ➤ Free high-speed wireless Internet | ➤ Large south-facing courtyard providing outdoor landscaped area for passengers |
| ➤ Free luggage carts | ➤ Pet relief area |
| ➤ Electrical and USB outlets in seating areas | ➤ Interactive observation area |
| ➤ Parking shuttle | ➤ \$US currency in ATMs |
| ➤ Transit services | |
| ➤ Taxi and limo services | |
| ➤ Valet parking services | |
| ➤ Children's play area | |



Photos courtesy of David Robinson, Liz Ingram and Lucas Seaward

Art at YMM

IN GLASS, METAL AND EVEN BITUMEN, ART AT YMM CONTRASTS

WOOD BUFFALO'S NATURAL BEAUTY WITH THE ROMANCE OF FLIGHT.

FROM DAEDALIST TO SKY EXPLORER TO WATER WAYS, SENSING CONNECTION, ART AT YMM OFFERS PASSENGERS NEW WAYS OF SEEING ALBERTA'S NORTH.

Transcending environment

Art both calms and invigorates people. YMM's bold and iconic art program gives passengers a strong sense of place and connects them to the passion and energy of the Wood Buffalo region.

Selected artists in Fort McMurray and Western Canada have been commissioned to create pieces — from sculptures to paintings — to enrich and elevate the airport experience for passengers:

DAEDALIST | David Robinson, Vancouver — Suspended sculpture in the hold room, north end of terminal

WATER WAYS, SENSING CONNECTION | Liz Ingram, Edmonton — Artwork for glass partition wall at south end of hold rooms

SKY EXPLORER | Lucas Seaward, Fort McMurray — Original artwork for walls of airport's board room and public observation area

Arriving and departing passengers will also see the Northern Lights wall display situated in the entry and arrivals hall. The display draws inspiration from the aura borealis and boreal forests for the Wood Buffalo region. It unites all the other thematic features in the terminal while enhancing the airport experience for passengers.



New Observation Area

LOCATED ON THE
TOP FLOOR OF THE
NEW YMM TERMINAL

FEATURES:

INTERACTIVE EXHIBITS

WOOD BUFFALO'S AVIATION HISTORY

EDUCATION EXHIBITS
FOR CHILDREN

Note: Scope of project subject to change

A new way of seeing

The public observation area on the top floor of the new YMM terminal is more than a place to satisfy the ageless delight of watching aircraft land and take off at the airport. It also features an interactive exhibit of the aviation industry that helped forge northern Alberta and the Wood Buffalo region. Aviation buffs can delve deeper into history using the displays and information provided, while children can learn more about flight and airport operations through a special interactive area.

Premier Customer Service at your new YMM

A warm, helping welcome elevates the passenger experience.

A new Customer Service and Visitor Information Centre will be located in the arrivals hall. The centre will help visitors find accommodations, secure transportation, or plan their stay while they are in the Wood Buffalo region.

Complementing the centre are the YMM Airport Ambassadors. This dedicated team strives to provide a friendly and informative experience for all passengers. The goals for Airport Ambassadors are:

- Provide information, directions and assistance to customers
- Assist departing passengers and help them on their way
- Meet and greet passengers and promote Team YMM as friendly and helpful
- Help to create a favourable impression of YMM, Fort McMurray and the Wood Buffalo region



Photos courtesy of Snowbirds Demonstration Team

Opening with a Bang

Customers will have a sneak peek at the new YMM terminal when attending the 2014 Fort McMurray International Air Show May 31 - June 1. The event promises electrifying performances from the Canadian Forces (CF) Snowbirds Demonstration Team in the CF-18 Hornet and the Canadian Armed Forces Parachute Team, the SkyHawks. Attendance is expected to reach 50,000 spectators.

The official Grand Opening Gala of the new terminal is slated for the evening of May 31, 2014. Some of Canada's brightest stars are attending, including platinum-selling Canadian rock musicians Randy Bachman and Fred Turner of the renowned Bachman Turner Overdrive, with astronaut Chris Hadfield as the Master of Ceremonies, the first Canadian to command the International Space Station.

FORT McMURRAY INTERNATIONAL Air Show

THE SNOWBIRDS ARE COMING

Fort McMurray Airport Terminal Grand Opening
Featuring the Royal Canadian Air Force Snowbirds
One-time Legacy Event

May 31 & June 1
Gates open 10:00 am - 5:30 pm
Air Show, Ground Exhibits, Kids Area, Food and more
Information and tickets available at fortmacairshow.ca

REGIONAL MUNICIPALITY OF WOOD BUFFALO | FORT McMURRAY INTERNATIONAL AIRPORT

THE ENERGY OF THE AIRPORT

Passengers provide the driving energy of an airport. More passengers produce more flights. More flights fuel an airport's growth. In 2014, YMM will have the facilities, flights and services to serve our current customer base of nearly 1.2 million passengers a year.

The Regional Municipality of Wood Buffalo is one of Canada's largest municipalities in area. It is the heart of the Canada's energy industry, and so subject to a global spotlight. Melissa Blake has been meeting these tremendous challenges and opportunities in the public arena for many years, first as Councillor for two consecutive terms and as Mayor for four consecutive terms. Her diverse experience in the corporate world — which included public affairs, materials and services and human resources — proved useful in maintaining a long, productive public career. She resides in Fort McMurray with her husband and two young sons.

PROFILE: Melissa Blake
Mayor of Regional Municipality
of Wood Buffalo

Photo courtesy of Fort McMurray Tourism

How important is YMM to the economy and community of the Regional Municipality of Wood Buffalo?

An airport is absolutely imperative in providing expedient means for an isolated northern community to access resources destinations that are further away. Every one of our passengers over the course of last year brought skills and labour needed for the oil sands industry. At the same time, they came into our community and spent some of their income on services, entertainment and shopping. Their economic returns were the ripples that resonated throughout our community.

What impact does YMM going international have on the community?

Having international service inspires citizens like myself to travel more, whether for business or for recreation. New non-stop flights allow our businesses to access important business connection points, like Toronto, Vancouver, Calgary and Denver.

As well, families and workers receiving extensive time-off are looking to travel for recreation. A quick and easy flight directly from the region is going to be far more attractive than one with multiple stops before you get to your destination.

How will YMM's expansion benefit the region?

We recognize industry will continue expanding in our region, and so air traffic will increase as well. The airport terminal has exceeded its current capacity, so it is imperative that we expanded. The new terminal will not only accommodate, but also enhance the experience of travelling through our region. Our goal as a municipality is to be both attractive and sustainable. I think the airport itself is one of those necessary entities to not only attract, but to also retain the population that we require to continue serving the oil sands industry that has been growing over the past decade.



Rendering courtesy of office of mcfarlane biggar architects + designers inc.

Reaching new records in 2013

YMM soared past the one-million passenger mark last November, serving nearly 1.2 million passengers in 2013, a 25 per cent leap from 2012. YMM continued to lead Canadian airports in growth at 25 per cent for 2013, trouncing the national average (approximately three per cent) and surging past the growth of larger airports in the province like Edmonton and Calgary.

Take off to anywhere

YMM is thrilled to announce the most popular U.S. destination for Wood Buffalo residents is coming June 24, 2014 when WestJet starts flying twice weekly non-stop to Las Vegas. The new flight complements the existing non-stop United Express service to Denver, linking YMM to important airport hubs strategically located in the centre of the U.S.

WestJet also starts two more non-stop domestic flights to Kelowna and Vancouver on May 12, 2014, raising its domestic total to seven destinations.

YMM will soon have 10 non-stop destinations:

- Calgary
- Edmonton
- Fort Chipewyan
- Red Deer
- Toronto
- Vancouver
- Kelowna
- Denver
- Las Vegas
- Puerto Vallarta



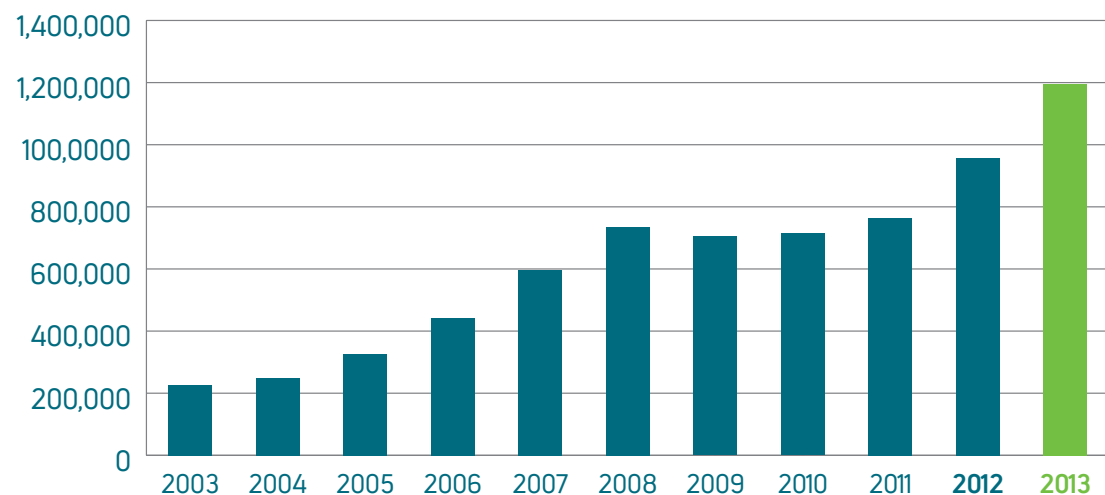
Photo courtesy of Fort McMurray Tourism

Gateway to the world

YMM is now an international airport with the designation of "Port of Entry" status together with daily Canada Border Services Agency (CBSA) services. Passengers to the Wood Buffalo region no longer have to stop in Edmonton or Calgary first when returning from an international destination.

As well, permanent customs services allow more international parts and goods to be shipped directly to YMM rather than via other Canadian airports. This means the airport can now significantly improve international air cargo services for commercial and industrial operations.

Total Passenger Growth by Year at Fort McMurray Airport (2003-2013)



GAINING ELEVATION: YMM'S STORY

2013 FIRST DAILY, NON-STOP SERVICE TO U.S. IN DENVER

2013 YMM SERVES NEARLY **1.2 MILLION PASSENGERS**

2013 YMM RECEIVES OFFICIAL PORT OF ENTRY STATUS

2012 YMM LAUNCHES SEASONAL SERVICE TO PUERTO VALLARTA, MEXICO

CANADA BORDER SERVICE AGENCY BEGINS BORDER CLEARANCE SERVICE AT YMM

2011 YMM BECOMES CANADA'S

16TH BUSIEST AIRPORT

2009 FORT MCMURRAY AIRPORT IS INCORPORATED AS AN AIRPORT AUTHORITY

< 2013 > YMM DEVELOPS NEW BRANDING

1999 REGIONAL MUNICIPALITY OF WOOD BUFFALO CREATES REGIONAL AIRPORT COMMISSION

1986 CURRENT TERMINAL OPENS (3,000 SQUARE-METRE) IT ACCOMMODATES 250,000 PASSENGERS PER YEAR

1980 A 1,372-METRE PAVED TAXI WAY IS COMPLETED ON THE NORTH SIDE OF THE RUNWAY TO ACCOMMODATE AN INCREASE IN TRAFFIC

1981 A PERMANENT CONTROL **TOWER** IS COMMISSIONED

1962 FIRST AIR TERMINAL BUILDING IS BUILT

1948 \$34 ROUNDTRIP TO EDMONTON

1948 1,829 METRES RUNWAY IS LENGTHENED TO 1,829 METRES (6,000 FEET) AND PAVED

1944 CUSTODY OF THE AIRSTRIP IS TRANSFERRED FROM THE USAF TO THE CANADIAN DEPARTMENT OF TRANSPORT

1942 CANADIAN PACIFIC AIRWAYS RUNWAY

COMPLETION OF AIRSTRIP

UNITED STATES AIR FORCE (USAF) TAKES OVER THE AIRFIELD AND MAKES FURTHER IMPROVEMENTS

1936 FIRST LANDING STRIP SITE CHOSEN AND CLEARED, LIGHT AIRPLANES TO MAKE TRIPS TO EDMONTON

THE NUTS AND BOLTS

YMM laid the groundwork for a smarter and more sustainable airport – and now opens the door to new business opportunities. In the air and on the ground, commercial and industrial services are expanding to meet the growing economic demands of the Wood Buffalo region.

John Wilson has been part of Fort McMurray's business community for almost 35 years, starting out with his father as a paving contractor and expanding his business as a commercial developer in the Eagle Industrial Park north of Fort McMurray. He sold the paving business four years ago to concentrate on building his current company Hedco Group Inc. Wilson is currently the chair of the Airport Business Advisory Council, formed to provide YMM insight and feedback on airport business initiatives. He resides in Fort McMurray with his wife and four children.

PROFILE: John H. Wilson,
Hedco Group Inc.
Chair, Business Advisory Council,
Fort McMurray Airport Authority



Why was the Airport Business Advisory Council formed?

When the airport project started, I was involved with a stakeholders group that was looking to develop a residential neighbourhood on 600 acres of land owned by the Keyano College that was being under-utilized.

As we worked with the Regional Municipality of Wood Buffalo to develop the land and see that appropriate services such as sewer and water were brought in, we realized we needed the same things as the airport. At the same time, Scott Clements (Fort McMurray Airport Authority President and CEO), needed a forum where the airport authority could listen to the community and get feedback on where our needs were in terms of air service and airport improvements.

Now there are 22 business leaders on the advisory council providing Scott with our perspective and feedback on the airport and how it can best serve the region.

Why is the YMM expansion important for business in Fort McMurray?

There are very few flights to Fort McMurray that are not completely full. You look around the aircraft's cabin on a typical flight and see that it's all people coming here to work. Many working in the oil sands, especially those at remote oil sands plants, use the fly-in, fly-out rotation. Housing costs in Fort McMurray have grown, so the fly-in, fly-out scenario is becoming even more necessary.

If you look at the growth projections for oils sands production, we're at about 1.9 million barrels per day. By 2025, experts are predicting it would more than double. It's going to put more pressure on businesses to expand to meet the demand. There is a huge demand for commercial property in Fort McMurray right now but there's basically not a lot of land available. That's why any kind of commercial land — like at the airport — is needed.

If you look at the airport right now, it's absolutely bursting at the seams. The new terminal is state-of-the-art and allows for the free flow of people. While many challenges are ongoing for the community, having a larger, more efficient airport terminal addresses many of these problems.

Air Cargo: Getting what you need when you need it

The Athabasca oil sands continue to fuel the Wood Buffalo region, placing demands on equipment and parts as well as workers. The YMM air cargo plan is lockstep with the supply chain and logistics of the oil and gas industry with plans to expand along with industry's rapid development.

YMM has no dedicated air cargo facilities for processing international cargo. However, ongoing development in the oil sands creates large demands for air cargo such as machinery parts and supplies from around the world. Many of these items are urgently required for critical operation and are of high value. As well, many are heavy or oversized and would require special handling. New and larger air cargo facilities will be needed as YMM expands.

Heavy freight is also limited by the current length of the runway. As such, YMM applied to the federal government for funding to increase the runway length to 2,743 metres (9,000 feet). An extended runway will be able to accommodate the heavy freight aircraft needed to bring in larger equipment.

Photos courtesy of Fort McMurray Tourism





Spreading our wings

The opening of the new terminal will free up land on the north side of the airport. This will create new opportunities for general and corporate aviation to grow along with the rapid development of industry in the Wood Buffalo region.

Many services and businesses already offered through general aviation include:

- Private and recreational flying
- Flight schools and flight training
- Charter services
- Search and rescue
- Avionics
- Helicopter activity
- Corporate services
- Private charters
- Aircraft maintenance
- Air ambulance services

YMM also has several fix-base operations that provide a variety of services, including aircraft handling, refuelling services and executive flight lounges.

The total number of airlines servicing YMM will include:

- Air Canada
- Air Canada Express
- McMurray Aviation
- Northwestern Air
- Sunwing Airlines (seasonal)
- United Airlines
- WestJet
- WestJet Encore

As well, YMM hosts over 25 workforce charter carriers, including:

- Air Georgian Limited
- Air North Charter
- Air Tindi
- Airco Aircraft Charters
- Alberta Central Airways
- Alta Flights
- Arctic Sunwest
- Bar Xh Air (Integra)
- Bearskin Lake Air Services
- Canadian North
- Central Mountain Air
- Enerjet
- Flair Airlines
- Jazz
- Kenn Borek Air
- Morningstar Partners
- North Cariboo Air
- Northern Air
- Pentastar Air
- Perimeter Aviation
- Regional 1 Airlines
- Shell Canada
- Skyservice Business Aviation
- Suncor
- Sunwest Aviation
- Syncrude
- West Wind Aviation



Photo courtesy of Fort McMurray Tourism

Taking business to the next level

As the Wood Buffalo region's economy grows, more businesses will need commercial land to operate. YMM offers 1,267 acres of prime commercial land for development, including 46 acres south of the runway. To encourage more businesses to set up shop next to the airport, YMM built crucial infrastructure in 2013, including:

- Completion of West Airport Boundary Road (Range Road 85) from Snowbird Way to Highway 69; with final paving in 2014
- Installation of gas services, including a new ATCO pipeline gas station for the new terminal
- Sanitary sewer system from airport through Saline Creek, including a new lift station and connection to the existing Fort McMurray sewer system

YMM is now moving to commercial lot development and airport service facilities as priorities next year. The projects are:

- Golden Hawk Industrial Park
- Snowbird Way Highway Commercial Area
- Ground Support Equipment (GSE) facility
- Rental Car Quick Turnaround (QTA) facility

While passenger numbers outstripped the 1980s terminal, it is still a useful structure. Plans are underway to re-purpose the building for use by companies operating at YMM.

Plans are underway to build a four-star hotel connected to the new terminal. Amenities will include:

- Restaurant/bar
- Room service
- Business centre
- Meeting rooms
- Gym/pool
- Underground heated parking
- Climate-controlled pedway

Growing with the region

Fort McMurray International Airport is a major economic generator for the region. Record passenger growth is elevating the airport's status as an economic driver and job creator. Below are the highlights from the 2013 YMM Economic Impact Study.

2013 Summary of Economic Impacts

Activity Category	Direct	Indirect	Induced	Total
Employment	746	810	338	1,894
Wages*	\$55.5	\$36.8	\$17.2	\$109.5
Output*	\$483.8	\$301.3	\$125.0	\$910.1
GDP*	\$177.7	\$157.5	\$77.1	\$412.4

(*millions)

✕✕✕✕✕✕✕✕✕✕
EIGHT08
 NUMBER OF COMMERCIAL AIRLINES SERVICING YMM

25 WORKFORCE CHARTER CARRIERS

10 ESSENTIAL GENERAL AVIATION SERVICES OFFERED

THE HEART OF THE AIRPORT

An airport is more than asphalt, steel and glass. It is the combined effort of many people dedicated to providing the best service possible. Fort McMurray strives to create a progressive, enticing work environment through strategic business partnerships and organizational plans, so it can be the workplace of today and tomorrow for hundreds of Albertans.

Bill Werny served the Canadian Forces as an air force pilot for 37 years. Upon retiring from the military, Werny worked with the Government of Alberta over a three-year period. He joined STARS air ambulance as Vice-President of Operations, serving the position for another three years. Following STARS, Werny was a consultant for the aerospace defence industry. He became Vice-President of Operations for the Fort McMurray Airport Authority in 2013.

Clayton Rozak has been with the Fort McMurray Airport Authority for most of the past 15 years. He started out in the maintenance shop in 1998 when YMM was still under Transport Canada management. He saw the airport change over to the Regional Airport Commission a year later. He is currently YMM's Manager, Operations and Training.

PROFILE: Clayton Rozak
Fort McMurray Airport Authority,
Manager of Operations and Training



PROFILE: Bill Werny
Fort McMurray Airport Authority
Vice-President of Operations

How much has YMM changed since the late 1990s?

Rozak: When I first started, there were only eight people running the airport. I often told people that during winter we could shut down half the parking lot because nobody was in it. Now the parking lots are full from the terminal right down past our tenants on the north side. We went from eight staff and grew exponentially to where we are now. We are going to grow to over 120 employees once the new terminal is fully operational.

What is Team YMM?

Werny: Team YMM brings together all aspects of airport business — the Airport Authority, the airlines, and the tenants — and ensures everyone is involved and in the loop when it comes to airport communications, customer service, emergency preparedness and security. We need to be on the same page and work together. Team YMM

allows for communication between the Airport Authority and other organizations on the airport campus.

How is Team YMM preparing for the new terminal opening?

Rozak: There are new systems in the new terminal: check-in systems, baggage handling systems, public announcement and phone systems, four boarding bridges, a bigger apron. We're making sure that everyone who will work in the new terminal has the training they need to do their job on day one. To get us there, we will hold trials this spring to test all the systems. We want to find the issues beforehand and make adjustments before opening.

What will happen to the existing terminal?

Werny: The existing terminal will focus on workforce transportation. We're also looking at the option of it becoming a fixed base of operations (FBO) for executive and charter flight services.

Out of the nest, into the air

In 2013, YMM started shaping a new customer service concept called Team YMM. Team YMM brings together YMM employees and staff from over 40 companies that serve airport customers on a daily basis. The concept is to share skills and expertise, creating a friendly, customer-focused environment that exceeds expectations.

The objectives of Team YMM include:

- Maintaining a customer-centered service with frontline staff trained to provide consistent, high-level service to passengers
- Maintaining 24/7 airport operations
- Providing superior customer service through the Airport Ambassador Program and Customer Service and Visitor Information Centre
- Meeting and exceeding standards set by:
 - » Transport Canada
 - » Airport Council International (ACI) Airport Service Quality Program
 - » The Airport Authority Executive Team

Be part of the fleet

A key driver at YMM is to be one of the top places where people want to work. YMM is committed to creating a safe, well-managed workplace that encourages innovative and creative customer service practices. YMM has three major programs to achieve this goal:

An organizational plan that addresses:

- Staffing requirements and the transition to the new terminal in 2014
- Clear job descriptions and performance expectations
- Extensive employee training
- New leader recruitment and succession planning
- Widespread employee participation in organizational planning

An environmental health and safety strategy and wellness program that addresses:

- Illness prevention
- Stress management
- Exercise and healthy living
- Overall employee well-being

A positive employment brand that offers:

- Stimulating work
- Workplace rewards
- Training and development
- Corporate social responsibility and ethics
- Opportunities to advance

YMM is expected to double its staff when the new terminal opens — from 74 current positions to around 120.



REACHING OUT, RAISING OTHERS

YMM is driven to build the best kind of relationship with stakeholders in the Wood Buffalo region. YMM reaches out and helps raise others in the community through community partnerships, volunteering and the Community Investment Program.

Erica Angel has been an officer and instructor with the local Air Cadet Squadron since 2003. A former Sea Cadet in her youth, Erica joined the squadron as a civilian instructor before undertaking the Cadet Instructor Cadre in 2004. She has held many officer and training positions, and was promoted to Commanding Officer of the squadron in 2010.

PROFILE: Erica Angel
Commanding Officer, 868 YMM Rotary
Northstar Royal Canadian Air Cadet Squadron

Photo courtesy of Fort McMurray Tourism

Providing the wings to soar

In 2013, YMM rolled out the Community Investment Program for organizations that build communities and help those in need. Information on the program with a corresponding downloadable application form is posted on www.flyymm.com. YMM staff champion the program in the community, and information on the program is circulated at public events and trade shows.

By the end of the year, YMM had contributed \$20,000 through on-going community partnerships and made a total \$27,526 in special contributions to the following organizations:

- 2013 Canadian Junior Curling Championship
- Healing Hands Children's Books
- Fort McMurray Boys & Girls Club
- YMCA Strong Kids Campaign Spin-a-thon
- Northern Lights Health Foundation Festival of Trees
- Wood Buffalo Food Bank
- Princess Patricia's Light Infantry
- Santas Anonymous

When did YMM approach the squadron for sponsorship?

Scott Clements (Fort McMurray Airport Authority President and CEO) had been our Reviewing Officer for our annual Ceremonial Review, which is basically our year-end celebration, for the last two years. About a year ago, he started talking about partnerships. Our unit was looking for sponsors at the time as well. It represented a great opportunity for the unit as obviously Air Cadets is about aviation, community and youth — the same causes YMM was committing to.

What does YMM do for the squadron?

YMM provides our unit \$10,000 a year, with half of the funds going towards two scholarships for cadets who are graduating from high school and are entering a post-secondary institution.

Because the air cadets must know a lot about aviation, they must know a lot about airport operations, how aircraft work and how they are maintained. We've been able to set up a number of tours to the airport so the cadets can learn about it more effectively. YMM also provides an opportunity for cadets to get out into the community for various citizenship activities, such as the 2014 Fort McMurray International Air Show. Whenever there is something coming up at the airport, YMM wants us to be involved.

How will YMM's new terminal impact community-building in the Wood Buffalo region?

I think the new airport terminal building will make Fort McMurray more accessible for people. That also means many may choose to move here, therefore increasing the demand for services the community needs to provide. This in turn will help non-profit and community-based organizations grow with it.

For our unit, there couldn't be a more perfect fit with our two sponsors. We have the Rotary Club which is known for its citizenship and we have YMM for its aviation. The fact both of those organizations are able to work with us in developing youth leadership allows us to reach our goals rapidly and develop great leaders and citizens of Canada.



Marlene Kowalski, Fort McMurray Airport Authority's Vice-President, Corporate Services and CFO, presents a cheque for \$11,500 to the Wood Buffalo Food Bank. The money was raised by YMM employees.

A helping hand when you need it

YMM doesn't just invest in the community; it also invests time and skills through the YMM employee volunteer matching program. YMM staff donated many hours to community organizations in 2013. As well, Team YMM took on many community projects, including:

- Cleaning and maintaining the municipal road leading to YMM for the 2013 RMWB Adopt-a-Trail/Roadway
- Raising \$11,500 for the Wood Buffalo Food Bank at the annual Team YMM Christmas Party
- Raising \$650 for the 2013 Movember campaign which supports men's health programs

Learning to take the lead

YMM's Community Investment Program focuses on three core partnerships involving youth, Canada's military, and aviation education and history. Currently, YMM has partnerships with:

- YMCA of Wood Buffalo Youth Leadership Program
- 868 YMM Rotary Northstar Royal Canadian Air Cadet Squadron

Partnership highlights in 2013 included:

- Sponsoring \$10,000 for the YMCA of Wood Buffalo Youth Leadership Program for youth ages 11-14 that show a passion for leadership and helping their community
- Awarding scholarships totaling \$5,000 to two members of the 868 YMM Rotary Northstar Royal Canadian Air Cadet Squadron during its Annual Review Ceremony on June 1, 2013

Speaking with the community

Digital media allows YMM to keep customer service open 24/7. YMM re-launched the site with a new look and format that makes it quicker and easier to navigate on mobile and tablet devices, while also providing a fuller range of travel and airport service information. Website visitors can sign up to the YMM e-newsletter, leave feedback or access YMM's social media.

Fort McMurray International Airport's YMM Facebook page and Twitter account (@flyymm) provide immediate up-to-date information and allow passengers to post questions, suggestions, compliments and concerns directly to airport customer service. Currently, @flyymm has 1,736 followers and the YMM Facebook page has 952 likes.



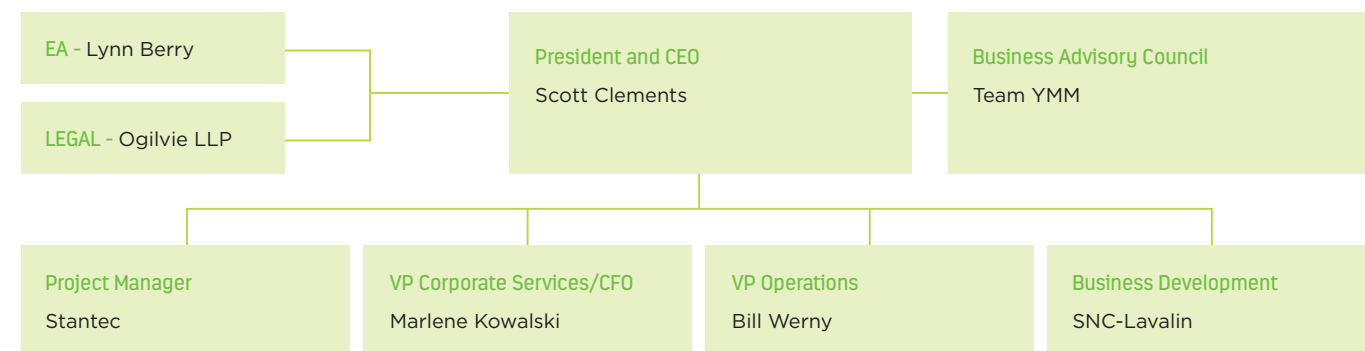
YMM staff participate in the Adopt-a-Road Program >



FlyYMM 952 LIKES

@FlyYMM 1,736 FOLLOWERS

GOVERNANCE AND ACCOUNTABILITY



BOARD OF DIRECTORS



Sheldon Schroeder
Board Chair
Appointed by: Oil Sands Community Alliance



Matthew Cox
Appointed by: Oil Sands Community Alliance



Mildred Ralph
Appointed by: Fort McMurray Chamber of Commerce



Ken Balkwill
Appointed by: CUPE, Local 1505



Trent Obrigewitsch
Appointed by: Regional Municipality of Wood Buffalo



Allan Kallal
Appointed by: Regional Municipality of Wood Buffalo



Bernd Wehmeyer
Appointed by: Regional Municipality of Wood Buffalo



Murray Sigler
Appointed by: Fort McMurray Airport Authority



Cheryl Alexander
Appointed by: Fort McMurray Airport Authority



Jeff Fitzner
Appointed by: Fort McMurray Chamber of Commerce

MANAGEMENT TEAM

Scott Clements
President and Chief Executive Officer

Bill Werny
Vice-President, Operations

Marlene Kowalski
Vice-President, Corporate Services and CFO

Jesse Meyer
Manager, Marketing and Communications

Clayton Rozak
Manager, Operations and Training

Bruce Ehmann
Manager, Security and Terminal Operations

Lanner Khan
Manager, Facilities

Elizabeth Spearing
Safety Coordinator

Roxanne LeBlanc
Financial Controller

Veronica Wakeham
Manager, Human Resources and Administration

Stephen Cunningham
Manager, Information Technology

FORT McMURRAY AIRPORT AUTHORITY MANAGEMENT DISCUSSION & ANALYSIS

FOR THE YEAR ENDED DECEMBER 31, 2013

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Photo courtesy of Fort McMurray Tourism

FORT McMURRAY AIRPORT AUTHORITY

MANAGEMENT DISCUSSION & ANALYSIS | FOR THE YEAR ENDED DECEMBER 31, 2013

Performance Highlights

Passenger traffic activity

In 2013, YMM achieved another year of unprecedented passenger growth. More flights and more destinations resulted in YMM serving nearly 1.2 million passengers, a 25% increase over 2012. Scheduled commercial traffic increased by 15% over the prior year, whereas workforce charters increased by 85%. YMM is the fastest-growing airport in Canada, and now ranks as the 16th busiest in the country. The average annual passenger growth rate at other Canadian airports in 2013 was approximately 1% - 3%.

Airlines increased capacity in 2013 to meet the strong growth in demand at YMM. Departing seats to Toronto grew by 50% over 2012 levels, along with increased capacity to Edmonton and Calgary by Air Canada and WestJet. June 2013 marked the launch of YMM's first scheduled US transborder flight with United Airlines operating daily flights to Denver. This service has allowed many business and leisure travellers to connect easily at one of the largest US hub airports en route to many other US and international destinations. In addition, this enabled port of entry status to be granted and Canada Border Services Agency (CBSA) core custom services to be established at YMM, consequently making it easier to attract new international airline services.

Building on its success in 2012, Sunwing Airlines is continuing its seasonal international passenger service to Puerto Vallarta, Mexico (December to March). Sunwing plans to add additional weeks to the 2013/14 service.

Expanding oil sands activity in the region has resulted in numerous carriers providing, and increasing, charter passenger services associated with workforce transportation. Aviation activity related to workforce transportation is forecasted to increase, linked to industry development plans for additional production capacity. After the opening of the new main terminal building, the current north terminal site will be repurposed to mainly accommodate workforce charter service and the oil sands growing demand for more workers.

FORT McMURRAY AIRPORT AUTHORITY

MANAGEMENT DISCUSSION & ANALYSIS | FOR THE YEAR ENDED DECEMBER 31, 2013

The following chart and graph illustrates the growth trend in enplaned and deplaned passengers at YMM:

	2006	2007	2008	2009	2010	2011	2012	2013
Total Passengers	443,687	595,671	735,987	704,362	714,659	763,708	958,072	1,195,437
Commercial	415,965	559,009	639,765	667,404	671,427	710,768	828,701	956,035
Workforce	28,722	36,662	42,222	36,958	43,232	52,940	129,371	239,402



Cargo activity

YMM currently has minimal facilities for air cargo. Much of the cargo handled at YMM is carried on scheduled passenger aircraft. While the volume of cargo processed at YMM is relatively low, there is significant potential for growth as much of the cargo travelling by air is transported by truck to and from the Fort McMurray area and flown from Edmonton or Calgary airports.

FORT McMURRAY AIRPORT AUTHORITY

MANAGEMENT DISCUSSION & ANALYSIS | FOR THE YEAR ENDED DECEMBER 31, 2013

Financial Performance

The following table presents the revenue and expenditures for the Authority with a comparison of actual to budget and prior year.

Statement of Operations - Comparison to Budget Year and Prior Year (\$000s)

	Year ended December 31, 2013			
	2013 Actual	2012	Change	% Change
Passengers	1,195,437	958,072	237,365	24.8%
REVENUE	\$	\$	\$	
Airport improvement fee	14,293	12,247	2,046	16.7%
Airport improvement fee - equivalent	3,392	1,707	1,685	98.7%
Other airfield revenue	8,726	6,367	2,359	37.0%
Parking revenue	3,659	3,287	372	11.3%
Car rental agencies revenue	2,159	2,244	(85)	-3.8%
Land lease revenue	2,273	1,752	521	29.7%
Building lease revenue	1,034	920	114	12.4%
Fort Chipewyan contract	-	346	(346)	-100.0%
Other revenue	727	491	236	48.0%
Total Revenue before grants	36,263	29,361	6,902	23.5%
RMWB Grant - sustaining capital	-	1,000	(1,000)	-100%
Total Revenue	36,263	30,361	5,902	19.4%
EXPENSES				
Salaries and wages	8,047	6,226	1,821	29.3%
Operating	2,461	2,062	399	19.4%
General and administrative	3,683	2,580	1,103	42.8%
Airport improvement fee handling	1,012	865	147	17.0%
Customs/Canada Border Services Agency	505	18	487	2750.6%
Gain/loss on disposal of assets	(290)	(60)	(230)	385.5%
Fort Chipewayan expenses	-	18	(18)	-100.0%
Other Expenses	-	14	(14)	-100.0%
Total expenses	15,418	11,723	3,695	31.5%
Earnings before interest and amortization	20,845	18,638	2,207	11.8%
Interest and Amortization				
Amortization Expense	11,078	11,043	35	0.3%
Net Income	9,767	7,595	2,172	28.6%

FORT McMURRAY AIRPORT AUTHORITY

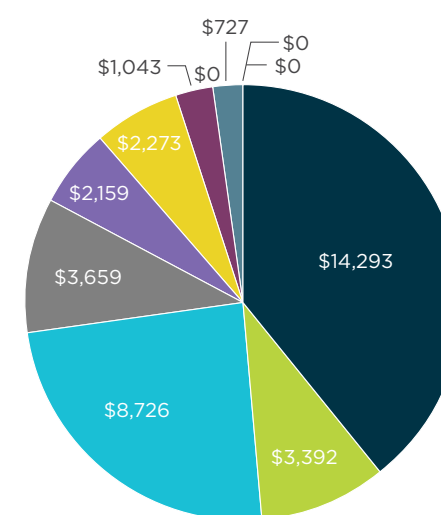
MANAGEMENT DISCUSSION & ANALYSIS | FOR THE YEAR ENDED DECEMBER 31, 2013

Revenue

YMM is continuing to build a solid foundation for future growth and financial sustainability. In 2013 revenue increased by \$6.9 million to \$36.2 million from \$30.4 million in 2012 or 23.5%. This is the result of strong passenger and aircraft movement growth, both commercial and workforce related.

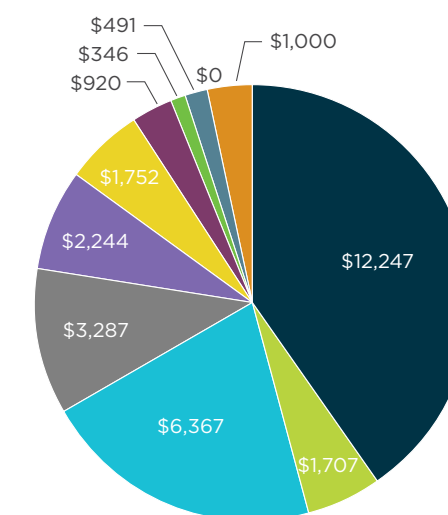
The Airport Improvement Fee (AIF), collected by commercial air carriers, and Airport Improvement Fee Equivalent (AIF-E) collected from charter aircraft, together are the largest component of revenue for the Fort McMurray Airport Authority. The AIF and AIF-E are used to fund the costs of new airport infrastructure, as well as major improvements to existing facilities and to repay interest and principal when debt is used for redevelopment. In 2013, the AIF and AIF-E was \$30 per enplaned passenger.

The following charts illustrate 2013 revenue compared to prior year (\$000s).



2013 Total Revenue: \$36.3M

- Airport Improvement Fee
- Airport Improvement Fee - Equivalent
- Other airfield revenue
- Parking revenue
- Car rental agencies revenue
- Land lease revenue



2012 Total Revenue: \$29.4M

- Building lease revenue
- Fort Chipewyan contract
- Other revenue
- RMWB Grant - project financing
- RMWB Grant - sustaining capital

FORT McMURRAY AIRPORT AUTHORITY

MANAGEMENT DISCUSSION & ANALYSIS | FOR THE YEAR ENDED DECEMBER 31, 2013

YMM also earns revenue from non-aeronautical commercial operations, such as parking, concessions, building and land leases. The non-aeronautical revenue in 2013 was \$9.8 million, an increase of \$812K over 2012. The following table shows where non-aeronautical revenue is derived.

Aeronautical vs. Non-Aeronautical Revenue (\$'000s)

	Year ended December 31, 2013		
	2013	2012	Change
AERONAUTICAL REVENUE	\$	\$	
Airport improvement fee	14,293	12,247	2,046
Charter revenue	3,392	1,707	1,685
Other airfield revenue	8,726	6,367	2,359
	26,411	20,321	6,090
Airport improvement fee handling	1,012	865	147
Total aeronautical revenue - net fee handling	25,399	19,456	5,943
Aeronautical revenue % of total revenue	72.1%	68.3%	88.0%
NON-AERONAUTICAL REVENUE			
Parking revenue	3,659	3,287	372
Car rental agencies revenue	2,159	2,244	(85)
Land lease revenue	2,273	1,752	521
Building lease revenue	1,034	920	114
Fort Chipewyan contract	-	346	(346)
Other revenue	727	491	236
Total non-aeronautical revenue	9,852	9,040	812
Non-aeronautical revenue % of total revenue	27.9%	31.7%	12.0%

FORT McMURRAY AIRPORT AUTHORITY

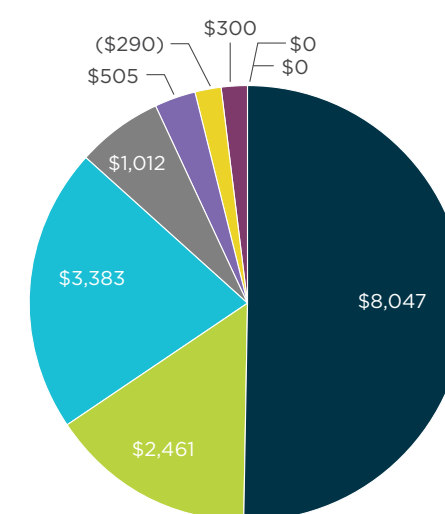
MANAGEMENT DISCUSSION & ANALYSIS | FOR THE YEAR ENDED DECEMBER 31, 2013

Expenses

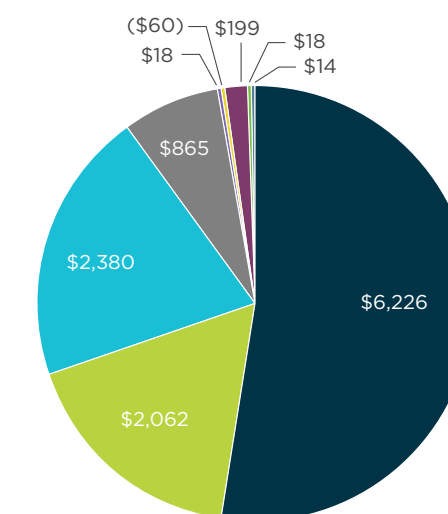
Operating expense

Operating expenses increased by \$3.7 million over prior year, or 32% for a total of \$15.4 million. Operating expenses are comprised of the costs to operate and maintain the airport excluding amortization. Increased operating costs are mainly related to the growth in passenger traffic.

The following charts presents the 2013 expenses compared to prior year (\$'000s):



2013 Total Expenses
Before Amortization: \$15.4M



2012 Total Expenses
Before Amortization: \$11.8M

- Salaries and wages
- Operating
- General and administrative
- Airport improvement fee handling
- Customs/Canada Border Services Agency expenses
- Gain/loss on disposal of assets
- Authority Board costs
- Fort Chipewyan expenses
- Other Expenses

FORT McMURRAY AIRPORT AUTHORITY

MANAGEMENT DISCUSSION & ANALYSIS | FIVE YEAR FINANCIAL OUTLOOK

Salaries and wages

Salaries and wages are a major expense and totaled \$8.2 million in 2013, an increase of \$1.8 million over the prior year. The increase in salaries and wages is the combination of increased passenger traffic, Transport Canada and US Transportation Security Administration (TSA) security requirements, and the additional hires required for the move to the new air terminal building which is five-times the size of the existing building. Wage increases for 2013 averaged 4% for both employees under the Collective Agreement and exempt staff. The following table shows the areas where staffing has been increased.

Canada Border Services expenses

In October 2013, YMM was granted official port of entry status after successfully working with the CBSA to obtain publicly funded core services. In 2013, YMM spent \$505K (2012 - \$17K) to establish this service in order to meet the threshold required for official port of entry status and public funding. This helps set the stage for more US transborder and international passenger and cargo service.

Branding and airside development

With flights to the US and Mexico, YMM has been going through a rebranding exercise to reflect the airport's new international status. In 2013, YMM spent \$200K on marketing, promotions and branding. In addition, \$256K was used for air service development and the promotion of new routes and airlines.

Master plan

In 2011, the Authority developed an Airport Master Plan that could be used to guide the airport planning over the next five to thirty years. However, with the dramatic growth in the last few years YMM has exceeded original projections and is seeing passenger traffic numbers that were forecasted for 2030. As a result the Airport Master Plan is being updated and in 2013 \$100K was spent towards this update.

Financing

The Authority secured \$198 million in long-term financing for the construction of the new airport terminal building, through the Alberta Capital Finance Authority (ACFA). The new terminal building is scheduled to open in June 2014. The interest rate is fixed at 4.719% for thirty years. The Authority made interest-only payments in 2013 with principal and interest payments scheduled to commence September 2014. Interest of \$9.3 million related to the financing was capitalized against the terminal building project in 2013.

Under the terms of the ACFA credit facility, the Authority is required to maintain an interest coverage ratio of not less than 1.25:1. At December 31, 2013 the interest coverage ratio was 2.36:1.

FORT McMURRAY AIRPORT AUTHORITY

MANAGEMENT DISCUSSION & ANALYSIS | FIVE YEAR FINANCIAL OUTLOOK

Grants from RMWB

The Authority has received \$18.7 million in funding grants from the RMWB to be used for civil works to support the development of the new airport terminal building and related projects. The final instalment of the grant for \$6.2 million was received in January 2014, bringing the total received to \$25 million.

Investments

As the Authority has received proceeds from ACFA and the RMWB in advance for the new terminal building and related projects, excess cash has been invested in GICs until the funds are required. An investment of \$40 million was made in a fixed 1-year term GIC which matures on September 7, 2014 with a yield of 1.63% per annum. An additional \$40 million was invested in a 1-year redeemable GIC with a yield of 1.56% per annum that matures on October 3, 2014. The yield rate of this GIC reduces as and when the Authority draws on it. Interest earned on GICs in 2013 was \$1.2 million and has been netted off against the cost of construction of the new terminal building.

Capital Investment

New airport terminal building

The Authority invested \$65 million towards the construction of the new terminal building in 2013. Total funds invested to date total \$190 million. Included in the investment are holdbacks of \$12 million which will be paid on completion of substantial performance.

Maintenance capital

In 2013, \$1.3 million was invested in upgrades to the current north terminal building. The following table summarizes the capital expenditures for the year.

Capital Investment	\$
NEW AIRPORT TERMINAL BUILDING	
2013 new main airport terminal project costs	64,587,000
SUSTAINING MAINTENANCE CAPITAL	
2013 Maintenance capital	785,122
2013 Current north terminal building upgrades	1,254,390
	2,039,512
Total capital investment	66,626,512

FORT McMURRAY AIRPORT AUTHORITY

MANAGEMENT DISCUSSION & ANALYSIS | FIVE YEAR FINANCIAL OUTLOOK

Financial Outlook 2014 – 2018

The five-year financial outlook is based on current assumptions that are believed to be most likely given the current economic climate over this period. Passenger volumes, parking use, concession revenues, building and land-lease activities, construction costs and capital investments are all critical supporting assumptions.

The airline activity at YMM is the key driver for determining a substantial portion of the aeronautical and non-aeronautical revenue budgets, and to a lesser extent the expense budget. The forecast aircraft activity in 2014 is based on published air carrier schedules for 2014, extensive economic and demographic analysis, including the development plans for of the oil sands companies. The 2014 budget assumes an overall passenger increase of 5.3%, and an average of 3% for the outlying years.

2014 will see a substantial increase in non-aeronautical revenue, the result of a comprehensive retail/food and beverage program associated with the opening of the new terminal building. In addition, amortization and interest will start to be recognized with the completion and occupancy of the building. In 2014, interest expense is estimated at \$5.4 million and the principal repayment is \$1.8 million.

Financial projections for the period of 2013 – 2018 are summarized in the following statements.

FORT McMURRAY AIRPORT AUTHORITY

MANAGEMENT DISCUSSION & ANALYSIS | FIVE YEAR FINANCIAL OUTLOOK

Statement of Operations (\$000s) | Five Year Financial Outlook

	Actual 2013	Budget 2014	Forecast 2015	Forecast 2016	Forecast 2017	Forecast 2018
PASSENGERS						
Commercial	956,035	1,002,169	1,042,255	1,073,523	1,105,729	1,138,900
Workforce	239,402	253,738	263,888	271,804	279,959	288,357
Total Passengers	1,195,437	1,255,907	1,306,143	1,345,327	1,385,687	1,427,258
REVENUE	\$	\$	\$	\$	\$	\$
Airport improvement fee	17,685	18,330	19,063	19,635	20,224	20,831
Other airfield revenue	8,726	9,587	10,204	10,612	11,037	11,478
Parking revenue	3,659	3,969	4,267	4,437	4,615	4,799
Car rental agencies revenue	2,159	2,258	2,348	2,442	2,539	2,641
Land lease revenue	2,273	1,658	2,094	2,178	2,265	2,356
Building lease revenue	1,034	2,014	2,989	3,143	3,303	3,470
Other revenue	727	2,849	2,617	2,657	2,699	2,742
	36,263	40,665	43,582	45,104	46,682	48,317
EXPENSES						
Salaries and wages	8,047	9,220	7,862	8,343	8,853	9,383
Contracted services	-	1,984	2,545	2,596	2,673	2,754
Operating	2,461	3,098	3,551	3,657	3,767	3,880
General and administrative	3,683	5,790	4,211	4,337	4,468	4,550
Airport improvement fee handling	1,012	1,042	1,074	1,106	1,139	1,173
Customs/Canada Border Services	505	-	-	-	-	-
Agency expenses	-	-	-	-	-	-
Loss on disposal of assets	(290)	-	-	-	-	-
	15,418	21,134	19,243	20,039	20,900	21,740
Earnings before interest and amortization	20,845	19,531	24,339	25,065	25,782	26,577
INTEREST & AMORTIZATION						
Amortization expense	11,078	12,919	14,004	14,004	14,004	14,004
Amortization deferred contribution	-	560	960	960	960	960
Interest on loan - new terminal	-	5,429	9,166	8,981	8,787	8,583
	11,078	18,908	24,130	23,945	23,751	23,547
TOTAL NET INCOME	9,767	623	209	1,120	2,031	3,030
INTEREST COVERAGE RATIO						
ACFA - interest coverage ratio required > 1.25	2.36	1.76	1.88	1.93	2.03	2.24

FORT McMURRAY AIRPORT AUTHORITY FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2013

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Photo courtesy of Fort McMurray Tourism

FORT McMURRAY AIRPORT AUTHORITY

STATEMENT OF MANAGEMENT ACCOUNTABILITY

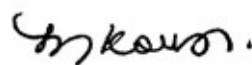
The audited financial statements of the Fort McMurray Airport Authority (“the Authority”) for the year ended December 31, 2013 have been prepared by and are the responsibility of the Authority’s management. The Authority’s financial statements include disclosures necessary for a fair presentation of the statements of financial position, results of operations and net assets and cash flows of the Authority and have been prepared in accordance with Canadian accounting standards for not for profit organizations (“GAAP”), and disclosure otherwise required by the laws and regulations to which the Authority is subject.

The Finance and Audit Committee of the Board of Directors meets periodically with management and independent auditors to review significant accounting, internal controls, and auditing matters. They also review and recommend the annual financial statements of the Authority to the Board of Directors.



Scott Clements

President and Chief Executive Officer



Marlene Kowalski

Vice-President Corporate Services
and Chief Financial Officer



Independent Auditor’s Report

To the Board of Directors of the Fort McMurray Airport Authority

We have audited the accompanying financial statements of Fort McMurray Airport Authority, which comprise the statement of financial position as at December 31, 2013, and the statements of operations and net assets and cash flows for the year then ended, 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 not-for-profit organizations, 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.

Auditor’s responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Fort McMurray Airport Authority as at December 31, 2013, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.



Chartered Accountants
April 25, 2014

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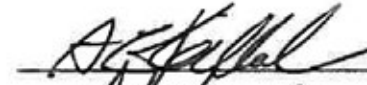

FORT McMURRAY AIRPORT AUTHORITY

STATEMENT OF FINANCIAL POSITION | AS AT DECEMBER 31, 2013

	2013	2012
	\$	\$
ASSETS		
CURRENT		
Cash and cash equivalents	7,131,058	9,548,989
Accounts receivable	4,218,383	3,601,036
Inventory	278,753	187,368
Mortgage receivable (note 3)	-	20,364
Investments (note 4)	146,668	-
Prepaid expenses	199,665	71,370
	11,974,527	13,429,126
NON-CURRENT		
Restricted cash (note 5)	82,125,223	119,607,091
Tangible capital assets (note 6)	298,183,543	242,285,613
Intangible assets (note 7)	3,580	34,054
Long-term investments (note 4)	176,561	313,882
Mortgage receivable (note 3)	-	527,751
	392,463,434	376,197,518
LIABILITIES AND NET ASSETS		
CURRENT		
Accounts payable and accrued liabilities	16,147,935	16,381,198
Deferred revenue - QTA facility (note 5)	979,391	497,524
Current portion of long-term debt (note 8)	1,851,642	-
	18,978,968	16,878,722
NON-CURRENT		
Long-term debt (note 8)	196,148,358	198,000,000
Unamortized deferred capital contributions (note 9)	17,750,000	11,500,000
	232,877,326	226,378,722
Commitments (note 13)		
Contingencies (note 14)		
NET ASSETS		
Net Assets	159,586,108	149,818,796
	392,463,434	376,197,518

See accompanying notes to financial statements.

APPROVED BY THE BOARD

 Director
 Director

FORT McMURRAY AIRPORT AUTHORITY

STATEMENT OF OPERATIONS & NET ASSETS | YEAR ENDED DECEMBER 31, 2013

	2013	2012
	\$	\$
REVENUE		
Airport improvement fee	14,292,880	12,246,900
Airport improvement fee - equivalent	3,392,070	1,706,790
Other airfield revenue	8,726,034	6,367,189
Parking revenue	3,658,798	3,287,123
Car rental agencies revenue	2,159,285	2,244,192
Land lease revenue	2,273,015	1,752,329
Building lease revenue	1,034,352	919,739
Other revenue	727,063	837,159
Contributions from Regional Municipality of Wood Buffalo (note 9)	-	1,000,000
	36,263,497	30,361,421
EXPENSES		
Amortization expense	11,077,667	11,043,346
Salaries and wages	8,047,069	6,225,774
Operating	2,461,185	2,061,854
General and administrative	3,682,898	2,598,418
Airport improvement fee handling	1,012,497	864,606
Customs/Canada Border Services Agency expenses	505,079	17,718
Gain on disposal of tangible capital assets	(290,210)	(59,781)
Other expenses	-	14,100
	26,496,185	22,766,035
NET INCOME	9,767,312	7,595,386
NET ASSETS, BEGINNING OF YEAR	149,818,796	142,223,410
NET ASSETS, END OF YEAR	159,586,108	149,818,796

See accompanying notes to financial statements.

FORT McMURRAY AIRPORT AUTHORITY

STATEMENT OF CASH FLOWS | YEAR ENDED DECEMBER 31, 2013

	2013	2012
	\$	\$
CASH PROVIDED BY (USED IN)		
OPERATIONS		
Net income	9,767,312	7,595,386
Items not affecting cash		
Gain on disposal of tangible capital assets	(290,210)	(59,781)
Amortization of tangible capital assets	11,038,180	11,004,309
Amortization of intangible assets	35,453	35,003
Amortization of long term investment	4,034	4,034
Non-cash investment income	(2,735)	-
	20,552,034	18,578,951
Change in non-cash working capital items		
Accounts receivable	(616,846)	(984,341)
Inventory	(91,385)	(22,394)
Prepaid expenses	(128,295)	(10,992)
Account payable and accrued liabilities	(233,263)	6,436,289
	19,482,245	23,997,513
INVESTING		
Net change in restricted cash	37,481,868	(89,919,329)
Repayments of mortgage receivable	548,115	19,212
Expenditures on major capital project	(64,587,000)	(67,718,220)
Other capital expenditures	(2,059,801)	(2,765,952)
Purchase of intangible assets	(4,079)	(39,106)
Net change in long-term investments	(11,146)	39,361
	(28,632,043)	(160,384,034)
FINANCING		
Increase in deferred revenue - QTA facility	481,867	497,524
Contribution from Regional Municipality of Wood Buffalo	6,250,000	11,500,000
Proceeds from long-term debt	-	128,000,000
	6,731,867	139,997,524
(Decrease) increase in cash	(2,417,931)	3,611,003
Cash and cash equivalents, beginning of year	9,548,989	5,937,986
Cash and cash equivalents, end of year	7,131,058	9,548,989

See accompanying notes to financial statements.

FORT McMURRAY AIRPORT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS | YEAR ENDED DECEMBER 31, 2013

1. Nature of operations

The Fort McMurray Airport Authority (The "Authority") was incorporated December 1, 2009 and began operating January 1, 2010, under the provisions of the Regional Airports Authorities Act (Alberta) (the "Act") for the purpose of managing the Fort McMurray Airport (the "Airport") in a safe, secure and efficient manner, and to advance economic and community development by promoting improved airline and transportation service and an expanded aviation industry. In accordance with the provisions of the Act, all Authority surpluses are applied towards promoting its purposes, and no dividends are paid out of the surpluses. Surpluses in these financial statements are described as net assets.

The Authority is considered to be a not-for-profit organization under Section 149 of the *Income Tax Act (Canada)* and, accordingly, is exempt from payment of income tax.

Transfer of assets

Effective January 1, 2010 the Authority entered into a Transition and Transfer Agreement with the Regional Municipality of Wood Buffalo ("RMWB") to transfer the assets and operations of the Fort McMurray Regional Airport Commission (the "Commission") to the Authority. Tangible capital assets of the Commission were transferred to the Authority and recorded at the carrying amount of the Commission.

2. Significant accounting policies

Basis of accounting

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations ("GAAP") and reflect the following significant accounting policies:

Controlled entities

The Authority has elected not to consolidate controlled entities as allowed under GAAP. The investment controlled by these entities is recorded at cost in the statement of financial position and prescribed disclosure is presented in the notes to the financial statements. The Authority has incorporated a wholly owned subsidiary, YMM Inc., which is currently dormant and had no activity in the year.

Cash and cash equivalents

Cash and cash equivalents include unrestricted cash on deposit with financial institutions and short-term investments with maturities of three months or less from the date of acquisition. Cash and cash equivalents also include bank indebtedness consisting of overdrawn bank accounts. Bank indebtedness is included in cash and cash equivalents as it regularly fluctuates from being positive to overdrawn.

FORT McMURRAY AIRPORT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS | YEAR ENDED DECEMBER 31, 2013

Accounts receivable

Accounts receivable are stated after evaluation as to their collectability and an appropriate allowance for doubtful accounts where considered necessary.

Inventory

Inventory is valued at the lower of cost and the net realizable value with the cost being determined on a first in, first out basis.

Tangible capital assets

Tangible capital assets exclude the cost of facilities constructed on airport lands which are owned by tenants. Tangible capital assets are recorded at cost less accumulated amortization and impairment losses. Interest directly attributable to the acquisition, construction or development of tangible capital assets is capitalized.

Amortization is based on their estimated useful life at the following rates using the straight line method:

Asset	Rate
Buildings	15 - 34 years
Maintenance equipment	10 years
Airside/groundside paving structures	10 years
Airside lighting structures	10 years
Parking lots	6 - 20 years
Apron expansion	11 years
Light vehicle fleet	4 - 5 years
Fire trucks	10 years
Firefighter equipment	5 years
Furniture and fixtures	5 years
Computer hardware	3 years

Intangible assets

Intangible assets with a finite life are accounted for at cost. Amortization is based on their estimated useful life using the straight-line method over two years.

FORT McMURRAY AIRPORT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS | YEAR ENDED DECEMBER 31, 2013

Investments

Investments are recorded at cost. Earnings from these investments are recognized only to the extent received or receivable. The Authority recognizes an impairment loss in net earnings, if any, when it determines that a significant adverse change has occurred during the period in the expected timing or amount of future cash flows. When the extent of impairment of a previously written-down asset decreases and the decrease can be related to an event occurring after the impairment was recognized, the previously recognized impairment loss shall be reversed in net earnings in the period the reversal occurs.

Deferred leasing costs, with respect to hotel and land development investments consist of engineering, legal and other costs incurred related to long term operating leases. They are recorded at cost and are amortized on a straight-line basis over the term of the lease.

Impairment of long-lived assets

When a long-lived asset no longer has any long-term service potential to the Authority, the excess of its net carrying amount over any residual value is recognized as an impairment loss and expensed in the statement of operations and net assets. No impairment loss was recorded for the year ended December 31, 2013.

Revenue recognition

The Authority recognizes revenue when persuasive evidence of an arrangement exists, delivery has occurred, the price to the user is fixed or determinable and collection is reasonably assured. Specifically, revenue generated from Airport Improvement Fees, Airfield revenues, fees charged for parking, car rental agencies, land lease, building lease and other revenues are recognized as the airport facilities are utilized. Concession revenues are charged on a monthly basis and are recognized on a percentage of sales or specified minimum rent basis. Other rentals are recognized over the term of the respective agreements. The Authority follows the deferral method of revenue recognition for externally restricted revenues.

Airport Improvement Fees

The Authority derives revenue from the Airport Improvement Fee ("AIF"), which is collected by air carriers pursuant to an agreement among various airports in Canada, the Air Transport Association of Canada and air carriers serving airports that are signatories to the agreement. AIF revenue is used to fund the costs of new airport infrastructure, as well as major improvements to existing facilities, at the Fort McMurray Airport.

FORT McMURRAY AIRPORT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS | YEAR ENDED DECEMBER 31, 2013

Airport Improvement Fee – Equivalent

In addition, effective March 1, 2011, the Authority derives revenue from the Airport Improvement Fee – Equivalent (“AIF-E”) for charter aircraft exceeding ten seats at the same rates as for the AIF described above.

Use of estimates

The preparation of financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the year.

Key components of the financial statements require management to make estimates that include the provision for doubtful accounts in respect of receivables, the cost and net realized value of inventories, the useful life of long-lived assets, future employee benefits under defined benefit pension plans, asset retirement obligations, the fair value of certain financial instruments, and liabilities under legal contingencies. Actual results could differ from these estimates.

Financial instruments

Financial assets and financial liabilities are initially recognized at fair value when the Authority becomes a party to the contractual provisions of the financial instrument. Subsequently, all financial instruments are measured at amortized cost except for the following instruments:

Investments in unlisted shares are measured at cost less any reduction for impairment.

Transaction costs related to financial instruments measured at fair value are expensed as incurred. Transaction costs related to the other financial instruments are added to the carrying value of the asset or netted against the carrying value of the liability and are then recognized over the expected life of the instrument using the straight-line method. Any premium or discount related to an instrument measured at amortized cost is amortized over the expected life of the item using the straight-line method and recognized in net earnings as interest income or expense.

With respect to financial assets measured at cost or amortized cost, the Authority recognizes in operations an impairment loss, if any, when it determines that a significant adverse change has occurred during the period in the expected timing or amount of future cash flows. When the extent of impairment of a previously written-down asset decreases and the decrease can be related to an event occurring after the impairment was recognized, the previously recognized impairment loss shall be reversed in operations in the period the reversal occurs.

FORT McMURRAY AIRPORT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS | YEAR ENDED DECEMBER 31, 2013

3. Mortgage receivable

In 2010, the Authority assumed a mortgage receivable previously advanced by the Commission to a former member of Senior Management. The outstanding mortgage balance at December 31, 2012 was \$548,115. The loan was fully repaid in January 2013.

4. Investments

The Authority holds certain investments as follows:

	2013	2012
	\$	\$
CURRENT		
GIC - 1.9% annual interest matures July 15, 2014	146,668	-
NON-CURRENT		
GIC - 1.9% annual interest matures July 15, 2014	-	143,933
Hotel investment - new main terminal	43,446	32,800
Hotel investment - Nova Hotel	133,115	137,149
	176,561	313,882

995442 NWT Ltd. (Nova Hotel)

The Authority has a 30-year lease with 995442 NWT Ltd. for a hotel at the airport. The Authority’s investment in 995442 NWT Ltd. consists of the engineering and legal costs to review the lease agreement. The hotel opened September, 2010, and pays a nominal monthly rent plus a percentage of gross revenue. The carrying costs are amortized over the remaining life of the lease.

Hotel – new main airport terminal building

The Authority has accepted a Request for Proposals (“RFP”) application for a new hotel on the south side of the runway to be opened in the future. The Authority’s investment consists of costs involved to date with the creation of the RFP and reviews related to same. The carrying costs will be amortized over the life of the lease once the facility has opened.

FORT McMURRAY AIRPORT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS | YEAR ENDED DECEMBER 31, 2013

5. Restricted cash and investments

Restricted cash and investments is held by the Authority for the purpose of airport improvement, all restricted cash is held in the Authority's name and may only be applied for the purposes it was originally received for or designated by the Authority.

	2013	2012
	\$	\$
GIC investments	80,000,000	113,006,904
Current account - airport terminal building project	938,709	6,135,451
Current account - quick-turn-around (QTA) project	1,186,514	464,736
	82,125,223	119,607,091

The Authority has received proceeds from term debt (Note 8), as well as contributions from the RMWB in advance for the new airport terminal building. During the current financial year the Authority invested excess cash received to date into two GIC's that is designated for use in the new airport terminal project and related capital projects. An investment of \$40,000,000 was made in a fixed 1-year term GIC which matures on September 17, 2014 and yields a return of 1.63% per annum. The second GIC of \$40,000,000 is redeemable with a 1-year term and matures on October 3, 2014. The yield for this GIC is 1.56% per annum. The Authority may draw on this GIC based on its cash flow needs. The yield rate for this GIC reduces as and when the Authority draws on it. Interest earned of \$1,225,995 (2012 - \$513,326) on these GICs has been netted off against the cost of construction of the new airport terminal.

The remaining loan proceeds of \$938,709 (2012 - \$6,135,451) are held in a separate bank account.

Current account – Quick-Turn-Around (QTA) project

This cash is received from the car rental agencies (the "agencies") operating from the airport. The money is to be applied for the purposes of developing a quick turn-around facility at the airport which will include a fuel station and car wash. As per the rental agreement between the Authority and agencies, the agencies are required to charge customers a customer facility charge (CFC) which in turn is remitted to the Authority to finance the QTA project. In 2013 the CFC increased to \$8 per day.

FORT McMURRAY AIRPORT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS | YEAR ENDED DECEMBER 31, 2013

6. Tangible capital assets

			2013	2012
	Cost	Accumulated amortization	Net book value	Net book value
	\$	\$	\$	\$
Land	24,690,500	-	24,690,500	24,690,500
Buildings	217,644,249	4,092,999	213,551,250	148,696,308
Maintenance equipment	338,260	97,496	240,764	270,685
Groundside paving structure	9,683	3,390	6,293	7,262
Airside paving structure	44,192,923	17,664,333	26,528,590	30,947,330
Airside lighting structures	2,403,236	935,394	1,467,842	1,674,768
Parking lots	2,580,216	1,353,481	1,226,735	1,640,648
Apron expansion	41,535,313	15,103,751	26,431,562	30,207,500
Light vehicle fleet	5,982,728	2,853,838	3,128,890	3,026,318
Fire trucks	1,357,262	542,905	814,357	950,083
Firefighter equipment	39,200	31,360	7,840	25,354
Furniture and fixtures	186,979	118,755	68,224	85,326
Computer hardware	230,116	209,420	20,696	63,531
	341,190,665	43,007,122	298,183,543	242,285,613

Included in buildings are \$190,943,863 (2012 - \$126,356,863) of costs related to assets under construction. These assets are not subject to amortization. The Alberta Capital Finance Authority holds a General Security Agreement over all Personal Property of the Fort McMurray Airport Authority.

Net interest for the year ended December 31, 2013 incurred during the construction of tangible capital assets of \$9,292,422 (2012 - \$4,691,464) is included as part of the cost of the assets.

FORT McMURRAY AIRPORT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS | YEAR ENDED DECEMBER 31, 2013

7. Intangible assets

			2013	2012
	Cost	Accumulated amortization	Net book value	Net book value
	\$	\$	\$	\$
Computer software	128,294	124,714	3,580	34,054

Intangible assets with a finite life are accounted for at cost less accumulated amortization and impairment losses. Amortization is based on their estimated useful life using the straight-line method over two years.

8. Long term debt

Alberta Capital Finance Authority (“ACFA”)

On March 7, 2011, the Authority secured long-term financing for construction of the new Airport Terminal Building scheduled to open June 2014. The new facility has estimated total construction costs of \$198,000,000. Quarterly draws totaling \$198,000,000 were set between March 2011 and September 2012 at a fixed rate of 4.719% for thirty years, due March 15, 2041. Interest only payments commenced September 2011 with principal and interest payments scheduled to commence September 2014 in the amount of \$13,046,904 annually. The debenture is secured by a first charge on all Authority assets. A Letter of Credit for an amount of up to \$10,000,000 in support of the debenture issued by the ACFA has been arranged by the RBC, pari passu with ACFA.

Capital long term debt relating to the Authority at year-end is \$196,148,358 (2012 - \$198,000,000) and the short term portion is \$1,851,642. Under the terms of the ACFA facility, when debentures are outstanding, the Authority is required to maintain an Interest Coverage Ratio of not less than 1.25:1 and net cash flows greater than zero as of the end of any fiscal quarter on a rolling four fiscal quarter basis. All covenants have been met.

Principal payments required in the next five years and thereafter are as follows:

	\$
2014	1,851,642
2015	3,835,384
2016	4,018,510
2017	4,210,382
2018	4,411,413
Thereafter	179,672,669
	198,000,000

FORT McMURRAY AIRPORT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS | YEAR ENDED DECEMBER 31, 2013

9. Grants and unamortized deferred capital contributions

Regional Municipality of Wood Buffalo (RMWB)

On May 24, 2011, the Council of the RMWB approved a matching funding grant of \$25,000,000 to the Authority, \$24,000,000 of the grant is to provide civil works to support the development of the new airport terminal building.

The Authority has received \$18,750,000 as the first and second instalment of the grant. The balance of the grant, \$6,250,000 will be received in 2014.

Per the grant agreement \$1,000,000 of the total funding is to be used at the discretion of the Authority for the purpose of providing customs and immigration facilities within the existing airport terminal. Due to the discretionary and unrestricted nature of this funding it was recorded as revenue in 2012.

The remaining \$17,750,000 received has been utilized as intended and has been spent. Amounts are recorded in unamortized deferred capital contributions on the statement of financial position. This balance will be amortized over the life of the assets to which it relates and will commence as and when the related assets are available for use.

In 2010, the RMWB approved a bylaw which waives the RMWB portion of property taxes while leaving the Authority responsible for only that portion of the property taxes that are paid to the Provincial Government, as well as that portion of the property taxes used for senior citizen support.

The RMWB is an appointee of three directors to the Board of Directors of the Authority.

10. Related party transactions

Mortgage receivable

The Authority assumed a mortgage receivable to a former member of senior management. This mortgage has since been repaid. See note 3 for particulars.

Staff housing

The Authority owns seven staff housing units all of which are rented to current employees. The rental charge is based on the housing policy of the RMWB. It is slightly below the perceived market rent in the community and has been treated as a taxable benefit to the involved employees. The rents for 2013 totaled \$148,120 (2012 - \$151,357) and the direct expenses associated with these totaled \$45,584 (2012 - \$39,083).

These transactions are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

FORT McMURRAY AIRPORT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS | YEAR ENDED DECEMBER 31, 2013

11. Employee future benefits

Pension and retirement plans

Employees of the Authority participate in the Local Authorities Pension Plan ("LAPP"), which is a multi-employer contributory defined pension plan covered by the Public Sector Pension Plans Act of Alberta. At December 31, 2012, the LAPP reported an actuarial deficiency of \$4.98 billion (2011 - \$4.6 billion deficiency). An actuarial valuation is carried out every year. Any differences between the actuarial valuation results and extrapolated results will next be reported as at December 31, 2013. Total service contributions by the Authority to the LAPP for 2013 were \$465,585 (2012 - \$390,623).

The Authority had a defined contribution supplementary retirement plan for three senior executives in 2013 and for two senior executives in 2012. The expense recorded in the statement of operations for 2013 totaled \$61,310 (2012 - \$37,282). The Authority requires members to contribute to the plan at a rate equal to that required by LAPP.

12. Financial instruments

The financial assets of the Authority, which consist of cash and cash equivalents, accounts receivable, investments, and restricted cash and investments are measured at amortized cost. Accounts receivable presented in the statement of financial position is presented net of an allowance for doubtful accounts of \$17,762 (2012 - \$71,731).

Credit risk

The Authority is exposed to credit risk as it provides credit to a large number of customers in the normal course of its operations. This risk is minimized through the Authority's diverse customer base and assessment of potential customer's financial condition prior to extending credit.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. Changes in market interest rates may have an effect on the cash flows associated with some financial assets and liabilities, known as cash flow risk. In seeking to minimize the risk from interest rate fluctuations, the Authority manages exposure through its normal operating and financing activities.

The Authority is exposed to interest rate risk with respect to investments in guaranteed investment certificates, restricted cash and investments and term loans subject to refinancing. Changes in market interest rates could impact investments to the extent that the investments mature and are reinvested at current market interest rates. There is no impact on the ACFA project financing as the note bears interest at a fixed rate of 4.719% for the 30-year term.

FORT McMURRAY AIRPORT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS | YEAR ENDED DECEMBER 31, 2013

Liquidity risk

The Authority actively maintains its credit facilities to ensure it has sufficient available funds to meet current and foreseeable financial requirements at a reasonable cost.

Management believes that future cash flows from operations, along with available credit under existing banking facilities, will be adequate to support the payment of the Authorities financial liabilities. Further, management also believes that the financing secured from ACFA for the new Airport Terminal project being planned will be adequately serviced by the Airport Improvement Fees payable by departing passengers.

13. Commitments

In 2011 the Authority commenced construction of a new Airport Terminal and related site works with a projected opening of June 2014, the approximate total construction cost of which is \$198,200,000. The outstanding commitment at year-end is estimated at \$8,000,000.

14. Contingencies

In the normal course of operations, there are pending claims against the Authority or assumed from the predecessor Commission. Litigation is subject to many uncertainties, and the outcome of individual matters is not predictable with assurance. In the opinion of management, it is not possible to predict the ultimate outcome of these claims, if any, which may result.

As part of the new terminal building development, the Authority requires supporting infrastructure such as water, sewer and upgraded road access which are offsite airport lands to be provided for the new airport terminal. The estimated total costs of such supporting infrastructure cannot be determined at this time. The costs that may be borne by the Authority will be based on construction undertaken and paid at that time.

15. Economic dependence

Revenue generated from major airlines such as Air Canada/Air Canada Express and WestJet/Encore account for approximately one-half of total revenues on a recurring basis. In addition, passengers flying with these airlines generate a significant portion of remaining revenue amounts. The Authority's ability to continue variable operations is dependent on Air Canada/Air Canada Express and WestJet/Encore continuing to fly to and from the Airport. As of the financial statement date, the Authority believes that their relationship with these airlines will continue into the foreseeable future.

FORT McMURRAY AIRPORT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS | YEAR ENDED DECEMBER 31, 2013

16. Directors' and Officers' remuneration

This information is provided pursuant to The Regulations of the Not-for-profit Corporations Act (S.C. 2009, c. 23) and represents the total compensation paid and expenses reimbursed to each director for the year end December 31, 2013.

				2013	2012
	Gross Pay	Travel	Training & Dev	Total	Total
Director Remuneration and Expenses	\$	\$	\$	\$	\$
Alexander, Cheryl	17,325	797	-	18,122	10,310
Balkwill, Kenneth	14,067	3,911	-	17,978	22,335
Fitzner, Jeff	17,467	-	-	17,467	13,889
Kallal, Allan	17,925	1,923	195	20,043	24,317
Kulas, Mario	-	1,542	-	1,542	3,747
Obrigewitsch, Trent	13,950	-	-	13,950	11,695
Ralph, Mildred	16,570	955	195	17,720	13,353
Schroeder, Sheldon	48,750	1,066	-	49,816	35,205
Sigler, Murray	14,150	2,837	-	16,987	-
Wallis, Peter	-	-	-	-	17,691
Wehmeyer, Bernd	19,317	210	-	19,527	12,830
Authority Officers' Remuneration and Expenses					
President and CEO	324,695	40,425	10,567	375,687	328,275
VP Operations (a)	230,319	35,217	4,089	269,625	417,791
VP Corporate Services/CFO (b)	306,532	13,930	-	320,462	196,672

Officer compensation includes base salary, bonus, pension, employer paid contributions and taxable benefits.

(a) 2012 includes gross pay of \$220,000 related to severance that was expensed in the December 31, 2012 financial statements.

(b) 2013 includes the retirement of the VP Corporate Services/CFO in December 2013 and their replacement that started in August 2013.

17. Comparative figures

Certain December 31, 2012 figures have been reclassified to conform to the current year presentation.



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