TRANSFORMING

2008 FINANCIALS

WINNIPEG AIRPORTS AUTHORITY

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MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

Year ended December 31, 2008

The consolidated financial statements of Winnipeg Airports Authority Inc. have been prepared by management and approved by the Board of Directors and the members of Winnipeg Airports Authority Inc. management is responsible for the preparation and presentation of the information contained in the consolidated financial statements and other sections of this Annual Report. Winnipeg Airports Authority Inc. maintains appropriate systems of internal control, policies and procedures which provide management with reasonable assurance that assets are safeguarded and that financial records are reliable and form a proper basis for the preparation of financial statements.

Winnipeg Airports Authority Inc.'s independent auditors, KPMG LLP, have been appointed by the Members of the Authority to express their professional opinion on the fairness of these consolidated financial statements.

The Board of Directors ensures that management fulfills their responsibilities for financial reporting and internal controls through an Audit Committee which is comprised solely of directors who are neither officers nor employees of the Authority. This committee reviews the consolidated financial statements and reports to the Board of Directors. The auditors have full and direct access to the Audit Committee.

March 7, 2009

Barry W. Rempel
President and Chief Executive Officer

Catherine J. Kloepfer, CGA, FCA
Senior Vice President, Corporate Services and Chief Financial Officer

MANAGEMENT DISCUSSION AND ANALYSIS

For the year ended December 31, 2008
Dated March 7, 2009

FORWARD–LOOKING STATEMENTS

This Management Discussion and Analysis ("MD&A") contains certain forward-looking statements. By their nature, forward-looking statements require assumptions and are subject to inherent risks and uncertainties. Please refer to the section titled "Caution Regarding Forward-Looking Statements" contained at the end of this MD&A for a discussion of such risks and uncertainties and the material factors and assumptions related to forward-looking statements.

INTRODUCTION

This Management Discussion and Analysis complements and supplements the audited consolidated financial statements of Winnipeg Airports Authority Inc. ("WAA") for the year ended December 31, 2008. It is provided to explain management's view of the conditions and events that shaped the information contained in the financial statements and help in understanding how these conditions and events are expected to affect the business of WAA moving forward. This MD&A should be read in conjunction with the financial statements.

WAA is responsible for the management, operation and development of Winnipeg James Armstrong Richardson International Airport (the "Airport") under a 60 year lease entered into in 1996 with Transport Canada. WAA is a non-share capital, community-based corporation. WAA is responsible for financing its capital investments and net income is re-invested in Airport infrastructure. WAA considers Earnings Before Interest, Taxes, Depreciation and Amortization ("EBITDA") to be an appropriate indicator of its ability to service its debt. EBITDA is a measure of the ability to generate cash flow and is used by other airports in Canada, investors and analysts for comparison purposes.

WAA uses measures other than Generally Accepted Accounting Principles ("GAAP"), including EBITDA to provide users with an alternate method for assessing performance and to provide a consistent basis for comparison. These measures are not in accordance with nor are they an alternative to GAAP and may be different from measures used by other companies.

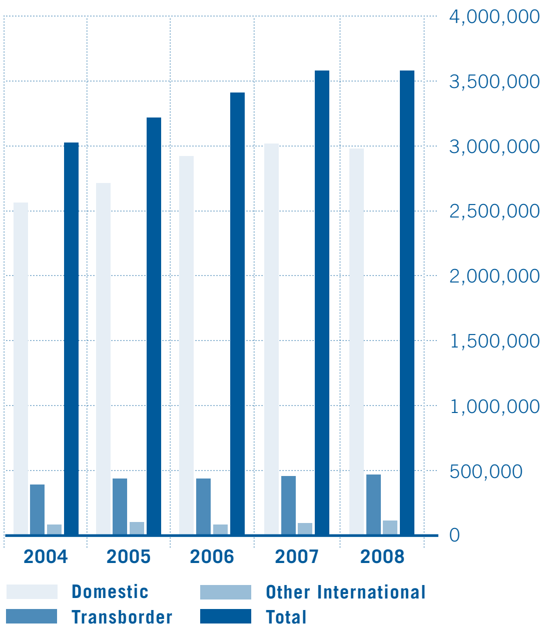
OPERATING ACTIVITY

2008 was a challenging year for airports both in Canada and throughout the world due to the beginning of the global recession, and in particular due to the difficulties faced by the airline industry because of the volatility in fuel prices and the drop in passenger and cargo traffic levels. WAA's revenue is subject to market forces, passenger and cargo activity levels, driven indirectly by overall economic activities and consumer confidence.

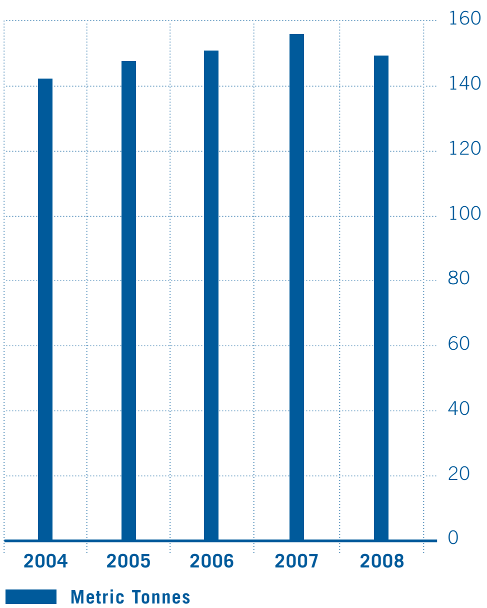
Passenger traffic through the Airport remained at the same level as in 2007 with a total count of 3,570,033, a decline of 640 passengers. Cargo tonnage declined by 5.0% from 2007 activity levels.

Aircraft movements decreased 0.9% in 2008 versus 2007. Air carriers continue to focus on fleet mix and capacity in an effort to manage fuel prices and other costs.

PASSENGER TRAFFIC



CARGO TRAFFIC



Passenger

During 2008, non-stop flights were operated to 16 cities within Canada and 17 cities in the United States, Mexico and the Caribbean. Demand for air travel within Manitoba remained very strong as did travel to cities in Alberta, British Columbia and Saskatchewan. While travel to Ontario dipped slightly over 2007, Toronto continues to be the number one airport used for this market's connections to destinations around the globe.

After nine consecutive quarters of growth in total passenger traffic, from a low of 1.7% to a high of 9.2%, the last three quarters of 2008 each resulted in year over year decreases in traffic. This reduction, however was small enough to result in a year that nearly equaled passenger traffic carried in 2007.

Passengers continued to travel to the United States and other international destinations throughout 2008. Passenger volumes on U.S. flights remained strong throughout 2008 with only two months reporting slight drops over the previous year. Each quarter in 2008 reported increases in traffic over the previous year between three and five percent.

Other international flights primarily consisted of seasonal offerings to sun destinations. Despite the bankruptcy of Zoom Airlines during the summer, this sector ended up capturing 15% more passengers in 2008.

Cargo

The North American cargo business declined in 2008. Major reductions resulted from high fuel prices, largely in the first seven months of the year, and the global economic downturn, particularly in the last four months. Especially hard hit were the automotive and computer sectors, key client industries for the cargo air carriers serving Winnipeg.

Nevertheless, revenue generated by WAA cargo operations grew during the year. Cargo carriers deployed larger, more efficient aircraft resulting in fewer flights. This resulted in a reduced number of movements but an increase in revenue per flight. Cargo operational revenue (landing fees plus cargo aircraft parking fees) grew by 2.9% over the course of the year.

RESULTS OF OPERATIONS

Net Operating Results

WAA's operating results for the years ended December 31 are summarized in the following table:

(In thousands)	2008	2007
Revenue	$ 80,106	$ 66,136
Operating expenses	38,613	33,785
Income before the undernoted[1]	41,493	32,351
Amortization	7,397	6,651
Interest expense	880	1,314
Loss (gain) on cash flow hedges	4,491	(331)
Income taxes of subsidiaries	(18)	197
Net income	28,743	24,520

Note 1: Revenue over expenses before interest, income taxes, depreciation and amortization of capital assets (EBITDA)

The above table demonstrates that for both years, the revenues generated by WAA were more than sufficient to cover operating expenses, amortization and interest expense.

Revenue

Total revenue increased to just over $80.1 million in 2008, compared to $66.1 million in 2007, an increase of $14.0 million or 21.1%. Revenues are derived from aeronautical charges (landing fees and terminal charges), airport improvement fees, and non-aeronautical sources such as car parking and ground transportation, concessions, rentals, and other sources. The primary driver for aeronautical revenue is aircraft movements. Landing fees are based on the Maximum Take Off Weight and terminal charges are based on the number of seats of an arriving aircraft. The airport improvement fee is charged per departing passenger and a significant portion of non-aeronautical revenues is correlated to passenger activity.

Landing and terminal fee revenue totaled $20.0 million in 2008, which represents an increase of $1.5 million or 8.0% over 2007. Landing and terminal fee revenue increased due to increased activity levels during the first quarter of 2008. Landing and terminal fee rates were increased mid-November to compensate for declining domestic activity in the latter part of the year.

Concessions revenue showed a moderate increase in 2008 of 0.7% for a total of $5.9 million. Within this revenue category, restaurant concessions continued with strong growth during the year. However, car rental revenue was down 3% over the previous year's levels due to a slow down in passenger growth as well as shifting consumer behaviour with respect to this concession. This shift was a result of higher gas prices which spurred consumers to rent smaller and more fuel efficient vehicles.

Parking revenue increased by $1.7 million to a total value of $8.5 million for 2008. This represents an increase of 25.2% over 2007. Parking is the second largest revenue source behind aeronautical revenue. The increase in parking revenue for 2008 can be attributed to a parking rate increase effective February 2008. $1.1 million of the increase was generated from long-term parking while $0.6 million was generated through valet parking and short-term parking.

Airport improvement fees ("AIF") increased by $7.0 million during 2008, or 31.2%. With no growth in passenger traffic levels over 2007, the increase is this revenue line item is related directly to an increase in the per enplaned passenger AIF rate effective January 1, 2008 from $15 to $20. AIF revenue is used to fund capital improvement projects, including financing costs.

Revenue from real estate leases was $5.1 million in 2008, an increase of $0.3 million over 2007's revenue of $4.8 million. Significant new property development projects were started late in 2008 which contributed to this revenue source. These include the construction of three new facilities on airport lands: an inter-city bus terminal, a manufacturing facility and a mail processing plant.

WAA is focused on increasing the non-aeronautical revenues generated on the airport campus, which will include lease revenues and development opportunities.

Operating Expenses

Total operating expenses have increased by $4.8 million or 14.3% over 2007. Operating expenses include the costs to operate and maintain the Airport.

Salaries and benefits are the largest component of operating expenses totaling $19.2 million in 2008, an increase of $3.0 million or 18.7%. The majority of this increase arises from the increased activity levels in subsidiaries which in turn increases staffing levels. As well, the severity of winter operating conditions during 2008 resulted in an increase in overtime costs. Both collective agreements with WAA's workforce have been re-negotiated for four year periods, with wage increases ranging from 3.0% to 3.5% annually.

Other operating expenses increased to $13.5 million, an increase of $1.6 million or 13.6%. As some of the larger components in this expense category are utilities, fuel and airfield supplies, the primary cost drivers are related to weather and the price of commodities. The increase in oil and chemical prices, combined with extreme weather conditions, caused an increase in operating costs of $0.5 million.

Property taxes increased by $0.1 million or 5.7%, primarily resulting from the addition of the four-level parking garage in the prior year. Property taxes are paid to the City of Winnipeg and the Rural Municipality of Rosser based on valuations of real property using an income based approach.

Ground Lease rent payments are fixed within the Ground Lease between WAA and the Government of Canada and the increase in this revenue in 2008 was $4.1 million.

Amortization

Amortization expense increased to $7.4 million compared to $6.7 million in 2007. This is a result of assets coming into service as part of the Airport Site Redevelopment (“ASR”) project and represents an increase of 11.2% over the prior year.

Loss (Gain) on cash flow hedges

The market value of the $275 million cash flow hedges is reflected in the balance sheet with any ineffective portion of the hedge relationship being recorded as a loss or gain in the statement of operations. For 2008, a total of $4.5 million was included in net income and the unrealized change in the value of $55.5 million was included in comprehensive income.

Interest expense

The amount of interest paid on the Revenue Bonds is unchanged in 2008. However, as more of the proceeds of these bonds are being expended on the ASR, more of the associated interest cost is capitalized to the ASR construction-in-progress. This in turn reduces the amount that is expensed during the year. For 2008, net interest expense was $0.9 million compared to $1.3 million in 2007.

Airport Site Redevelopment and Capital Programs

ASR program expenditures in 2008 totaled $137.3 million. Over 1.3 million person hours have been generated by Airport Site Redevelopment building projects since 2005, including more than 700,000 hours in 2008 alone. The largest portion of this effort has been devoted to construction of the new 51,000 m² Air Terminal Building (“ATB”). The focus during 2008 was establishing the facility’s superstructure and foundation, requiring the erection of 3,700 metric tonnes of structural steel as well as placement of 9,000 cubic metres of concrete. Significant progress also occurred on all other major ATB construction projects, including architectural and mechanical/electrical components as well as such specialized features as the passenger boarding and baggage handling systems. The contractor forecasts completion of the new air terminal building in 2010.

Airside activities in 2008 included the successful completion of new apron construction during the summer and paving of Taxiways Whiskey, Hotel and Tango in the fall. Landscaping is scheduled to be finalized during the summer of 2009, with final apron paving to be completed in 2010.

A major groundside project in the past year was the construction of the elevated roadway between the new ATB and parking garage. This road was built in stages, starting with the up ramp section, moving to the centre section opposite the parking garage and concluding with the down ramp section. The elevated roadway was 90% complete at the end of December, including placement of 9,700 cubic metres of concrete.

Improvements to the Central Utilities Building (“CUB”) will result in the facility operating at 97% energy efficiency. Accomplishments in 2008 included installation of new chilled water and boiler systems as well as repairs to the building exterior. The CUB will be connected to the new air terminal building by a 320 metre underground concrete tunnel, which was close to completion by the end of the year.

Other capital program expenditures in 2008 totaled $2.7 million primarily related to equipment acquisitions for both airside and groundside operations.

ASSETS AND LIABILITIES

Assets

Current assets, excluding cash, totaled $11.1 million compared to $7.5 million in 2007, an increase of $3.7 million. The entire increase is due to an increase in accounts receivable. Of this increase in receivables, $2.5 million was for a single transaction which was collected early in 2009. The remaining increase of $1.2 million is due to increased volumes in revenues for such items as aeronautical revenue, real estate leases, and parking.

The balance in property, plant and equipment has increased by $133 million to a total of $407.0 million from the 2007 balance of $274.0 million. The majority of this increase, or $128.3 million, is due to the ASR project reflected in the construction in progress total of $309.0 million. As components of the ASR project are completed they are transferred to the appropriate asset category. This explains the $7.8 million increase in the buildings and other structures category in 2008.

The balance in investments continues to decline as expenditures are incurred for the ASR project. At December 31, 2008, investments at market value totaled $29.4 million compared with $125.8 at the end of 2007. Investments are held and managed by an independent party and are invested in short term debt instruments with maturities less than one year, in accordance with WAA's investment policy.

The accrued pension asset totaled $7.2 million at the end of 2008 compared to $7.1 million 2007. This represents an increase of $0.1 million or 1.2% over 2007. The defined benefit pension plan for the majority of WAA employees has a surplus of $165,000 at December 31, 2008. When all such benefit plans are reported in total, there is a combined deficit of $177,000. This is an improvement from 2007's combined plans' deficit of $850,000.

Other assets have increased to $12.7 million at the end of 2008, an increase of $12.2 million over 2007. This increase is a result of investments made during 2008 in new property development projects for tenants on airport lands including a new inter-city bus terminal and a manufacturing facility.

Liabilities

Current liabilities are $36.9 million for 2008, an increase of $15.0 million or 68.3% over 2007's balance. The primary reason for this increase is construction hold-back amounts for the ASR project which total $13.1 million at December 31, 2008.

Long-term employee benefits relate to separation and post-employment benefits for employees. This liability is determined actuarially, based upon current employee and pensioner data. The balance at December 31, 2008 has increased to $4.1 million from the 2007 balance of $3.6 million, an increase of $0.5 million or 15.4%.

In order to protect WAA from adverse changes in interest rates on future bond issues, WAA entered into cash-flow hedges in mid-2005. During the year, the hedging program was modified to increase the total notional value of the cash flow hedges to $275 million. The cash flow hedges are recorded at their fair value as a liability of $70.8 million at December 31, 2008. Changes in fair value are recorded as other comprehensive income unless related to ineffectiveness in the hedge relationship, and if such, are recorded as gains or losses in net income.

Total long-term debt has increased to $256.6 million from the 2007 balance of $249.1 million.

The face value of the Revenue Bonds series A issued in 2005 remains unchanged at December 31, 2008 at $250.0 million. Principal payments on these bonds begin in 2010.

During the year, a wholly-owned subsidiary entered into an agreement with the Province of Manitoba, under the Manitoba Industrial Opportunity Program ("MIOP"), to borrow up to $20.0 million for the purposes of building a manufacturing facility, which in turn is being leased over a 32 year period. At the end of 2008, $7.5 million had been borrowed under this facility.

Through an amendment to the Ground Lease in 2005, the Government of Canada agreed to defer lease payments of $762,000 to be repaid over a 10 year period beginning in 2006. The reduction in the balance to $534,000 represents the repayment for three years (2006 to 2008).

The capital lease obligation which began in 2007, has declined in value to $0.9 million due to payments made during the year.

Notes payable with an outstanding value of $450,000 relate to transactions in a wholly-owned subsidiary for asset acquisitions in both 2007 and 2008.

CASH FLOWS

Operations

The cash flow generated from operations for the year was $52.4 million compared to $28.4 million in 2007. The primary reason for the increase is related to an improvement in working capital of $11.4 million plus non-cash losses on the statement of operation related to the cash flow hedges of $4.5 million. The improvement in cash flow results from increasing levels of accounts payable primarily due to construction hold-back accounts on the ASR.

Financing

WAA had a net inflow of cash in 2008 for financing activities of $7.2 million. This is an increase over 2007 by $7.4 million. This is due to the addition of the MIOP loan and notes payable totaling $7.5 million during the year offset by debt reductions totaling $342,000.

Investing

The net cash outflow on investing activities during 2008 was $55.5 million versus $26.7 million in 2007. The ongoing investment into the ASR and other capital programs combined with additional investments in other assets totaled $152.1 million. Investments were drawn down by $96.6 million to fund these expenditures.

LIQUIDITY AND CAPITAL RESOURCES

As a non-share corporation WAA is funded through operating revenues, AIF revenue, reserve funds, the debt capital markets and its syndicated bank credit facility. An overall Capital Markets Platform was established in 2005 by WAA with a Master Trust Indenture setting out the terms of all debt, including bank facilities and revenue bonds. The Platform is being used to fund the ASR. At December 31, 2008, $250 million of debt was outstanding in the form of Revenue Bonds. The syndicated bank credit facility is for $200 million related to the ASR plus an operating line of credit for $20.5 million. WAA has not drawn on these credit facilities at December 31, 2008.

In addition to the above noted debts, WAA entered into a capital lease during 2007 for the purpose of acquiring an airside emergency response vehicle for a total price of $1.2 million. It is WAA's intention to seek out financing arrangements which allow for flexibility while complying with existing terms and conditions of the Capital Markets Platform.

In 2008, WAA borrowed $7.5 million from the Province of Manitoba in order to invest in direct financing lease arrangements on a long-term basis with a tenant. This loan has Provincial guarantees to eliminate WAA's exposure to default.

WAA manages its liquidity risks by maintaining adequate cash and credit facilities, by updating and reviewing multi-year cash flow projections on a regular and as-needed basis, and by matching its long-term financing arrangements with its cash flow needs. In view of its credit ratings (Moody's: A1 and Standard & Poors: A Stable), the Authority has ready access to sufficient long-term funds as well as committed lines of credit through credit facilities with three Canadian banks.

SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

The significant accounting policies adopted by WAA are detailed in note 1 to the consolidated financial statements. In preparing financial statements, management is required to make certain estimates or assumptions, including estimates for amortization of capital assets, revenue recognition and the fair value of financial instruments. Actual results could differ from estimates.

Property, plant and equipment of WAA includes improvements to leased land, runways, terminal and other buildings, equipment and roadways. These assets are recorded at cost and each asset type is amortized over their estimated useful lives. Amortization of such assets begins when the asset is completed and brought into service.

The timing of revenue recognition depends on the type of revenue and the specific arrangements in place. Landing fees, terminal charges and car parking are recognized as the facilities are used. Airport improvement fees, net of 6% airline administration fee, are recorded based upon the estimated enplanement of passengers. Revenues from concessions, ground transportation, and space or property rentals are recognized in accordance with their respective agreements. At each month end there are certain estimates for the number of passengers, aircraft movements, sales and other criteria to determine the revenue earned for each of these respective revenue types.

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

Financial instruments are classified into one of five categories: held-for-trading, loans and receivables, held-to-maturity, available-for-sale or other liabilities. Initial measurement of financial instruments is at fair value, subsequent measurement and recognition of changes in fair value of financial instruments depends on their initial classification. Transaction costs are expensed as incurred for financial instruments classified as held-for-trading.

WAA's cash and bank indebtedness are classified as held-for-trading and accounts receivable are classified as loans and receivables. Accounts payable and accrued liabilities and long-term debt are classified as other liabilities.

Financial assets and liabilities classified as held-for-trading are measured at fair value at each reporting period with changes in fair value in subsequent periods included in net income. Financial assets and liabilities classified as loans and receivables and other liabilities are measured at amortized cost. WAA recognizes changes in the fair value of loans and receivables only if realized or if impairment in the value of an asset occurs.

Investments

WAA classifies its investments as available-for-sale and measures them at fair value. Subsequent changes in fair value are recorded in other comprehensive income (loss) until the investments are derecognized or impaired, at which time the amounts would be recorded in net income.

Effective interest method

Financing costs are included in the related long-term debt balances and recognized as an adjustment to interest expense over the life of the related long-term debt. In addition, the effective interest method is used to recognize interest expense, where the amount recognized varies over the life of the long-term debt based on the principal outstanding.

Cash flow hedges

The outstanding cash flow hedges of WAA are recorded at their fair value determined through reference to current market rates. Any change in the fair value is recorded through other comprehensive income for the effective portion of the hedges. Any ineffectiveness is recorded directly to net income.

Comprehensive income

Comprehensive income is defined as the change in equity from transactions and other events from non-owner sources. Other comprehensive income refers to items recognized in comprehensive income that are excluded from net income calculated in accordance with Generally Accepted Accounting Principles.

FUTURE ACCOUNTING CHANGES

WAA plans to adopt International Financial Reporting Standards ("IFRS") for the year commencing January 1, 2011. WAA is evaluating the impacts and implications of the conversion to IFRS. In addition, WAA will adopt CICA Handbook Section 3064, Goodwill and Intangible Assets, in 2009.

RISKS AND UNCERTAINTIES

WAA faces certain risks beyond its control which may or may not have a significant impact on its financial condition.

Airport revenues are affected by aircraft size and frequency, driven by overall passenger and cargo demand. Over the past years several significant events have demonstrated the fragile nature of air travel demand. In addition, economic conditions, global health epidemics, political unrest, government regulations, the price of oil and consequently airfares, all contribute to traffic demand. The continued uncertainty over the health of the United States economy contributes to the risk that passenger demand and cargo volumes could decrease, having a potential negative impact on WAA's landing and terminal fees.

As interest rates fall, an outcome of the struggling United States economy, the risk increases that WAA's interest income could decline. The lower rates also contribute to the negative valuation of the cash flow hedges and the potential for larger settlements on expiry of those instruments. The result of an unfavourable outcome on settlement adds to the long-term level of amortization on the ASR. In addition, the unsettled nature of the capital markets has increased spreads which in turn may impact the actual coupon rate when future bond issues are finalized. WAA has an extended period in which to issue future bonds ranging from June 2009 to December 2010.

The financial instability of the airline industry globally, and more particularly in the United States, could have an impact on WAA's ability to generate revenue. However, the risk to WAA is mitigated by the 90% origin and destination characteristics of WAA's passenger traffic. WAA's right under the Airport Transfer (Miscellaneous Matters) Act to seize and detain aircraft until outstanding aeronautical fees are paid mitigates the risk of credit losses. In addition, WAA's unfettered ability to increase its rates and charges mitigates the impact of these risks.

Another potential impact to the stability of WAA's earnings is the air carriers' continued trend to use smaller gauge aircraft for shorter routes. Such changes in the mix of aircraft impact WAA's ability to project aircraft landing fees and to plan for adequate capacity on the airfield and in the terminal. Aeronautical revenue may therefore be lower than expected if passenger or aircraft activity volumes are not realized.

Large scale construction projects such as the ASR are subject to cost escalation risks. However, as 90% of the total project cost is already incurred or under fixed-price contract arrangements, limited escalation risk remains.

The availability of adequate insurance coverage is subject to the conditions of the overall insurance market and WAA's claims and performance record. WAA participates with an insurance buying group that also includes airports in Halifax, Montreal, Ottawa, Calgary, Edmonton and Vancouver. This group has been successful in placing all of its insurance needs. The Government of Canada has issued an Order in Council to provide indemnity for "war risk and allied perils" up to April 30, 2009, which is renewable for further periods of 120 days at the option of the Minister of Transport.

Financial Outlook for 2009

Consumer demand for air travel is expected to decline through 2009 in the Winnipeg marketplace but not to the same extent being predicted in the United States or other parts of Canada. The 2009 business plan projects total revenues to be $81.9 million or an increase of 2.2%. The minimal growth is due to a projected decline in passenger traffic for 2009 of 3.5%.

Despite continuing efforts to control operating expenses, WAA continues to experience increases in ongoing costs for items such as ground lease rent, property taxes, utilities plus negotiated increases for salaries and benefits. With projected operating costs estimated to be $42.4 million in 2009, an increase of 9.8%, the planned EBITDA for 2009 is $39.5 million, a decrease from 2008 of $2.0 million or 4.9%.

ASR expenditures for 2009 are estimated to be $154.3 million while other capital expenditures are expected to be an additional $9.4 million.

CAUTION REGARDING FORWARD-LOOKING STATEMENTS

This Management Discussion and Analysis ("MD&A") contains certain statements about WAA and its future expectations. By their nature, forward-looking statements require WAA to make assumptions and are subject to inherent risks and uncertainties. There is significant risk that predictions, forecasts, conclusions and projections will not prove to be accurate, that WAA's assumptions may not be correct and that actual results may differ materially from such predictions, forecasts, conclusions and projections. WAA cautions readers of this MD&A not to place undue reliance on the forward-looking statements as a number of factors could cause actual results, conditions, actions or events to differ materially from the targets, expectations, estimates or intentions expressed in the forward-looking statements.

Words such as "believe", "expect", "plan", "intend", "estimate", "anticipate" and similar expressions, as well as future or conditional verbs such as "will", "should", "would" and "could" often identify forward-looking statements. Specific forward-looking statements in this MD&A include, among others statements regarding, future demand for air travel, budgets and expenditures relating to capital programs, insurance, liquidity, and annual debt requirements.

These forward-looking statements are based on a variety of factors and assumptions including, but not limited to: long-term growth in population; employment and personal income as the basis for increased aviation demand; the Canadian and U.S. economies growth expectation in the near term; the growth and sustainability of low fare and other air carriers contribution to aviation demand; continued transborder and international travel growth; the cost of enhancing aviation security will not overly burden air carriers or WAA; the commercial aviation industry will not be directly affected by terrorism; and no significant event will occur which impacts the ordinary course of business such as a natural disaster or other calamity. These assumptions are based on information currently available to WAA, including information obtained by WAA from third-party experts and analysts.

Factors that could cause actual results or outcomes to differ materially from the results expressed or implied by forward-looking statements include, among other things levels of aviation activity, air carrier instability, aviation liability insurance, construction risk, geographical unrest, terrorist attacks, war, health epidemics, labour disruptions; capital market and economic conditions, changes in laws, adverse regulatory developments or proceedings, lawsuits, and other risks from time to time.

The forward-looking statements contained in this MD&A represent WAA's expectations as of the date of this report and are subject to change. Except as required by applicable law, WAA disclaims any intention or obligation to update or revise any forward-looking statements included in this MD&A whether as a result of new information, future events, or for any other reason.

AUDITORS' REPORT

To the Directors of Winnipeg Airports Authority Inc.,

We have audited the consolidated balance sheet of Winnipeg Airports Authority Inc. as at December 31, 2008 and the consolidated statements of operations, comprehensive income, retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Authority as at December 31, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles. In accordance with the *Canada Corporations Act*, we report that, in our opinion, these principles have been applied on a basis consistent with that of the preceding year.

KPMG LLP

Chartered Accountants
Winnipeg, Canada
March 7, 2009

CONSOLIDATED BALANCE SHEET

(In thousands of dollars)

	December 31, 2008	December 31, 2007
Assets		
Current assets:		
Cash	$ 10,755	$ 6,724
Accounts receivable (note 2)	10,128	6,401
Prepaid expenses	450	669
Inventory	544	393
	21,877	14,187
Property, plant and equipment (note 3)	406,989	273,978
Investments (note 4)	29,436	125,768
Future income taxes	80	1
Accrued pension asset (note 12)	7,174	7,087
Other assets	12,671	437
	$ 478,227	$ 421,458
Liabilities and Equity		
Current liabilities:		
Accounts payable and accrued liabilities	$ 35,101	$ 20,860
Income taxes payable	184	94
Deferred revenue	1,368	666
Current portion of long-term debt	315	342
	36,968	21,962
Long-term liabilities:		
Long-term employee benefits	4,097	3,550
Cash flow hedges (note 7)	70,823	10,852
Long-term debt (note 8)	256,267	248,727
	331,187	263,129
Equity:		
Retained earnings	182,192	153,449
Accumulated other comprehensive income (loss) (note 9)	(72,120)	(17,082)
	110,072	136,367
Commitments (note 10)		
Contingent liability (note 11)		
	$ 478,227	$ 421,458

See accompanying notes to consolidated financial statements

On behalf of the Board:

Director Director

CONSOLIDATED STATEMENT OF OPERATIONS

(In thousands of dollars)

	Year ended December 31, 2008	Year ended December 31, 2007
Revenue:		
Airport improvement fees (note 5)	$ 29,416	$ 22,429
Aircraft landing fees	13,138	12,275
General terminal fees	6,839	6,217
Concessions	5,856	5,813
Parking	8,525	6,811
Real estate leases	5,176	4,840
Passenger security fees	4,210	3,996
Other revenue	6,946	3,755
	80,106	66,136
Operating expenses:		
Salaries and benefits	19,225	16,194
Other operating expenses	13,497	11,886
Property taxes	1,803	1,706
Ground lease rent [note 10(a)]	4,088	3,999
	38,613	33,785
Income before the undernoted	41,493	32,351
Amortization	7,397	6,651
Loss (gain) on cash flow hedges	4,491	(331)
Interest expense [note 8(g)]	880	1,314
Income before income taxes	28,725	24,717
Income taxes of subsidiaries:		
Current	61	197
Future recovery	(79)	–
	(18)	197
Net income	$ 28,743	$ 24,520

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(In thousands of dollars)

	Year ended December 31, 2008	Year ended December 31, 2007
Net income	$ 28,743	$ 24,520
Other comprehensive income (loss):		
Amortization of loss on settlement of cash flow hedges	221	175
Unrealized loss on cash flow hedges	(55,480)	(11)
Unrealized gain (loss) on available-for-sale investments	136	(99)
Reclassification to income for realized losses	85	–
Comprehensive income	$ (26,295)	$ 24,585

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

(In thousands of dollars)

	Year ended December 31, 2008	Year ended December 31, 2007
Retained earnings, beginning of year	$ 153,449	$ 128,929
Net income	28,743	24,520
Retained earnings, end of year	$ 182,192	$ 153,449

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

(In thousands of dollars)

	Year ended December 31, 2008	Year ended December 31, 2007
Cash provided by (used in):		
Operations:		
Net income	$ 28,743	$ 24,520
Adjustments for:		
Amortization	7,397	6,651
Future income taxes	(79)	–
Loss (gain) on cash flow hedges	4,491	(331)
Gain on sale of property, plant and equipment	(4)	(24)
Increase in long-term employee benefits	547	394
Increase in accrued pension asset	(87)	(2,015)
Non-cash interest expense	–	21
Change in non-cash operating working capital	11,374	(826)
	52,382	28,390
Financing:		
Decrease in bank indebtedness	–	(26)
Increase in long-term debt	7,518	–
Repayment of long-term debt	(126)	(76)
Reduction in capital lease obligation	(216)	(92)
	7,176	(194)
Investing:		
Decrease in investments	96,553	69,451
Additions to property, plant and equipment	(139,605)	(95,989)
Additions to other assets	(12,495)	(227)
Proceeds on disposal of property, plant and equipment	20	26
	(55,527)	(26,739)
Increase in cash	4,031	1,457
Cash, beginning of year	6,724	5,267
Cash, end of year	$ 10,755	$ 6,724
Supplementary cash flow information:		
Income taxes paid (received)	$ 50	$ 93
Interest expense paid	12,940	13,674
Interest income received	4,115	8,393

The portion of the purchase price of property, plant and equipment and other assets satisfied by the assumption of debt in the amount of $250,000 (2007 - $1,450,000) has been excluded from financing and investing activities on the statement of cash flows.

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year ended December 31, 2008

GENERAL

Winnipeg Airports Authority Inc. (the Authority) is incorporated under Part II of the *Canada Corporations Act* as a corporation without share capital. The Authority operates the Winnipeg James Armstrong Richardson International Airport (the Airport) under a long-term lease with the Government of Canada for the benefit of the community. Net income is used to fund airport capital improvements.

The Authority is governed by a 15 member Board of Directors of whom eleven members are nominated by the City of Winnipeg, the Rural Municipality of Rosser, Destination Winnipeg, the Winnipeg Chamber of Commerce, The Assiniboia Chamber of Commerce and the Federal and Provincial governments, with the remaining members appointed by the Board from the community at large.

1. SIGNIFICANT ACCOUNTING POLICIES:

(a) Presentation and basis of accounting:

The Authority's financial statements are prepared on a consolidated basis in accordance with Canadian generally accepted accounting principles ("GAAP") and include the accounts of its subsidiaries, Winnipeg Airport Services Corporation, Avion Services Corp. and 5388946 Manitoba Ltd. All inter-company balances and transactions have been eliminated.

(b) Inventory:

Inventory of consumable supplies is valued at the lower of cost and net realizable value.

(c) Property, plant and equipment:

Property, plant and equipment are recorded at cost and amortized on a straight line basis as follows:

Assets	Rate
Airfield infrastructure	10 to 40 years
Buildings and other structures	5 to 40 years
Leasehold improvements	3 to 40 years
Vehicles, machinery and equipment	5 to 20 years
Equipment under capital lease	5 to 20 years
Computer equipment	3 years

Construction in progress is transferred to the appropriate property, plant and equipment category when the capital project is completed and the asset is placed in service. Interest incurred during the construction of an asset is capitalized and included in the cost of the asset.

Property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

(d) Revenue recognition:

Revenues from aeronautical activities include landing and terminal fees which are recognized as the airport facilities are utilized. Revenues from commercial activities include car parking and concession revenues. Car parking revenue is recognized as the parking facilities are utilized. Concession revenues are recognized on the accrual basis and calculated using agreed percentages of reported concessionaire sales, with specified minimum guarantees where applicable. Real estate rental revenue is recognized over the term of respective leases, licenses and permits.

Deferred revenue consists primarily of rental and other revenues received in advance.

(e) Employee future benefits:

The Authority sponsors defined benefit pension plans on behalf of its employees. The benefits are based on years of service and the employee's compensation during the five best consecutive years' earnings.

The Authority accrues its obligation under the employee defined benefit plans as the employees render the services necessary to earn the pension and other employee future benefits.

The cost of pensions and other post-employment benefits (which includes separation, health care and insurance benefits) earned by employees is actuarially determined using the projected benefit method prorated on service and management's best estimate of expected plan investment performance, salary escalation, retirement ages and expected health care costs. The cost of providing other post-employment benefits is accrued as long-term employee benefits and charged to expense based on yearly service entitlements.

For the purpose of calculating expected return on plan assets, those assets are valued at fair value.

The net actuarial gain or loss in excess of 10 percent of the greater of, the benefit obligation and the market value of plan assets, is amortized over the average remaining service period of active employees.

(f) Financial instruments:

All financial instruments are classified into one of the following five categories: held-for trading, loans and receivables, held-to-maturity, available-for-sale and other liabilities. Initial measurement of financial instruments is at fair value, subsequent measurement and recognition of changes in fair value of financial instruments depends on their initial classification. Transaction costs are expensed as incurred for financial instruments classified as held-for-trading.

The Authority's cash and bank indebtedness are classified as held-for-trading and accounts receivable are classified as loans and receivables. Accounts payable and accrued liabilities and long-term debt are classified as other liabilities.

Financial assets and liabilities classified as held-for-trading are measured at fair value at each reporting period with changes in fair value in subsequent periods included in net income. Financial assets and liabilities classified as loans and receivables and other liabilities are measured at amortized cost. The Authority recognizes changes in fair value of loans and receivables only if realized or if impairment in the value of an asset occurs.

Investments are classified as available-for-sale and are measured at fair value. Changes in fair value are recorded in other comprehensive income (loss) until the investments are derecognized or impaired, at which time the amounts are recorded in net income.

Cash flow hedges are recorded at their fair value determined through reference to current market rates. The Authority is applying hedge accounting to these derivative instruments and as such the change in the fair value is recorded through other comprehensive income for the effective portion of the hedge. Any ineffectiveness is recorded directly to net income.

Financing costs are included in the related long-term debt balances and recognized as an adjustment to interest expense over the life of the related long-term debt. The effective interest method is used to recognize interest expense.

(g) Other assets:

Other assets consist of investments in real property development projects, franchise fees and start-up costs, as well as revenue contracts purchased and are stated at cost less accumulated amortization. Amortization of the real property development projects will begin once occupancy is achieved. Amortization of retail operations assets began upon commencement of operations and is provided on a straight-line basis over ten years for franchise fees and over four years for start-up costs. Amortization of revenue contracts purchased is provided on a straight-line basis over the term of the contracts.

(h) Income taxes:

The Authority is exempt from income taxes under Government of Canada legislation. The subsidiaries are taxable corporations and follow the asset and liability method of accounting for income taxes. Under this method, future tax assets and liabilities are recognized based on expected future tax consequences of differences between the carrying amount of the balance sheet items and their corresponding tax basis, using the substantively enacted income tax rates for the years in which the differences are expected to reverse. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the date of enactment or substantive enactment.

(i) Comprehensive income

Comprehensive income is defined as the change in equity from transactions and other events from non-owner sources. Other comprehensive income refers to items recognized in comprehensive income that are excluded from net income calculated in accordance with generally accepted accounting principles.

(j) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Significant areas requiring the use of management estimates relate to the determination of net recoverable value of property, plant and equipment, useful lives for amortization, provision for contingencies and actuarial assumptions. Actual results could differ from those estimates.

(k) Future changes in accounting policies:

International Financial Reporting Standards

In February 2008, the Canadian Accounting Standards Board ("AcSB") confirmed that publicly accountable enterprises will be required to adopt International Financial Reporting Standards ("IFRS"). IFRS will replace current Canadian GAAP for those enterprises. For the Authority, IFRS will be effective for the annual period commencing January 1, 2011, including the preparation and reporting of one year of comparative figures. The Authority is currently in the process of evaluating the impacts and implications of its conversion to IFRS.

Goodwill and intangible assets

Effective January 1, 2009, the Authority will adopt CICA Handbook Section 3064, Goodwill and Intangible Assets, which establishes new standards for the recognition, measurement, presentation and disclosure of intangible assets.

2. ACCOUNTS RECEIVABLE:

(In thousands of dollars)	2008	2007
Trade accounts receivable	$ 6,641	$ 4,522
Less: allowance for doubtful accounts	(131)	(147)
Trade accounts receivable, net	6,510	4,375
Other receivables	3,618	2,026
Total accounts receivable	$ 10,128	$ 6,401

As of December 31, 2008, accounts receivable of $71,000 were considered past due but not considered impaired. These amounts relate to a number of customers with no recent history of default. The aging of these receivables past due as at December 31, 2008 is as follows:

(In thousands of dollars)	
1 - 120 days	$ 6,439
121+ days	71
Total Balance	$ 6,510

Changes in the allowance for doubtful accounts are as follows:

(In thousands of dollars)	2008	2007
Balance, beginning of year	$ 147	$ 173
Provision for new doubtful accounts	7	16
Amounts written off during the year	(16)	–
Amounts recovered during the year	(7)	(42)
Balance, end of year	$ 131	$ 147

3. PROPERTY, PLANT AND EQUIPMENT:

(In thousands of dollars)	Cost	Accumulated amortization	2008 Net book value
Airfield infrastructure	$ 41,070	$ 8,905	$ 32,165
Buildings and other structures	52,337	3,526	48,811
Leasehold improvements	26,149	16,967	9,182
Vehicles, machinery and equipment	10,360	4,203	6,157
Equipment under capital lease	1,208	73	1,135
Computer equipment	3,470	2,940	530
Construction in progress	309,009	–	309,009
	$ 443,603	$ 36,614	$ 406,989

(In thousands of dollars)	Cost	Accumulated amortization	2007 Net book value
Airfield infrastructure	$ 42,446	$ 7,340	$ 35,106
Buildings and other structures	43,244	2,197	41,047
Leasehold improvements	25,207	13,893	11,314
Vehicles, machinery and equipment	8,993	3,601	5,392
Equipment under capital lease	1,208	18	1,190
Computer equipment	3,204	2,664	540
Construction in progress	179,389	–	179,389
	$ 303,691	$ 29,713	$ 273,978

Interest of $8.9 million has been capitalized with respect to construction in progress in 2008 (2007 - $4.1 million).

4. INVESTMENTS:

(In thousands of dollars)	2008	2007
Revenue bond proceeds	$ 22,835	$ 119,183
Restricted investments held in trust for debt service reserve [note 8(a)]	6,601	6,585
	$ 29,436	$ 125,768

Investments are held in short term notes and other debt instruments with a maturity of less than one year, with interest rates ranging from 1.5 percent to 3.6 percent (2007 - 4.1 percent to 5.4 percent).

5. AIRPORT IMPROVEMENT FEES:

The Authority charges Airport Improvement Fees (AIF) on the basis of $20 per local boarded passenger through an agreement with the Air Transport Association of Canada and major air carriers serving the Airport. AIF revenue is collected by the airlines for the benefit of the Authority and is recorded net of a 6 percent handling fee. AIF revenues can only be used to pay for airport infrastructure development and related financing costs as jointly agreed with air carriers operating at the airport.

6. CREDIT FACILITIES:

The Authority has authorized credit facilities with three Canadian banks. Under these credit facilities the Authority is provided with a revolving operating facility in the amount of $20.5 million plus a revolving term credit facility in the amount of $200 million for the financing of construction costs related to the Authority's capital investment plan. These facilities are secured under the Master Trust Indenture [note 8(a)] and will be reduced with any new debt issuance. They are available by way of overdraft, prime rate loans, or bankers' acceptances. At December 31, 2008, the Authority has not drawn on any of these facilities.

7. CASH FLOW HEDGES:

In 2005, the Authority entered into forward swap derivative contracts in the notional amount of $200 million, with expiry dates in January 2040, to fix the benchmark interest rate on 2009 planned bond issues. In May 2008, the Authority revised its hedge program to increase the total notional amount to $275 million with an estimated issue date between June 1, 2009 and December 31, 2010. The change in fair value, to the date of application of hedge accounting on June 5, 2008, on these new contracts was $336,000 and was recorded as a loss on cash flow hedges in the statement of operations. During the year, ineffectiveness on the entire hedge program totaled $4,155,000 and was recorded as a loss on cash flow hedges in the statement of operations.

8. LONG-TERM DEBT:

(In thousands of dollars)	2008	2007
Revenue bonds series A, 5.205%, face value $250,000, net of financing costs of $2,812 (2007 – $2,899), due September 28, 2040, interest payable semi annually on March 28 and September 28 of each year until maturity, semi-annual blended principal and interest payments of $8,221 commence September 28, 2010	$ 247,188	$ 247,101
Capital lease obligation	892	1,108
Deferred lease payments	534	610
Notes payable	450	250
MIOP loan	7,518	–
	256,582	249,069
Current portion	315	342
	$ 256,267	$ 248,727

(a) Revenue bonds:

The revenue bonds are direct obligations of the Authority ranking pari passu with all other indebtedness issued under a Master Trust Indenture (MTI). All indebtedness, including indebtedness under bank credit facilities are secured under the MTI by assignment of revenue and related accounts receivable, a security interest in money in the investment of debt service reserve and certain accounts of the Authority, and an unregistered mortgage of the Authority's leasehold interest in the Airport.

Pursuant to the terms of the MTI, the Authority is required to establish and maintain with a trustee a debt service reserve with a balance at least equal to 50 percent of annual debt service costs, which is $6.5 million. These trust funds are held for the benefit of the bond holders for use and application in accordance with the terms of the MTI. In addition the Authority is required to maintain an operating and maintenance reserve of approximately $5.8 million. The operating and maintenance reserve may be satisfied by cash, letter of credit or the availability under a committed credit facility.

(b) Capital lease obligation:

The Authority leases certain equipment with an effective interest rate of 6.2 percent over a five year term ending in 2012.

(c) Deferred lease payments:

In accordance with an amendment to the Ground Lease Agreement (note 10), the Government of Canada has deferred lease payments of $762,000. These deferred lease payments are repayable without interest on a straight line basis over a ten year period ending January 1, 2015.

(d) Notes payable:

Notes payable are unsecured, bear interest at 7 percent and are repayable in annual instalments of $100,000 over five years.

(e) MIOP loan:

The MIOP loan is unsecured, is repayable to the Province of Manitoba in equal monthly instalments over 32 years, beginning on February 1, 2011 at 5.875% interest based on the principal outstanding on that date.

(f) The future annual principal payments of long-term debt are as follows:

(In thousands of dollars)	
2009	$ 315
2010	2,040
2011	4,120
2012	4,225
2013	4,212
Total thereafter	241,670

(g) Interest expense (income):

(In thousands of dollars)	2008	2007
Revenue bond interest	$ 13,013	$ 13,013
Other interest and financing costs	962	661
Interest income	(4,156)	(8,304)
	9,819	5,370
Less capitalized interest (note 3)	8,939	4,056
	$ 880	$ 1,314

9. ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS):

(In thousands of dollars)	Cash flow hedges	Available-for-sale investments	Total 2008
Opening balance	$ 16,983	$ 99	$ 17,082
Amortization of loss on settlement of cash flow hedges	(221)	–	(221)
Unrealized loss on cash flow hedges	55,480	–	55,480
Unrealized gain on available-for-sale investments	–	(136)	(136)
Reclassification to income for realized losses	–	(85)	(85)
Ending balance	$ 72,242	$ (122)	$ 72,120

(In thousands of dollars)	Cash flow hedges	Available-for-sale investments	Total 2007
Opening balance	$ 17,147	$ –	$ 17,147
Amortization of loss on settlement of cash flow hedges	(175)	–	(175)
Unrealized loss on cash flow hedges	11	–	11
Unrealized loss on available-for-sale investments	–	99	99
Ending balance	$ 16,983	$ 99	$ 17,082

The estimated amount of losses reported in accumulated other comprehensive income which are expected to be reclassified to net income in the next fiscal year is $227,000 (2007 - $221,000).

10. COMMITMENTS:

(a) Ground Lease Agreement:

Effective December 31, 1996 the Authority signed the Ground Lease Agreement (the Agreement) with the Government of Canada (the Landlord) which provides that the Authority will lease the Airport facilities for an initial term of 60 years. A 20 year renewal option may be exercised. At the end of the renewal term, unless otherwise extended, the Authority is obligated to return control of the Airport to the Landlord.

The operating lease for the Airport requires the Authority to calculate rent payable to the Landlord utilizing a formula reflecting annual airport revenues.

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

(In thousands of dollars):

2009	$ 4,264
2010	5,238
2011	5,561
2012	5,634
2013	5,797

(b) Development:

At December 31, 2008, the Authority had outstanding contractual construction commitments amounting to approximately $215.4 million (2007 - $277.6 million). It is estimated that additional construction commitments will be contracted during 2009 of approximately $139 million.

(c) Foreign currency contracts:

The Authority has forward currency contracts to purchase $453,746 US throughout 2009 at a rate of 1.2374.

11. CONTINGENT LIABILITY:

At December 31, 2008, a subsidiary of the Authority has a letter of credit outstanding in the amount of $60,400 in connection with a service agreement.

12. EMPLOYEE FUTURE BENEFITS:

(a) Pension plans:

Information for the defined benefit pension plans, based on the latest actuarial reports, measured as of December 31 is as follows:

(In thousands of dollars)	2008	2007
Fair value of plan assets	$ 25,931	$ 31,937
Accrued benefit obligation	26,108	32,787
Funded status – plan deficit	(177)	(850)
Unamortized net actuarial loss	7,151	7,731
Unamortized past service cost	104	114
Unamortized transitional obligation	96	92
Accrued pension asset	$ 7,174	$ 7,087

The significant weighted average assumptions used are as follows:

	2008	2007
Accrued benefit obligation:		
Discount rate	7.5%	5.5%
Long-term average rate of compensation increase	3.5%	3.5%
Benefit costs:		
Discount rate	5.5%	5.25%
Expected long-term rate of return on plan assets	7.0%	7.0%
Long-term average rate of compensation increase	3.5%	3.5%

Other information about the Authority's defined benefit plans is as follows:

(In thousands of dollars)	2008	2007
Employer contributions	$ 1,429	$ 3,463
Employee contributions	322	294
Benefits paid	1,270	2,093
Pension expense	1,366	1,516

The plan assets consist of the following asset mix:

	2008	2007
Equity funds	59%	61%
Debt and mortgage funds	36%	29%
Real estate funds	5%	10%

The effective date of the most recent actuarial valuation for funding purposes was December 31, 2007 and the next required valuation will be as of December 31, 2008.

(b) Post employment benefits:

Information for the post employment benefits (separation, health care and insurance benefits), based on the latest actuarial reports, measured as of December 31 is as follows:

(In thousands of dollars)	2008	2007
Accrued benefit obligation	$ 3,460	$ 5,201
Unamortized net actuarial gain (loss)	110	(1,100)
Unamortized past service cost	598	–
Unamortized transition asset	(71)	(551)
Accrued benefit liability	$ 4,097	$ 3,550

Other information about the Authority's post employment benefits (health care and insurance benefits) is as follows:

(In thousands of dollars)	2008	2007
Benefits expense	$ 665	$ 722
Benefits paid	(118)	(60)

The significant weighted average assumptions used are as follows:

	2008	2007
Accrued benefit obligation:		
Discount rate	7.5%	5.5%
Long-term average rate of benefit cost increases:		
Initial trend rate	14.0%	15.0%
Annual decrease	1.0%	1.0%
Ultimate trend rate	3.0%	3.0%
Year of ultimate trend rate	2018	2018
Benefit costs:		
Discount rate	5.5%	5.25%

13. FINANCIAL INSTRUMENTS:

Fair value

The fair value of cash, accounts receivable, bank indebtedness, accounts payable and accrued liabilities approximates their carrying value due to their relatively short term to maturity.

The fair value of the revenue bonds is $196.9 million (2007 - $251.2 million), the capital lease obligation is $1.0 million (2007 - $1.1 million) and the notes payable is $469,000 (2007 - $249,000). The fair value of revenue bonds, capital lease obligation and notes payable is determined through current market rate yield calculations. The fair value of the MIOP loan approximates carrying value due to the interest rate being established near December 31, 2008.

Risk management

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

Liquidity risk

The Authority manages its liquidity risks by maintaining adequate cash and credit facilities, by updating and reviewing multi-year cash flow projections on a regular and as-needed basis, and by matching its long-term financing arrangements with its cash flow needs. In view of its credit ratings (Moody's: A1 and Standard & Poors: A Stable), the Authority has ready access to sufficient long-term funds as well as committed lines of credit through credit facilities with three Canadian banks. The future annual principal payment requirements of the Authority's obligations under its long-term debt are described in note 8(f).

Credit and concentration risks

The Authority is subject to credit risk through its accounts receivable and investments.

The Authority performs ongoing credit valuations of these accounts receivable balances and maintains valuation allowances for potential credit loss. The investments are limited to short-term debt instruments with high quality credit ratings in order to minimize credit exposure.

The Authority derives a substantial portion of its revenues from air carriers through landing fees and terminal charges and through the airlines' collection of airport improvement fees on its behalf. The Authority's right under the *Airport Transfer (Miscellaneous Matters) Act* to seize and detain aircraft until outstanding aeronautical fees are paid mitigates the risk of credit losses.

Passenger activity at the airport is approximately 90% origin and destination traffic, and although there is concentration of service with three air carriers, the Authority believes that any change in the airline industry will not have a significant impact on revenues or operations. In addition, the Authority's unfettered ability to increase its rates and charges mitigates the impact of these risks.

The credit quality of financial assets can be assessed by reference to external credit ratings (if available) or to historical information about the customer:

Trade accounts receivable (in thousands of dollars)		
Customers with external credit rating:		
AAA	$	1,122
BBB		23
B-		1,905
	$	3,050
Customers without external credit ratings:		3,460
Total	$	6,510
Existing customers with no history of default	$	5,006
Investment ratings (in thousands of dollars):		
A-1+	$	15,564
A-1		7,248
Cash		23
	$	22,835

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The following financial instruments are subject to interest rate risk as at December 31:

	2008		2007	
(In thousands of dollars)	Carrying value	Effective year end interest rate	Carrying Value	Effective year end interest rate
Cash and investments	$ 22,835	2.03%	$ 119,183	5.19%
Debt service reserve fund	6,601	2.86%	6,585	2.41%

The Authority has entered into fixed rate long-term debt, and accordingly, the impact of interest rate fluctuations has no effect on interest payments. However, changes in prevailing benchmark interest rates and credit spreads may impact the fair value of this debt. The Authority's most significant exposure to interest-rate risk relates to its future anticipated borrowings, and associated wind-up of the cash flow hedges, which is expected to occur in 2009. A change in interest rates impacts the value of the cash flow hedges, but is inversely proportional to the impact on the coupon rate of the debt to be issued.

In addition, the Authority's cash and short-term investments, and its debt service reserve fund are subject to floating interest rates. Management has oversight over interest rates that apply to its cash and short-term investments, and its debt service reserve fund. These funds are invested from time to time in short term bankers' acceptances permitted by the Master Trust Indenture, while maintaining liquidity for purposes of investing in the Authority's capital programs.

If interest rates had been 50 basis points (0.50%) higher/lower and all other variables were held constant, including timing of expenditures related to the Authority's capital expenditure programs, the Authority's earnings for the year would have increased/decreased by $388,000 as a result of the Authority's exposure to interest rates on its floating rate assets.

If interest rates had been 50 basis points (0.50%) higher/lower and all other variables were held constant, the value of the cash-flow hedges would decrease/increase by $20.0 million which would increase/decrease other comprehensive income by approximately the same value.

14. CAPITAL MANAGEMENT:

The Authority is incorporated without share capital under Part II of the *Canada Corporations Act* and, as such, net income is retained and reinvested in airport operations and development. Accordingly, the Authority's only sources of capital for investing in airport operations and development are bank debt, long-term debt and accumulated earnings included on the Authority's balance sheet as Retained Earnings. The Authority incurs debt, including bank debt and long-term debt, to fund development. It does so on the basis of what it considers affordable based on revenues from airport improvement fees (AIF) and in order to maintain a minimum AIF debt service coverage ratio. This provides for a self-imposed limit on what the Authority can spend on major development of the airport, such as the Airport Site Redevelopment program.

The Authority manages its rates for aeronautical and other fees to safeguard the Authority's ability to continue as a going concern and to maintain a conservative capital structure. It makes adjustments to these rates in light of changes in economic conditions and events, and to maintain sufficient net income to meet ongoing debt coverage requirements.

The Authority is not subject to capital requirements imposed by a regulator.

15. COMPARATIVE FIGURES:

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

2009 Annual General Meeting

Winnipeg Airports Authority's Annual General Meeting will be held at 1:30 pm on Wednesday, May 6, 2009 at The Fort Garry Hotel, Winnipeg, Manitoba. We invite the community to attend and meet the Officers and Directors of the company.

Disclosure of Corporate Governance Systems

Governance Principles

The Board recognizes that it has stewardship responsibility of a valuable community resource. This has resulted in a governance system that rests on the following four principles:

1. Accountability
2. Clear delineation of responsibilities between the Board and Management
3. The full Board, not Board committees, is involved in decision making
4. Transparency

Board Committees

The Board has organized its affairs around three standing committees – Governance, Audit and AIRplan. They are complemented by the use of Task Forces on an as required basis to deal with particular matters. The full Board meets on a regular basis (at least six meetings annually).

The mandate of the Governance Committee is to assist the Board in effectively meeting its responsibilities.

The Audit Committee attends to matters that are financial and/or risk related.

The purpose of the AIRplan Committee is to provide guidance on the Airport Infrastructure Redevelopment Plan (AIRplan) on behalf of the Board. Board members are rotated through the standing committees and/or may serve on one or more Task Forces. All Task Forces have a sunset provision.

Public Accountability Principles

Incorporated into the by-laws of Winnipeg Airports Authority is a set of accountability principles that were accepted by the Board as part of the airport transfer conditions. Following is a summary of these principles:

Board Composition and Director Requirements

The Board is comprised of 15 members of which 11 are nominated by seven different public and private sector agencies:

City of Winnipeg (3)
The Assiniboia Chamber of Commerce (1)
Province of Manitoba (1)
R.M. of Rosser (1)
Government of Canada (2)
Destination Winnipeg (1)
Winnipeg Chamber of Commerce (2)
A maximum of four members may be nominated by the Board of Directors.

The Board cannot consist of fewer than seven or more than 15 members at any time.

The qualification and eligibility requirements of Board members prescribe that a Director may serve for a term not exceeding three years and that no more than three terms (or nine years) may be served. Directors can be neither elected to nor employed by any level of government. The Chairperson cannot be an elected official or government employee at any time during the two years prior to the appointment as Chairperson.

Community Consultative Committee

The Winnipeg Airports Authority Inc. complies with its Ground Lease requirement to establish a community consultative committee (CCC) to provide for effective dialogue and dissemination of information on various matters, including airport planning, operational aspects of the airport and municipal concerns. The CCC meets not less than twice each Lease Year, and is comprised of members who are generally representative of the community, including persons representing the interests of consumers, the traveling public and organized labour, aviation industry representatives and appropriate provincial and municipal government representatives.

Corporate Reporting & Disclosure Requirements

- Winnipeg Airports Authority discloses non-arm's length transactions.
- Any nominating entity may cause a meeting to be held on matters of public interest concerning the business of Winnipeg Airports Authority.
- Directors make a general report annually to their respective Nominator and the Board reports collectively to all Nominators.
- As a general practice, Winnipeg Airports Authority optimizes the use of Canadian resources and supplies and employs a competitive public tendering process for contracts in excess of $75,000 (1994 dollars).
- In the event Winnipeg Airports Authority increases airport user charges it provides 60 days advance public notice.
- Full audits in accordance with generally accepted auditing standards are conducted and Transport Canada has the right at any time to cause a complete audit to be conducted.
- Winnipeg Airports Authority publishes its Annual Report and includes specific performance comparisons and discloses the remuneration paid to Board members and to its senior officers. The Annual Report is distributed in advance of the Annual General Meeting to all Nominators and the Minister of Transportation.
- At least once every five years Winnipeg Airports Authority conducts a comprehensive independent review of Winnipeg Airports Authority's management operation and financial performance by a qualified independent person. The report is distributed on a timely basis to the Minister of Transportation and to each Nominator and is available to the public on request.
- Winnipeg Airports Authority provides for public access to its Airport Master Plan, its five-year business plan, its past five-year annual financial statements and business plans, its incorporation documents, and all signed airport transfer agreements.

Winnipeg Airport Authority Inc. Board of Directors 2008

Appointed by the City of Winnipeg
Arthur Mauro, Chair
Dr. Glenn Feltham, Dean, I.H. Asper School of Business
Kerry Hawkins, Corporate Director

Appointed by The Assiniboia Chamber of Commerce
Warren Thompson, President, Prairie Edge Management

Appointed by Destination Winnipeg
Doug Harvey, Vice Chair, President and GM, Maxim Truck and Trailer

Appointed by the Government of Canada
Geoffrey Elliot, Retired Former Diplomat and Corporate Executive
Shirley Render, Executive Director, Western Canada Aviation Museum

Appointed by the Province of Manitoba
Elaine Cowan, Sales and Leasing Executive, Commercial Real Estate, Coldwell Bankers National Preferred (term ended December 31, 2008)

Appointed by the R.M. of Rosser
Carl Havixbeck, Farmer

Appointed by the Winnipeg Chamber of Commerce
Doneta Brotchie, President, FUNdamentals Creative Ventures
Tom Bryk, FCA, President and CEO, Cambrian Credit Union

Appointed by the Winnipeg Airports Authority Board
Jim Carr, President and CEO, Business Council of Manitoba
David Friesen, Chairman, Friesens Corporation
Garth Smorang, Lawyer, Myers Weinberg
Janice Filmon, Corporate Director

2008 Board Committees

Audit	Governance	AIRplan
Tom Bryk (Chair)	Geoffrey Elliot (Chair)	Doug Harvey (Chair)
Doneta Brotchie	Jim Carr	Elaine Cowan
Glenn Feltham	David Friesen	Geoffrey Elliot
Kerry Hawkins	Doug Harvey	Janice Filmon
Shirley Render	Arthur Mauro	David Friesen
Warren Thompson	Garth Smorang	Carl Havixbeck
	Warren Thompson	Arthur Mauro

Board of Directors Compensation for 2008

Otto Lang	$ 833
Arthur Mauro	$ 42,200
Doug Harvey	$ 22,800
Jim Carr	$ 16,000
Elaine Cowan	$ 17,200
Carl Havixbeck	$ 17,200
Warren Thompson	$ 19,600
Tom Bryk	$ 23,600
Doneta Brotchie	$ 17,350
Garth Smorang	$ 15,550
Glenn Feltham	$ 17,350
Geoffrey Elliot	$ 23,400
David Friesen	$ 19,000
Janice Filmon	$ 17,200
Shirley Render	$ 17,350
Kerry Hawkins	$ 15,767
Total	$ 302,400

Executive Officers 2008

Barry Rempel, President and Chief Executive Officer

Catherine Kloepfer, Senior VP Corporate Services and Chief Financial Officer

Michael Rodyniuk, Senior VP and Airport Chief Operating Officer

Executive Officers 2008 – Salaries

The salary range for the President of the Authority is $225,000 to $250,000. The salary range for the Senior Vice Presidents is $150,000 to $180,000.

Public Competitive Tendering

Winnipeg Airports Authority Inc., under the terms of its lease agreement with the Government of Canada, reports all contracts in excess of $120,000 ($75,000 in 1994 dollars) entered into during the year that were not awarded on the basis of a public, competitive, tendering process. In 2008, Winnipeg Airports Authority Inc. entered into the following contracts as described for the reasons indicated in the following table.

Sole Source Contracts over $120,000

Vendor name	Description	Value	Basis for Selection
Airport Technologies	Airside equipment	$196,589	D
Airport Technologies	Airside equipment	$154,941	D
Toromont Cat	Airside equipment	$175,355	A

Basis for Selection

A – Compatibility with existing products or services
B – Cost and/or time effectiveness benefits resulting from previous company or industry experience
C – Only supplier able to meet specific requirements
D – Extension of previously tendered contract or service

Community Consultative Committee and their Affiliations

Joseph D. Barnsley, Acting Chair - Nominated by the Winnipeg Chamber of Commerce
Mr. Dave Boldt - Nominated by the Government of Canada – Western Economic Diversification
Ms. Ainley Bridgeman - Nominated by Winnipeg Airports Authority's Universal Design Advisory Committee
Mr. Tim Feduniw - Nominated by Destination Winnipeg
Ms. Roxanne Georgison - Nominated by the R.M. of Rosser
Mr. Vic Gerden - Nominated by the Manitoba Aerospace Association
Mr. Daniel Haughey - Nominated by Winnipeg Airports Authority's Airport Environment Committee
Ms. Debbie O'Bray - Representative from the traveling public
Ms. Judy Saxby - Nominated by the Manitoba Aviation Council
Mr. Peter Thomson - Representative from the traveling public
Mr. Gordon Tufts - Nominated by the Province of Manitoba – Transportation and Government Services
Ms. Jacqueline Wasney - Nominated by the Consumers Association of Canada
L. Col. D.J. Fairley, CD - Representative from 17 Wing
Mr. Kerry Williams - Nominated by the Manitoba Federation of Labour

Corporate Information

Auditors:
KPMG LLP
Lead Bank:
Canadian Imperial Bank of Commerce
Legal Counsel:
Aikins, MacAulay & Thorvaldson
and
Duboff Edwards Haight & Schachter

Winnipeg James Armstrong Richardson International Airport Services

Air Cargo Carriers (Scheduled)
Air Cargo Carriers
Cargojet
DHL
FedEx
Kelowna Flightcraft
Morningstar Air Express
Perimeter Aviation
Purolator
Transwest Air
UPS

Air Cargo Carriers (Non-scheduled)
Antonov Design Bureau
LAN Cargo
Polet
Volga-Dnepr

Car Rentals
Avis Rent A Car
Budget Rent A Car
Dollar Thrifty Car Rental
Enterprise Rent-A-Car
Hertz Rent A Car
National Car Rental

Hotel
Four Points Sheraton

Passenger Carriers (serving Main Terminal Building)
Air Canada
Air Transat
Bearskin Airlines
Calm Air
First Air
Jazz Air
Northwest Airlines
Northwest Airlink (operated by Mesaba Aviation and Pinnacle Airlines)
Skyservice Airlines
Sunwing Airlines
United Express (operated by United Express carrier SkyWest Airlines)
Wasaya Airways
WestJet Airlines

Passenger Carriers (other)
Air Nunavut
Canadian North
Execaire
Fast Air
Flair Air
Keystone Air Service
Kivalliq Air (a division of Keewatin Air)
Missinippi Airways
Nolinor
North American Charters 2000
Northway Aviation
Perimeter Aviation
Thunder Airlines
Voyageur Airways
West Wind Aviation

Restaurants/Bars
The Exchange Brew Works & Eatery
Express Deli
Four Points Sheraton Hotel: Restaurant and Local Heroes Sports Bar
Harvey's serving Swiss Chalet Chicken
Second Cup
Tim Hortons
Toast! Café and Bar

Retailers
$15 Boutique
Aer Rianta North America (Duty Free)
Bentley
Bodhi Therapeutic Bodyworks
Front Page Sports
Inter-City Leisure
Journeys Travel & Leisure Relay (Newsstand)/ Canadian Scene
Showcase Manitoba
The UPS Store
Travelex Canada
Virgin Books and Music

FINANCIAL AND OPERATING HIGHLIGHTS

(In thousands)

	2004	2005	2006	2007	2008
Revenue	$ 49,014	$ 56,707	$ 60,364	66,136	80,106
Operating expenses (other than ground lease)	24,450	26,586	27,908	29,786	34,525
Ground lease	2,905	3,911	3,941	3,999	4,088
Earnings before interest & depreciation	21,658	26,210	28,515	32,351	41,493
Capital expenditures	18,098	32,753	98,436	95,989	139,605
AIF revenue	14,272	19,635	20,677	22,429	29,416
Total passengers	3,031	3,227	3,387	3,571	3,570
Total aircraft movements	140	138	145	152	144
Major revenue movements	38	42	43	45	44
Cargo handled (tonnes)	142	150	155	156	148

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AIRPORTS AUTHORITY

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