

Edmonton Airports'

# 2014 First Quarter Report

For the Three Months Ended March 31, 2014

## Management Discussion and Analysis

The following Management Discussion and Analysis of Financial Results (MD&A) should be read in conjunction with the unaudited condensed interim financial statements and note disclosures of the Edmonton Regional Airports Authority (Edmonton Airports) for the three months ended March 31, 2014 and the audited financial statements, as well as the MD&A, for the year ended December 31, 2013. The Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS). All amounts in the following MD&A are in Canadian dollars unless otherwise stated.

Edmonton Airports' financial statements reflect the combined results of operations of the Edmonton International Airport (EIA) and Villeneuve Airports (VA).

### 1. OPERATIONS

Passenger volume, comprised of the total number of enplaned and deplaned passengers, is the main driver of certain Edmonton Airports revenue streams. These include airside and general terminal, airport improvement fees (AIF), and police and security revenues. The following table outlines the components of passenger traffic at the EIA and compares the 2014 actual results for the three months ended March 31, 2014 to the same period last year.

#### Enplaned and Deplaned Passenger Traffic by Sector

	Three Months Ended March 31, 2014			
	2014	2013*	Variance	%
Domestic	1,228,467	1,180,404	48,063	4.1
Transborder	382,140	352,452	29,688	8.4
International	165,547	155,290	10,257	6.6
	1,776,154	1,688,146	88,008	5.2
General/Business aviation	211,448	163,458	47,990	29.4
<b>Total</b>	<b>1,987,602</b>	<b>1,851,604</b>	<b>135,998</b>	<b>7.3</b>

*\*The figures in the above table may change due to adjustments to reflect actual results which are dependent on timing and amendments filed by the airlines.*

## 2. FINANCIAL PERFORMANCE

### Net Operating Results

(in thousands)	Three months ended			
	2014	March 31	Variance	Variance
	\$	2013	\$	%
		\$	\$	%
Revenue	47,913	44,599	3,314	7.4%
Expenses	26,645	24,465	2,180	8.9%
EBITDA*	21,268	20,134	1,134	5.6%
EBITDA margin %	44.4%	45.1%	(0.7)%	(1.6)%
Depreciation and amortization	16,113	14,654	1,459	9.9%
Interest	11,154	10,419	735	7.1%
Other (gain) loss	(125)	(20)	(105)	(525)%
Net loss	(5,874)	(4,919)	(955)	(19.4)%

\*EBITDA is defined as earnings before interest, taxes and depreciation. Edmonton Airports' earnings are exempt from federal and provincial income tax.

For the three months ended March 31, 2014, we experienced a net loss of \$5.9 million, which was an increase of 19.4% over the comparative period for the prior year.

The table above illustrates that revenue generated by Edmonton Airports was sufficient to cover operating and interest expenses which are the cash expenses of operations. Consistent with many infrastructure developments, Edmonton Airports' revenue was not sufficient to cover the non-cash expense of depreciation and amortization and will not be for several years as focus shifts to utilizing the increased capacity. Results are in line with expectations for the first quarter of 2014.

### Revenue

(in thousands)	Three months ended			
	2014	March 31	Variance	Variance
	\$	2013	\$	%
		\$	\$	%
Airport improvement fee	19,204	18,061	1,143	6.3%
Parking and concessions	13,810	12,928	882	6.8%
Airside and general terminal	11,268	10,357	911	8.8%
Police and security	2,456	1,967	489	24.9%
Real estate leases	1,146	1,270	(124)	(9.8)%
Other revenue	29	16	13	81.3%
	47,913	44,599	3,314	7.4%

For the three months ended March 31, 2014, we earned revenue of \$47.9 million which was an increase of 7.4% over the prior year driven mainly by passenger growth which is the main driver of revenues derived from airport improvement fee, airside and general terminal and police and security.

The Airport Improvement Fee (AIF) is the primary source of funding Edmonton Airports uses to pay interest and principal on the bonds and debentures issued for Edmonton Airports' redevelopment and expansion. During the three months ended March 31, 2014, AIF revenue was \$19.2 million, an increase of \$1.1 million (6.3%), year over year. The increase in AIF revenue was the result of a 5.7% increase in the number of departing passengers at the Airport during the three months ended March 31, 2014 compared to the same period in 2013.

Airside and general terminal (AGT) revenue is derived from airline activities. AGT revenue was \$11.3 million, an increase of \$0.9 million (8.8%), year over year. The increase was primarily driven by increased landing and terminal fees and increased general aviation activity.

Edmonton Airports recovers some police and security expenses through a per departing passenger charge to airlines. During the three months ended March 31, 2014, police and security fee revenue was \$2.5 million, an increase of \$0.5 million (24.9%) over the first quarter of 2013.

Edmonton Airports also earns revenue from non-aeronautical commercial operations, such as parking, concessions, ground transportation, and real estate. Revenues from parking and concessions totaled \$13.8 million for the three months ended March 31, 2014. This was an increase of \$0.9 million (6.8%), year over year, which was primarily driven by increased revenues from car rentals, jetSet parking and concession operations.

During the three months ended March 31, 2014, real estate revenue was \$1.1 million, \$0.1 million (9.8%) lower than the same period in 2013. This decrease was driven by lower industrial and agricultural land lease revenue.

### Expenses

(in thousands)	Three months ended			
	2014	2013	Variance	Variance
	\$	\$	\$	%
Salaries and employee benefits	7,971	8,049	(78)	1.0%
Service, maintenance, supplies and administration	7,811	6,538	1,273	19.5%
Canada lease rent	4,145	3,788	357	9.4%
Utilities, insurance and property taxes	3,489	3,305	184	5.6%
Police and security	2,098	1,686	412	24.4%
Airport improvement fee collection costs	1,131	1,099	32	2.9%
	26,645	24,465	2,180	8.9%

For the three months ended March 31, 2014, expenses were \$26.6 million which was \$2.1 million (8.9%) higher, year over year. This increase was primarily driven by an increase in contracted services, increased costs related to repairs and maintenance, increased electricity consumption, and marketing initiative expenses incurred.

## Other Expenses

(in thousands)	Three months ended			
	2014	2013	Variance	Variance
	\$	\$	\$	%
Depreciation and amortization	16,113	14,654	1,459	9.9%
Interest	11,154	10,419	735	7.1%
Other (gain) loss	(125)	(20)	(105)	(525)%
	27,142	25,053	2,089	8.3%

Other expenses for the three months ended March 31, 2014 were \$27.1 million which was \$2.1 million (8.3%) higher, year over year. This was driven by an increase in depreciation expense of \$1.5 million as a result of capital projects becoming available for use after the first quarter of 2013. Interest expense was \$0.7 million higher, year over year, as a result of less capitalized interest for the three months ended March 31, 2014.

### 3. CAPITAL PROJECTS

Edmonton Airports' capital projects are identified by airport and are broken into three main categories as follows:

#### *Commercial Real Estate*

Projects in this category include those that build the revenue capacity for Edmonton Airports, the funding for which will be approved as operating earnings grow, and cash flow becomes available. During the first quarter of 2014, the highway commercial development project continued as Edmonton Airports continues to prepare land for commercial development including land that will be leased to Ivanhoé Cambridge for the retail outlet destination. The work performed included electrical work and installation of light poles that will become operational once final electrical connections are commissioned.

#### *Growth*

Projects in this category include those that expand capacity, create new services and/or improve the passenger experience. This includes terminal leasehold improvements for new concessions, expanded apron and taxiway to serve airside developments, parking lot expansions and projects related to enhancing the passenger experience. The most significant projects in this category included the following:

- The Cargo Facility Development project has commenced for the fit out of the CBSA building for a cargo tenant.
- Two projects to enhance passenger experience were initiated including the Revitalization of TB Check in Area (support Self Tagging) project and the Automated Tag Reader (ATR) Array for Inbound Baggage Racetracks project.

#### *Maintenance*

Projects in this category include the maintenance of existing airport facilities and infrastructure. This includes system lifecycle replacements, paving programs, fleet replacement and capital restoration. In line with the objective of improving airport infrastructure, the most significant projects in this category included the following:

- Purchase of a loader, MP High Speed 22' Broom Attachment and a large capacity snow hauler through the fleet replacement project.
- Purchase of monitors, laptops and servers through the IT lifecycle replacement project.

Edmonton Airports

# Unaudited Condensed Interim Financial Statements

For the Three Months Ended March 31, 2014

Condensed Interim Statements of Financial Position  
As at March 31, 2014 and December 31, 2013  
(unaudited, in thousands of dollars)

	March 31, 2014 \$	December 31, 2013 \$
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	46,408	28,259
Accounts receivable	18,942	18,667
Prepaid expenses and other	4,441	3,886
	<u>69,791</u>	<u>50,812</u>
<b>Non-current assets</b>		
Restricted deposits	32,614	32,518
Prepaid expense and lessee receivable	448	457
Property, plant and equipment (note 3)	995,305	1,010,185
Intangible assets (note 4)	690	806
	<u>1,098,848</u>	<u>1,094,778</u>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities (note 3(b))	29,318	35,823
Deferred revenue	27	3
Obligation under finance lease	23	22
Current portion of post-employment benefits	1,812	2,407
Current portion of long-term debt (note 5)	18,832	18,688
	<u>50,012</u>	<u>56,943</u>
<b>Non-current liabilities</b>		
Tenants' security deposits	1,598	1,477
Post-employment benefit	3,508	3,553
Long-term debt (note 5)	962,529	945,730
	<u>1,017,647</u>	<u>1,007,703</u>
<b>Contingencies (note 6)</b>		
<b>Commitments (note 6)</b>		
<b>Net Assets</b>	<u>81,201</u>	<u>87,075</u>
	<u>1,098,848</u>	<u>1,094,778</u>

See accompanying notes to interim financial statements.

Condensed Interim Statements of Comprehensive Loss  
For the three months ended March 31, 2014 and 2013  
(unaudited, in thousands of dollars)

	Three Months Ended March 31,	
	2014	2013
	\$	\$
<b>Revenues</b>		
Airport improvement fee	19,204	18,061
Concessions and parking	13,810	12,928
Airside and general terminal	11,268	10,357
Police and security	2,456	1,967
Real estate leases	1,146	1,270
Other revenue	29	16
	47,913	44,599
<b>Expenses</b>		
Salaries and employee benefits	7,971	8,049
Service, maintenance, supplies and administration	7,811	6,538
Canada lease rent	4,145	3,788
Utilities, insurance and property taxes	3,489	3,305
Police and security	2,098	1,686
Airport improvement fee collection costs	1,131	1,099
	26,645	24,465
<b>EBITDA</b>	21,268	20,134
<b>Other Expenses</b>		
Depreciation and amortization	16,113	14,654
Interest (note 5 (c))	11,154	10,419
Other (gain) loss	(125)	(20)
	27,142	25,053
<b>Net loss for the period</b>	(5,874)	(4,919)

See accompanying notes to interim financial statements.



Condensed Interim Statements of Changes in Net Assets  
As at March 31, 2014 and 2013  
(unaudited, in thousands of dollars)

	Three Months Ended March 31,	
	2014	2013
	\$	\$
<b>Net assets – Beginning of period</b>	87,075	99,941
Total comprehensive loss for the period	(5,874)	(4,919)
<b>Net assets – End of period</b>	<b>81,201</b>	<b>95,022</b>

*See accompanying notes to interim financial statements.*

Condensed Interim Statements of Cash Flows  
For the three months ended March 31, 2014 and 2013  
(unaudited, in thousands of dollars)

	Three months ended March 31,	
	2014	2013
	\$	\$
<b>Cash flows from operating activities</b>		
Net loss for the period	(5,874)	(4,919)
Adjustments for:		
Depreciation and amortization	16,113	14,654
Amortization of borrowing costs	68	88
Gain on foreign exchange	(95)	(42)
Gain on disposal of property, plant and equipment and intangible assets	(30)	22
Post employment benefit expense	980	699
Finance costs - net	10,954	10,064
Post-employment benefit contributions	(1,620)	(2,290)
Changes in working capital:		
Accounts receivable	(1,552)	(3,010)
Prepaid expenses and other	(555)	793
Accounts payable and accrued liabilities	(3,037)	526
Deferred revenue	24	477
Tenants' security deposits	121	21
	15,497	17,083
Interest paid	(5,889)	(4,879)
Interest received	200	355
<b>Net cash flows from operating activities</b>	<b>9,808</b>	<b>12,559</b>
<b>Cash flows from investing activities</b>		
Lessee receivable	10	11
Purchase of restricted deposits	(96)	(83)
Purchase of property, plant and equipment (note 3)	(8,288)	(26,241)
Purchase of intangible assets	(86)	(159)
Proceeds on disposal of property, plant and equipment	30	-
Interest paid capitalized to property, plant and equipment	(354)	(1,101)
<b>Net cash flows used in investing activities</b>	<b>(8,784)</b>	<b>(27,573)</b>
<b>Cash flows from financing activities</b>		
Repayment of finance lease	1	(6)
Repayments of long-term debt	(3,126)	(2,989)
Proceeds from long-term debt	20,000	20,000
<b>Net cash flows from financing activities</b>	<b>16,875</b>	<b>17,005</b>
Effect of exchange rate on cash and cash equivalents at the end of the period	250	31
<b>Net increase in cash and cash equivalents</b>	<b>18,149</b>	<b>2,022</b>
Cash and cash equivalents – beginning of period	28,259	75,998
<b>Cash and cash equivalents – end of period</b>	<b>46,408</b>	<b>78,020</b>

See accompanying notes to interim financial statements.

## Notes to the Condensed Interim Financial Statements For the three months ended March 31, 2014 and 2013 (unaudited, in thousands of dollars)

Edmonton Regional Airports Authority (Edmonton Airports) was incorporated on July 26, 1990 under the provisions of the Regional Airports Authorities Act (Alberta) (the Act) for the purposes of managing the airports for which it is responsible 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. The Board of Directors of Edmonton Airports consists of a maximum of 15 members. Six Directors are appointed by the City of Edmonton, two by the Government of Canada (the Landlord) and one each by Leduc County, the City of Leduc, Parkland County, Strathcona County and Sturgeon County. The Board of Directors has the right to appoint two Directors which the Board of Directors has elected not to appoint. In accordance with the provisions of the Act, all of Edmonton Airports' 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.

Edmonton Airports registered office and principal place of business is located at #1, 1000 Airport Road, Edmonton International Airport, T9E 0V3, Alberta, Canada.

Edmonton Airports' earnings are generated from airport-related operations and are exempt from federal and provincial income tax.

These unaudited condensed interim financial statements were authorized for issue by the Audit Committee of the Board of Directors on May 12, 2014.

### 1. BASIS OF PRESENTATION

These unaudited condensed interim financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) applicable to the preparation of interim financial statements, including IAS 34, *Interim Financial Reporting*. The unaudited condensed interim financial statements do not include all the information and disclosures required in the annual audited financial statements, and should be read in conjunction with Edmonton Airports' annual audited financial statements as at December 31, 2013. The accounting policies followed in these unaudited condensed interim financial statements are consistent with those of the previous year, except as described below.

### 2. SIGNIFICANT ACCOUNTING POLICIES ADOPTED JANUARY 1, 2014

Edmonton Airports has adopted the following new and revised standards, along with any consequential amendments, effective January 1, 2014. These changes were made in according with the applicable transitional provisions.

- *IFRIC 21 – Levies* was adopted by Edmonton Airports, effective January 1, 2014. The interpretation clarifies that the obligating event giving rise to a liability to pay a government levy is the activity described in the relevant legislation that triggers payment of the levy. There was no impact as a result of adoption of this standard.
- *IAS 36 – Impairment of Assets* was amended to include the requirement to disclose additional information about the fair value measurement when the recoverable amount of impaired assets is based on fair value less cost of disposal. Edmonton Airports has applied this amendment, effective January 1, 2014 and it had no impact upon application.

Notes to the Condensed Interim Financial Statements  
For the three months ended March 31, 2014 and 2013  
(unaudited, in thousands of dollars)

### 3. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Roadways systems	Parking facilities and lots	Runway, taxiways and apron surfaces	Other facilities	Vehicles and maintenance equipment	Furniture and equipment	Computer hardware	Office equipment under finance lease	Construction work in progress	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Cost</b>											
Balance at January 1, 2013	711,389	40,893	117,883	206,019	81,875	20,127	16,349	10,283	115	114,738	1,319,671
Additions / transfers	103,950	3,347	3,904	14,737	4,049	2,563	1,362	9,478	-	(73,112)	70,278
Disposals	(49)	-	-	(4,832)	(310)	(28)	(295)	(1,754)	-	-	(7,268)
Balance at December 31, 2013	815,290	44,240	121,787	215,924	85,614	22,662	17,416	18,007	115	41,626	1,382,681
Balance at January 1, 2014	815,290	44,240	121,787	215,924	85,614	22,662	17,416	18,007	115	41,626	1,382,681
Additions / transfers	784	64	282	440	327	18	(17)	389	-	(1,256)	1,031
Disposals	-	-	-	-	-	(397)	-	-	-	-	(397)
<b>Balance at March 31, 2014</b>	<b>816,074</b>	<b>44,304</b>	<b>122,069</b>	<b>216,364</b>	<b>85,941</b>	<b>22,283</b>	<b>17,399</b>	<b>18,396</b>	<b>115</b>	<b>40,370</b>	<b>1,383,315</b>

Notes to the Condensed Interim Financial Statements  
For the three months ended March 31, 2014 and 2013  
(unaudited, in thousands of dollars)

	Buildings	Roadways systems	Parking facilities and lots	Runway, taxiways and apron surfaces	Other facilities	Vehicles and maintenance equipment	Furniture and equipment	Computer hardware	Office equipment under finance lease	Construction work in progress	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Depreciation</b>											
Balance at January 1, 2013	147,762	11,289	33,528	60,298	30,870	13,986	8,989	6,187	71	-	312,980
Depreciation for the year	36,809	1,823	4,053	10,420	4,045	1,242	1,364	2,511	23	-	62,290
Disposals	(49)	-	-	(579)	(187)	(28)	(177)	(1,754)	-	-	(2,774)
Balance at December 31, 2013	184,522	13,112	37,581	70,139	34,728	15,200	10,176	6,944	94	-	372,496
Balance at January 1, 2014	184,522	13,112	37,581	70,139	34,728	15,200	10,176	6,944	94	-	372,496
Depreciation for the quarter	9,428	489	983	2,663	980	345	298	719	6	-	15,911
Disposals	-	-	-	-	-	(397)	-	-	-	-	(397)
<b>Balance at March 31, 2014</b>	<b>193,950</b>	<b>13,601</b>	<b>38,564</b>	<b>72,802</b>	<b>35,708</b>	<b>15,148</b>	<b>10,474</b>	<b>7,663</b>	<b>100</b>	<b>-</b>	<b>388,010</b>
<b>Carrying amounts</b>											
At December 31, 2013	630,768	31,128	84,206	145,785	50,886	7,462	7,240	11,063	21	41,626	1,010,185
At March 31, 2014	622,124	30,703	83,505	143,562	50,233	7,135	6,925	10,733	15	40,370	995,305

Notes to the Condensed Interim Financial Statements  
For the three months ended March 31, 2014 and 2013  
(unaudited, in thousands of dollars)

- a) At March 31, 2014, \$40,370 (December 31, 2013 - \$41,626) of property, plant and equipment were under construction of which \$39,820 (December 31, 2013 - \$41,260) was for buildings, runways taxiways and aprons, and other facilities not yet subject to depreciation.
- b) Included in accounts payable and accrued liabilities at March 31, 2014 is \$6,238 (December 31, 2013 - \$15,125) relating to unpaid capital expenditures.
- c) At March 31, 2014, \$15,911 (March 31, 2013 - \$14,654) of property, plant and equipment depreciation was included in the statements of comprehensive loss.
- d) Property, plant and equipment includes \$354 (December 31, 2013 - \$2,227) in borrowing costs capitalized during the quarter. Borrowing costs were capitalized at a weighted average rate of its general borrowing of 4.86% (December 31, 2013 - 4.86%).
- e) One asset with zero net book value (December 31, 2013 - \$4,494) was disposed of in the quarter with a trade-in value of \$0.03 (December 31, 2013 - \$4,755).
- f) The Province of Alberta has committed to funding up to \$14,000 for the runway extension at the Villeneuve Airport. To March 31, 2014, \$11,200 has been received from the Province and \$12,990 in costs have been incurred.
- g) Edmonton Airports has determined that parts of moving walkways, categorized as buildings, require replacement to restore operational capability of the walkways. An estimate of the total impact of the derecognition of the assets to be replaced has not yet been determined. However, it is probable that the reimbursement of the costs to replace the assets will be recovered from a third party.

Notes to the Condensed Interim Financial Statements  
For the three months ended March 31, 2014 and 2013  
(unaudited, in thousands of dollars)

#### 4. INTANGIBLE ASSETS

	Computer software \$	Construction work in progress \$	Total \$
<b>Cost</b>			
Balance at January 1, 2013	2,935	-	2,935
Additions/transfers	615	44	659
Disposals	(570)	-	(570)
	<hr/>	<hr/>	<hr/>
Balance at December 31, 2013	2,980	44	3,024
	<hr/>	<hr/>	<hr/>
Balance at January 1, 2014	2,980	44	3,024
Additions/transfers	47	39	86
	<hr/>	<hr/>	<hr/>
<b>Balance at March 31, 2014</b>	<b>3,027</b>	<b>83</b>	<b>3,110</b>
	<hr/>	<hr/>	<hr/>
	Computer software \$	Construction work in progress \$	Total \$
<b>Amortization</b>			
Balance at January 1, 2013	1,921	-	1,921
Amortization for the year	867	-	867
Disposals	(570)	-	(570)
	<hr/>	<hr/>	<hr/>
Balance at December 31, 2013	2,218	-	2,218
	<hr/>	<hr/>	<hr/>
Balance at January 1, 2014	2,218	-	2,218
Amortization for the quarter	202	-	202
Disposals	-	-	-
	<hr/>	<hr/>	<hr/>
<b>Balance at December 31, 2014</b>	<b>2,420</b>	<b>-</b>	<b>2,420</b>
	<hr/>	<hr/>	<hr/>
<b>Carrying amounts</b>			
<b>At December 31, 2013</b>	<b>762</b>	<b>44</b>	<b>806</b>
<b>At March 31, 2014</b>	<b>607</b>	<b>83</b>	<b>690</b>

- a) At March 31, 2014, \$83 (December 31, 2013 - \$ 44) of intangible assets were under construction and not yet subject to amortization.
- b) Intangible assets are purchased software and software licenses. During the quarter ended March 31, 2014, \$202 (March 31, 2013 - \$253) of intangible asset amortization was charged to the statements of comprehensive loss.

Notes to the Condensed Interim Financial Statements  
For the three months ended March 31, 2014 and 2013  
(unaudited, in thousands of dollars)

## 5. LONG-TERM DEBT

Total long-term outstanding

	2014 \$	2013 \$
Series A Bond	222,907	222,907
Series C Bond	762,358	745,483
	<u>985,265</u>	<u>968,390</u>
Less current portion Series A Bond	5,271	5,271
Less current portion Series C Bond	13,561	13,417
Total current portion	<u>18,832</u>	<u>18,688</u>
Less unamortized transaction costs	3,904	3,972
	<u>962,529</u>	<u>945,730</u>

(a) Series A Bond and restricted deposits

Interest Rate	Semi-annual Instalment	Maturity Date	2014 \$	2013 \$
7.21%	Varying	November 1, 2030	222,907	222,907
			3,904	3,972
			<u>219,003</u>	<u>218,935</u>
			5,271	5,271
			<u>213,732</u>	<u>213,664</u>

Throughout the term, when the bonds are outstanding, Edmonton Airports is required to maintain a Debt Service Coverage Ratio on a rolling 12 months basis of 1.00:1 and a Gross Debt Service coverage Ratio of not less than 1.25:1. All covenants have been met.



Notes to the Condensed Interim Financial Statements  
For the three months ended March 31, 2014 and 2013  
(unaudited, in thousands of dollars)

(b) Series C Bond

Fixed Rate Debentures, Series C Bonds payable in semi-annual instalments of principal and interest:

Loan #	Interest Rate	Semi-annual Instalment \$	Maturity Date	2014 \$	2013 \$
1	4.37%	755	December 15, 2026	14,855	14,854
2	4.50%	1,145	March 15, 2027	22,360	22,989
3	5.00%	398	June 15, 2027	7,754	7,754
4	4.89%	395	September 17, 2027	7,735	7,935
5	4.68%	1,552	June 16, 2028	32,393	32,393
6	4.55%	3,068	September 17, 2028	64,608	66,170
7	4.67%	1,245	December 15, 2039	37,289	37,289
8	4.54%	920	March 15, 2040	27,925	28,205
9	4.56%	1,845	June 15, 2040	56,422	56,422
10	4.00%	1,439	October 1, 2040	47,236	47,236
11	4.40%	2,112	December 15, 2040	66,369	66,369
12	4.41%	1,511	March 15, 2041	47,412	47,867
13	4.16%	1,041	June 15, 2041	50,000	50,000
14	3.70%	926	September 15, 2041	50,000	50,000
15	3.35%	1,174	December 15, 2041	70,000	70,000
16	3.41%	512	March 15, 2042	30,000	30,000
17	3.25%	488	June 15, 2042	30,000	30,000
18	3.26%	651	September 17, 2042	40,000	40,000
19	3.24%	324	December 17, 2042	20,000	20,000
20	3.42%	342	March 15, 2043	20,000	20,000
21	3.73%	557	March 17, 2044	20,000	-
				762,358	745,483
Less:	Current Portion			13,561	13,417
				748,797	732,066

Edmonton Airports 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.

Notes to the Condensed Interim Financial Statements  
For the three months ended March 31, 2014 and 2013  
(unaudited, in thousands of dollars)

(c) Interest Expense

	March 31, 2014 \$	March 31, 2013 \$
<b>Interest Expense (Income)</b>		
Series A Bond interest	4,020	4,104
Series C Bond interest	7,590	7,576
Other interest and financing costs	98	120
Interest income and other	(200)	(280)
	<u>11,508</u>	<u>11,520</u>
Less: capitalized interest	(354)	(1,101)
	<u>11,154</u>	<u>10,419</u>

## 6. COMMITMENTS AND CONTINGENCIES

(a) Commitments

At March 31, 2014, Edmonton Airports had outstanding capital commitments in the amount of \$11,329. (December 31, 2013 - \$6,674).

(b) Contingencies

Edmonton Airports has been named as a defendant in certain lawsuits. The outcome of these actions is currently not determinable. In Edmonton Airports' opinion, these actions will not result in any material expense to Edmonton Airports. The cost of settlement, if any, will be accounted for in the period of settlement.

## 7. FAIR VALUE OF FINANCIAL INSTRUMENTS

Edmonton Airports does not record any assets at fair value in the statements of financial position. The only financial instrument that has a fair value that does not approximate the carrying value in the statements of financial position is long-term debt. The fair value of the long-term debt is categorized as Level 2 of the fair value hierarchy as it is calculated using the future cash flows (principal and interest) of the outstanding debt instruments, discounted at current market rates available to Edmonton Airports for the same or similar instruments. The fair value of long term debt is determined on an annual basis and the most recent valuation is disclosed in the December 31, 2013 financial statements.

## 8. COMPARATIVE INFORMATION

Certain comparative figures have been reclassified to conform to the current year's presentation.