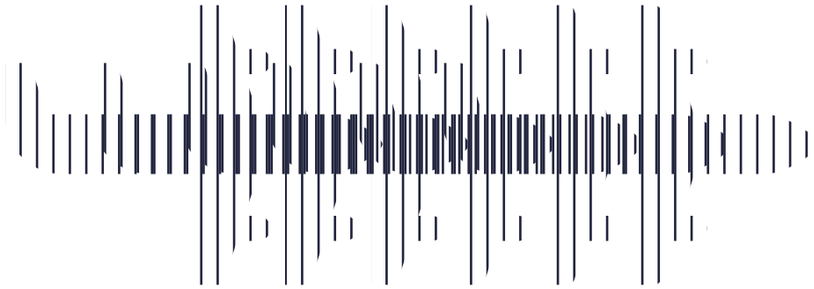

NON-STOP

Welcome to EIA. Where there's always something on the go. Cargo shipping. Boarding passes printing. Coffee brewing. Wings de-icing. Passengers deplaning. Loved ones reuniting. Worlds connecting. This annual report is an ode to a year of soaring progress and inspiring people who keep us reaching higher. 24/7/365. Non-stop.

2014: NON-STOP GROWTH



In 2014, over 8.2 million passengers moved through the airport — an increase of seven per cent from the previous year. Travel to the US was up 8.5 per cent and international travel saw double-digit growth of 13.1 per cent.

EIA shipped 3.9 per cent more cargo to and from more places, leveraging up to 60 non-stop destinations such as Reykjavik, Dallas–Fort Worth and London Heathrow. With Amsterdam coming on board in 2015, EIA will gain a non-stop destination via a wide-body aircraft directly onto the European continent, opening the door to even more cargo opportunities.

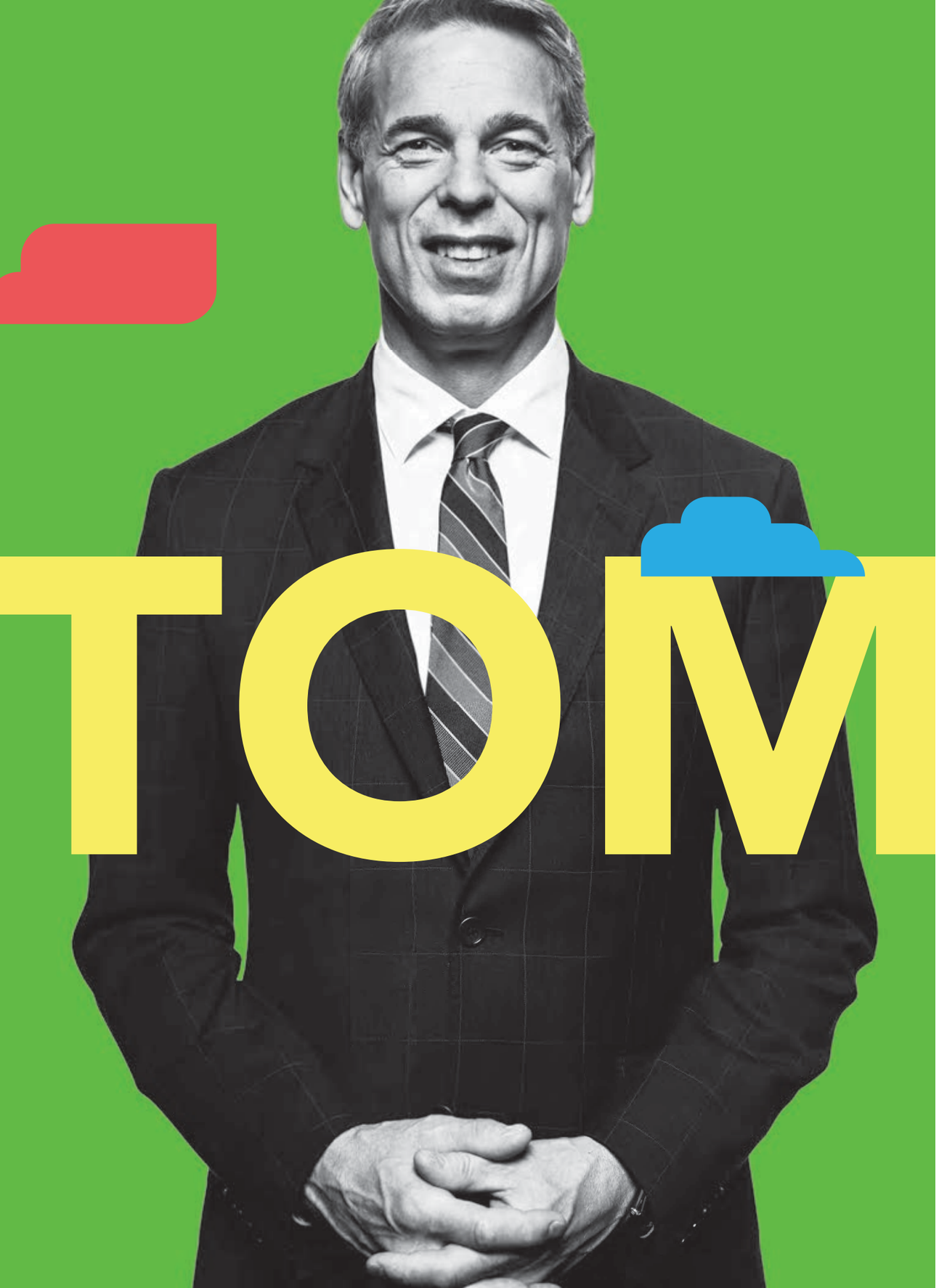
EIA also supported over 12,600 person years of employment and generated over $2.2 billion in total economic output for Edmonton, the surrounding regions and the province.

Soaring ahead while grounded in sustainability.

As always, our aspirations reflect those of the region we serve. We know that being a responsible organization means paying just as much attention to what we're leaving behind as to what's ahead. That's why everything we do is founded on a commitment to sustainability. We want to walk softly as we help fulfill the region's big dreams. This means managing our environmental footprint, strengthening our community and serving as a stalwart financial steward.

Come take a tour of what 2014 meant for EIA and the region. We're proud of what we accomplished and how we accomplished it, and we're proud of our non-stop effort to deliver on the promise we make every day: *we'll move you*.

***WE'LL MOVE YOU* IS OUR PROMISE.** AND SO WILL THIS ANNUAL REPORT. SLIDE THE ATTACHED SHEET OVER THE ILLUSTRATIONS FROM LEFT TO RIGHT TO SET HIGHLIGHTS OF 2014 IN MOTION.



BOARD CHAIR'S MESSAGE

If I had to choose one word to describe 2014 for EIA, it would be "non-stop." Like other major airports, EIA operates around the clock every day of the year. There is no "off" switch. We unite businesses from all over the globe; we unite loved ones; and we even unite children with lost stuffed animals. We operate in snowstorms, rain showers and sunshine. Our business is truly non-stop.

It takes tireless devotion to both excellence and community to be a great airport, and I believe EIA embodies that devotion in spades. With all that's required to operate an airport safely and efficiently, we never lose sight of our vision and mission or of the big picture: We're here to facilitate non-stop growth for our region. We're here to be financial stewards and community supporters. It's what we do, and more importantly, it's who we are.

We continue to grow due to a number of important reasons: Community support, diverse revenue streams and our amazing employees. We prosper by improving air service and diversifying our revenue streams, which creates a virtuous cycle that sustains the airport and allows us to grow.

In the bigger picture, we know that air service is a key business driver that creates a massive economic benefit for our region. This year, analysis shows that with your support, our airport creates over 12,600 person years of employment and generates over $2.2 billion in economic output. Big numbers, but numbers alone can't quantify bringing families together, investing in community projects, and helping 21st century explorers take to the skies on new adventures around the globe.

Since 2008, our annual terminal passenger count has grown from 6.4 million to 7.3 million at the end of 2014. That's an increase of 14.5 per cent. The airport now supports 12,600 person years of employment, a 40 per cent increase. This translates into a total Gross Domestic Product of $1.15 billion, an increase of 47 per cent.

We're also a significant enabler to the resource sector, ensuring that resource workers can travel efficiently to and from Edmonton. That General Aviation traffic resulted in almost one million enplaned and deplaned passengers last year. That number is generated by an estimated 20,000 people making repeated trips back and forth to the resource sector to work. Many of these people live in Edmonton and invest in the region by buying houses, shopping, paying taxes and supporting community and cultural events. EIA's resulting indirect economic spin-off is substantial, creating jobs and opportunities across our region.

On behalf of the Board, my thanks and congratulations go to the entire Edmonton Airports team. This past year was hallmarked by non-stop momentum. This is a testament to the talent, perseverance and dedication of the entire Edmonton Airports team. They are a source of pride and inspiration for our community.

I would also like to take this opportunity to thank my fellow Directors for their commitment and dedication to the Board and organization over the past year. In particular, I would like to acknowledge the contributions of Bryan Bailey (City of Edmonton), Robert Carwell (Strathcona County) and Rolly Owens (City of Leduc) who retired from the Board at the end of 2014, having completed their eligible terms. I am pleased to report that Robert Petryk was reappointed by the Federal Government to serve a second four-year term commencing January 1, 2015, and I would also like to extend a welcome to our newest Board members Darrell Jones (City of Edmonton), Murray Hales (City of Leduc) and Jay Ramotar (Strathcona County), who all joined the Board in 2015.

At the end of 2015 I will reach the end of my maximum term as a Director of Edmonton Airports. When I joined the Board seven years ago, we were addressing the challenge of planning a major expansion in the face of a global recession. Proper process was followed, sound decisions were made, and to now see the results delivered by EIA management and the support of our community has been nothing short of spectacular.

It has been a privilege to serve as a Director, a pleasure to work with EIA Management and an honour to lead the Board as Chair.

I know I speak for all my colleagues on the Board when I thank you for your support of EIA. We feel so privileged to be playing a role in providing opportunities for the people in our region.

Tom Redl, Board Chair

PRESIDENT AND CEO'S MESSAGE

Non-stop is a fitting theme for this year's annual report, since 2014 was our busiest year ever. More than 8.2 million passengers travelled to up to 60 non-stop destinations all over Canada, the US and the world for everything from beach vacations and family reunions to backpacking and business trips.

This year also saw major gains in non-stop air service. Both WestJet and Air Canada increased their overall seat capacity. Three new world-class international airlines joined our family this year, including Icelandair with service to Reykjavik, American Airlines with service to Dallas-Fort Worth and Los Angeles, and KLM Royal Dutch Airlines set to begin service to Amsterdam in May 2015. With new capacity, new flights and new partners, non-stop was definitely the word for air service development.

How do we stay competitive in the aviation industry? The answer is simple: We want what our passengers want — more flights to more places. Air service opens a world of possibilities for families, for businesses and for our region, winging passengers and cargo around the globe. Commercial development supports this by attracting new passengers and services and generating revenue that we reinvest into more air service.

EIA's cargo service steadily increased, scoring its fifth consecutive year of volume growth. Most of our dedicated freight carriers upgauged to larger aircraft to accommodate higher volumes and larger shipments. Over 370,000 square feet of new cargo facilities were completed or announced in 2014. We also accomplished a significant cargo apron expansion and invested in new equipment to increase our cargo-loading capacity.

The rate of our commercial development accelerated greatly in 2014. By consolidating different types of mutually beneficial businesses and services that complement each other, we continued along the path to becoming an Aerotropolis, or airport city. The new Renaissance Edmonton Airport Hotel opened, quickly becoming a traveller favourite and earning a prestigious four-diamond rating. A host of other developments sprouted up, including new hangars, new businesses and industries investing on-site.

Two recently announced commercial development projects really stand out to me as having incredible impacts on the region's future economy and EIA's development. The Outlet Collection at EIA will create 1,000 jobs right here on airport land and offer both passengers and non-flyers a retail experience unlike any other. Additionally, Rosenau Transport Ltd.'s new, 210,000-square-foot warehouse and distribution centre will allow cargo shipments from anywhere in western Canada to be on a plane en route to its final destination within 24 hours.

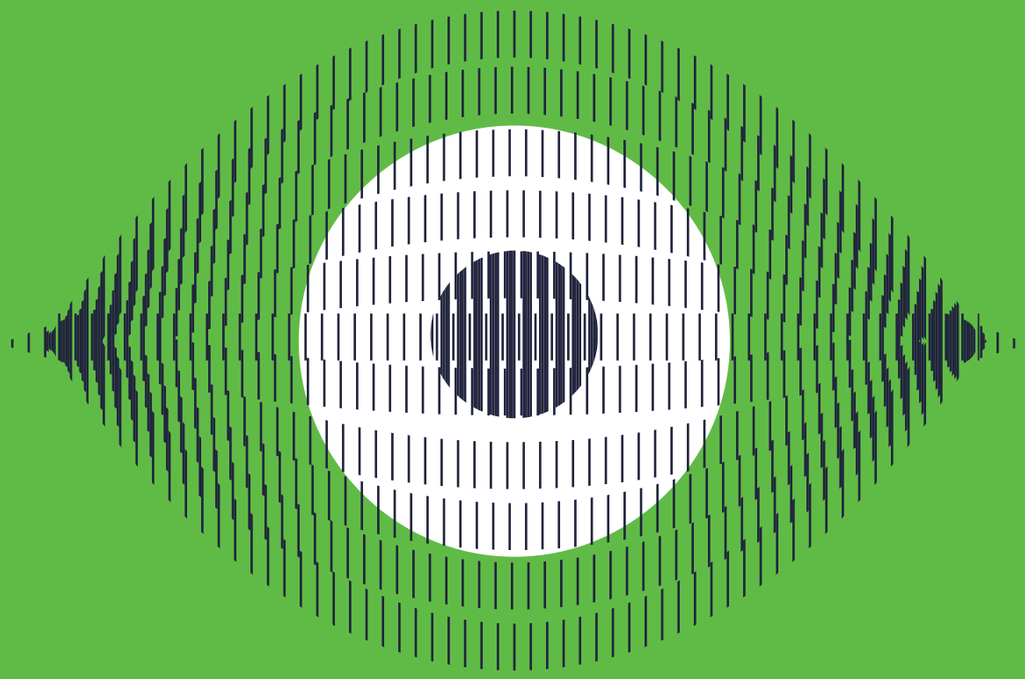
All this growth is the result of sound business planning, strategy and implementation. Parking facilities have also increased, as have our onsite concessions and retail. All of the non-aeronautical revenue we generate is re-invested back into attracting new air service, expanding capital projects and maintaining our facilities. This positive virtuous financial cycle is a core component of our business strategy that allows us to keep landing fees low and simultaneously expand our business to sustain the services our passengers deserve.

In the true tradition of Edmonton pride and Alberta spirit, we thank you for your support and hope you will continue to join us as we sit upright, buckle up, and stay the course for excellence — non stop.

Tom Ruth, President and CEO

VISION

More flights to more places.

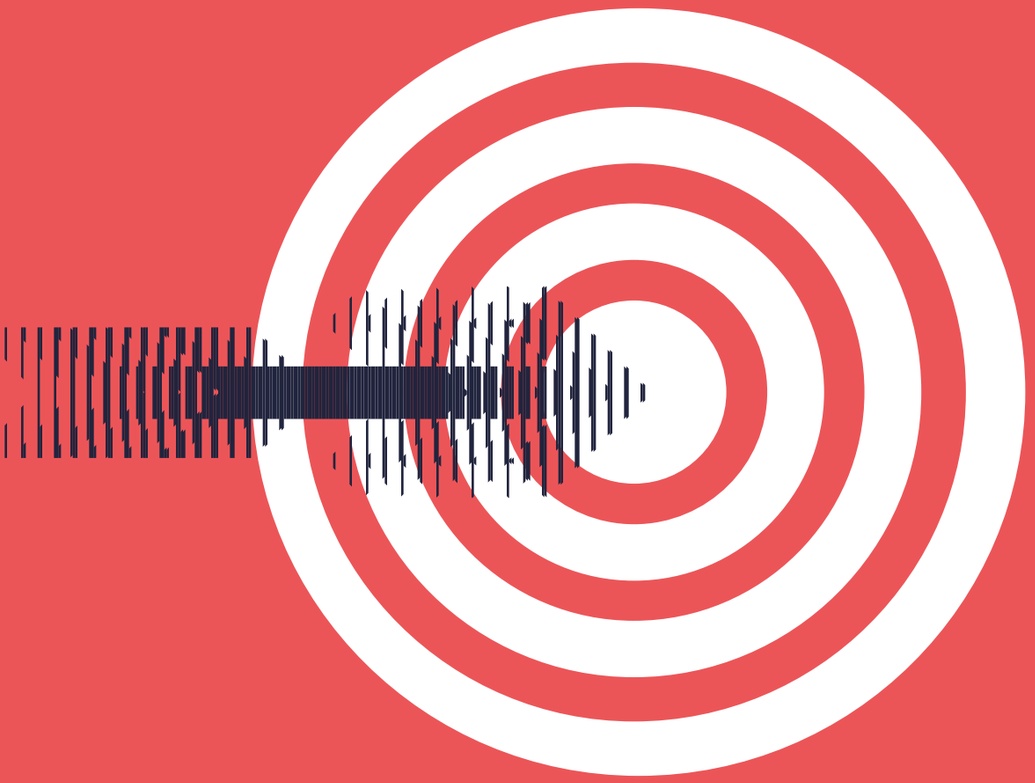


MISSION

Driving our region's economic prosperity through aviation and commercial development.

GOAL

12 million annual enplaned and deplaned passengers by 2020.



OUR CORE VALUES

Safety and security first: be safe and secure.

Own the outcome: deliver quality service and products.

Doing the right things right: show individual and organizational integrity.

Invested in our talent: be people-focused in respect, teamwork and collaboration.

Be dedicated to sustainability: consider social, environmental and financial impacts.

PERSPECTIVES	STRATEGIC OBJECTIVES 2014-2020
PASSENGER RELATIONSHIPS	ENHANCE PASSENGER EXPERIENCE
OPERATIONS	ENHANCE AIRLINE PRODUCTIVITY
LEARNING AND GROWTH	BE ACCOUNTABLE FOR EXCEPTIONAL LEADERSHIP
FINANCIAL STEWARDSHIP	ACHIEVE FINANCIAL SUSTAINABILITY
COMMUNITY	ACHIEVE SOCIAL AND ENVIRONMENTAL SUSTAINABILITY

Stop and smell the tulips.

The introduction of non-stop flights to Amsterdam is one shining example of why 2014 was a banner year for EIA air service.

NON-STOP FLIGHTS

With 60 non-stop flights across Canada, the US, Mexico, the Caribbean and Europe, EIA's service and rapid expansion of routes ranks among North America's great international airports. Investing in world-class infrastructure and efficient operations is very important, but our success primarily depends on our community's support for both existing and new routes. Your commitment and loyalty is a huge part of the business cases we make to airlines, and your support is paying off.

In just over a year, EIA added three new air carriers. Icelandair began year-round service to Reykjavik in March, adding additional flights during the summer. American Airlines began service to Dallas–Fort Worth, and added a non-stop flight to Los Angeles. KLM Royal Dutch Airlines also announced new non-stop air service to Amsterdam beginning in 2015. Using planes with enhanced wide-body cargo capacity and more than 200 seats, the route will provide the Edmonton region and its businesses with access to Europe, Africa and the Middle East via Amsterdam, and will establish another gateway to Edmonton, Alberta and Western Canada for international travel and commerce.

Adding three major international air carriers in just over one year is no small feat. It's a tremendous show of confidence in our region, opening up new destinations for leisure travel and new opportunities for business. It also makes our region globally accessible, attracting new business and tourism into Alberta.

At WestJet and Air Canada, our two largest carriers, we saw both new flights and new capacity. WestJet upgraded its Phoenix flight from seasonal to year-round service and increased its non-stop flights to Regina and Saskatoon from once daily to two and three times daily, respectively. Sun seekers heading to Cancun and Puerto Vallarta saw an additional weekly flight added for the winter. Sunwing increased its overall capacity by 49 per cent, including a new non-stop flight to Freeport, Bahamas. American Airlines also increased the frequency of its flights to Phoenix.

It takes the non-stop support of our community to make it happen. It's no coincidence that with the growing energy of community support behind us, our air service has never been better!

60 NON-STOP FLIGHTS ACROSS CANADA AND THE WORLD.

The destination before the journey.

We give it our all to make passengers feel as though their getaway has begun the moment they pass through the doors at EIA.

NON-STOP CUSTOMER SERVICE

We think our passengers deserve the best! Our goal is for our passengers to have an amazing experience every time they're in the airport.

Every one of our employees strives to ensure passengers and their families are comfortable and cared for. If you're lost, we'll point you in the right direction or walk you there ourselves. If you're hungry, we'll show you all the dining options from which you can choose. If you need to pick up a gift or spoil yourself, we've got you covered. EIA has more than 60 shops and services that cater to every taste.

We also make sure your journey through the airport is as relaxing as possible. Our beautiful Living Wall, art installations and EIALive music program are some of the ways we want to make you feel at home. Passengers can now relieve stress by petting a playful pooch before a flight. EIA teamed up with the Pet Therapy Society of Northern Alberta for a trial project. The society services local hospitals, schools and correctional facilities to calm the nerves and brighten the days of the people who meet their pets. In 2014, EIA passengers relished the experience of seeing a sweet-natured dog wag its way through the terminal.

And speaking of relaxation, the Renaissance Edmonton Airport Hotel guarantees it! If your flight leaves early or arrives late at night, you can now stay right on site at the luxurious, four-diamond Renaissance Edmonton Airport Hotel. With its modern guest rooms and suites and one of the best restaurants in the Edmonton region, HALO Bar & Bistro, you can relax in style. All the rooms are fully soundproofed, so you get a great view and a peaceful sleep.

Behind the scenes

While our amenities provide passengers with a uniquely EIA experience, we don't do this at the expense of getting the basics of air travel right. EIA works with its many partners to provide passengers with a seamless travel experience from the moment they walk through the doors to the time when their flight lands at its destination. From airline check-in kiosks, to supporting Canadian Air Transport Security Authority (CATSA) at security screening, to upgrading our baggage control systems — technology won't replace airport friendliness, but it does make processes smoother and more efficient. One great example was the introduction of the Automated Passport Control kiosks for US-bound passengers, launched in 2014. This program protects security while increasing the efficiency of the US entry process; it gets you out of lines more quickly and gives you more time to visit the many shops and restaurants in our US Departures Lounge. Although not always as visible as programs such as our Pet Therapy and EIALive programs, we invest a lot of focus into our facilitation and technology programs behind the scenes, to swiftly move you and your bags through the airport.

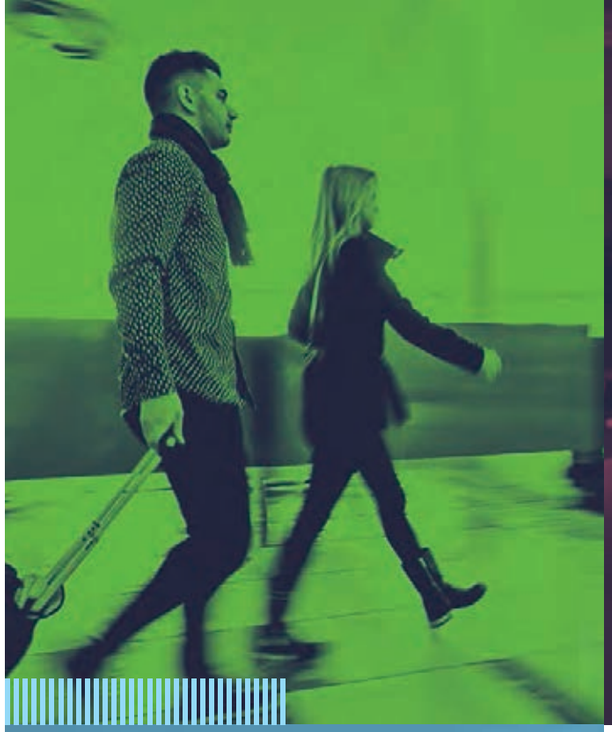
Parking and ground transportation

Whether you're arriving or departing, we want you to have an exceptional experience. Our Taxi Ambassador program is designed to enhance drivers' knowledge so you can count on great customer service at every step of your journey. In 2014, we implemented a Parking Ambassador program to improve passenger experience in this key service area. EIA provides a great parking experience with Park Assist; we will boost your engine, pump your tires, dig you out of a tight spot and even help you find your vehicle after a long trip. When parking with EIA, you can also check your coat free of charge — a nice bonus when you're heading to a sunny destination spot.

Our passengers continue to rely on our convenient, high-quality parking options. With the expansion in 2014 of the enormously popular jetSet parking service at EIA, we added an additional 1,300 parking spaces, bringing the total spaces to more than 12,000. Even during peak seasons you will find safe, secure parking at EIA within easy walking distance or a quick shuttle ride to the terminal. You can book online in advance or check our website for up-to-date information on lot status.

Accessibility

Our community includes a wide range of people with different needs, and we want our airport to offer a great experience for everyone. Our Barrier-Free Committee includes representatives from various groups of differently abled persons whose expertise helps us to make our airport a pleasant and accessible place for all passengers. From wheelchair accessible countertops to patterned floors designed to aid those with vision impairments, EIA is chock full of design elements and services to help make our airport a welcoming place for passengers and visitors of all physical abilities.



NON-STOP ENGAGEMENT

People

That's our secret to everything we do. Everything we accomplished in 2014 was for the people we serve. Everything we accomplished in 2014 was because of the people who work for EIA. They epitomize non-stop teamwork, innovation and dedication.

Following an assessment by a panel of experts who considered physical workplace, benefit programs, training programs, performance management, work atmosphere, community involvement and employee communications, Edmonton Airports is proud to have been named one of Alberta's Top 70 Employers. In addition, we were a finalist in for Alberta Venture's 2015 Alberta's Best Workplaces Awards.

Our employees give so much of themselves to ensure EIA achieves excellence year after year. We employ a dynamic and dedicated team with expertise in a wide range of fields to keep our airport safe and secure, shipshape and shining, connected to the world and to the community, all the while keeping a watchful eye on the financial balance sheet.

You could say it takes a village to operate a world-class international airport! We work with many partners to deliver airport services, including airlines, restaurants, car rental companies and more. The airport's own small team of employees bring expertise in an incredible range of fields, including airside operations, computer technology, air service development, firefighting, customer service, real estate development, wildlife technology and many, many more.

Our success depends on our employees, and we invest in our talent by striving to create a safe, supportive working environment that allows all of our employees to be the best they can be. We provide our wholehearted support to our employees as they broaden their knowledge to remain at the cutting edge of current best practices, and invest in their development to help build skills for the future. We are proud to congratulate three of our employees who recently received journeyman trade certifications in our apprenticeships program for skilled workers, and our youngest employee as she begins her journey into the Human Resources field with her first course at the University of Alberta.

In 2014, we undertook many initiatives to harness the enthusiasm and commitment of our staff. Quarterly Employee Information Sessions, special events and contests, along with diversifying and improving internal communications — these are just some of the ways we're ensuring we hear from our employees. Our newly formed Engagement Committee ensures we are involving employees in decision-making and providing them the freedom they need to continue delivering excellence. We also support our employees' wellbeing through an active occupational health and safety committee, a newly formed wellness program, and social and activities.

NON-STOP REWARDS

In just over a year, our free-to-join EIA *rewards* program has blossomed to nearly 30,000 members. In 2014, more than 20 EIA businesses participated in the program by offering exclusive specials for EIA *rewards* members.

Benefits for EIA *rewards* members include a 25 per cent discount at the award-winning Plaza Premium Lounge, no service charge at International Currency Exchange and monthly draws for flights to one of our many non-stop destinations. Every month, new offers become available for exclusive parking deals and other discounts throughout the airport. It's just another way we want to thank passengers for their loyalty and inject a little fun into their airport experience.

To enroll in EIA *rewards*, visit our website at flyeia.com/rewards

NON-STOP REWARDS

From door, through customs to gate 17 minutes great job @FlyEIA!! Off to Vegas #boystrip

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We almost always fly out of the US side! Being from Camrose, we are up early for those early morning flights!! So first, we stop at the duty free and check stuff out and see if anything looks good! Then, breakfast at Quiznos or the Wing and Tap! Then, get a coffee and treat at Starbucks for the plane ride!!! It's really part of the vacation!! When we get to the airport.....that's when the holiday starts!

Live entertainment, living walls, pet therapy dogs wandering about... lovin' @FlyEIA #yeg

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Here's service! Baby's 1st flight & @FlyEIA's President is curbside helping with bags. Thanks Mr. Ruth!

Thanks @FlyEIA for fixing our flat so we could get home. #greatservice

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I was not looking forward to our layover @FlyEIA but am pleasantly surprised. The YEG airport is very nice! Good job!

Our heart, soul and home.

For some, it's merely a point of arrival or departure. To us, it's home. Our community is the driving force behind everything EIA does.

NON-STOP COMMUNITY SPIRIT

If people are the heart of EIA, then our community is surely the soul. Our community inspires us and drives us. We exist to serve, strengthen and support our community, reflecting its aspirations for growth, success and quality of life.

An airport occupies a unique position in a community. For visitors to the region, we often provide the first impression of Edmonton and Alberta. For residents we're the last "see you later" and the first "welcome home". That's why we're always looking for creative ways to showcase all the great things our community has to offer. From featuring local musicians, performers and visual artists to working with community agencies that help our most vulnerable citizens and supporting and participating in major community events, our goal is to be involved in the place we call home.

For example, we host about 160 performances per month by local musicians, featuring them on stages throughout our airport. Between regular performances, special presentations, our children's Christmas choirs and our partnership with the Canadian Country Music Awards, the airport was filled with the sound of music. In 2014, the Airport Council International — North America honoured our EIALive program for its achievement in community outreach.

We're at work not only inside the airport, but also in the community. This year, our work teams helped Habitat for Humanity on a home-building project. We partnered with St. John Ambulance, Alberta Health Services and the Alberta Heart and Stroke Foundation to raise awareness of automated electronic defibrillators. Our charity golf event raised over $140,000 for Youth Empowerment & Support Services (YESS), the Leduc & District Food Bank and Riseup House. We raised a total of $30,097 during our month-long United Way donation matching campaign, which includes funds raised for other registered Canadian charities. We read to schoolchildren as part of READ IN Week for literacy. We even doused our president and CEO as part of the ALS ice-bucket challenge!

These are just a few examples. In 2014, we partnered with 100 community organizations and initiatives, including:

Alberta Aviation Museum
ATCO Edmonton Sun Annual Christmas Auction
Canadian Aviation Hall of Fame
Canadian Country Music Awards
Cooper Studios
Dreams Take Flight
Edmonton Public Schools
Edmonton Catholic School District
Edmonton Valley Zoo Society
EIA Golf Tournament in support of Riseup House, the Leduc & District Food Bank and Youth Empowerment Support Services (YESS)
Habitat for Humanity
Hope Air
International Triathlon Union
Kaminski Music
Kids Kottage
March Music Inc.
Pet Therapy Society of Alberta
Princess Patricia's Canadian Light Infantry
Project Brock
Reynolds Museum
STARS
Tour of Alberta
United Way
Wounded Warriors Weekend Canada
You're Welcome Awards

Our charity golf event raised over $140,000 for Youth Empowerment & Support Services (YESS), Riseup House and the Leduc & District Food Bank.

Momentum is building.

In 2014, EIA laid the groundwork for a number of exciting, large-scale commercial developments in and around the airport.

NON-STOP DEVELOPMENT

Commercial development contributes significantly to the regional and Alberta economy through direct employment and support to industry and the resources sector. It also supports our pursuit of air service by generating revenue that is reinvested back into passenger services and air service development.

More than $330 million of private investment was spent or committed at EIA in 2014, another clear sign of the confidence that business has in EIA and in the region.

Much of the year was spent working towards two anticipated major commercial development projects that will bring a combined $225 million in investment to the Edmonton region and create approximately 1,000 jobs. The official announcement will take place on January 21, 2015.

The first announcement will send every shopper's heart in the region a-flutter. Ivanhoé Cambridge will open the *Outlet Collection at EIA*, an anchor of the Aerotropolis development model currently underway at the airport. The *Outlet Collection at EIA* will feature 415,000 square feet of retail outlets and will transform shopping not just for passengers, but for everyone in the region. It will also help attract more visitors and connecting passengers, and this helps attract more flights. The retail outlet's peak periods are opposite to the airport's peak periods, and the development plan includes new transportation management features, so the project is expected to improve the flow of both people and traffic.

In another key commercial development project, Rosenau Transport Ltd. announced its new 210,000 square-foot building at EIA Cargo Village. This facility will serve as a distribution centre and warehouse for the entire Edmonton region. With immediate access to air cargo carriers, the Queen Elizabeth II Highway (part of the CANAMEX trade corridor) and the Leduc–Nisku Industrial Park (the second-largest energy park in North America), this new development will further solidify EIA's position as a key shipping and cargo hub.

Other commercial development milestones during the year included the much anticipated opening of the beautiful Renaissance Edmonton Airport Hotel in May. In addition, Shell announced the construction of a second Aerocentre, and Braden-Burry Expediting (BBE) moved into a brand new facility in the Cargo Village.

One of EIA's strategic advantages is land. Our ability to maximize use of airport lands allows us to generate new non-aeronautical revenue, which can be invested back into our airport and into building exceptional air service for our community.

More than $330 million of private investment was spent or committed at EIA in 2014, another clear sign of the confidence that business has in EIA and in the region.

We deliver the world.

When you think airport, you generally think passenger service. But cargo is quickly becoming a significant portion of EIA's daily business.

NON-STOP CARGO

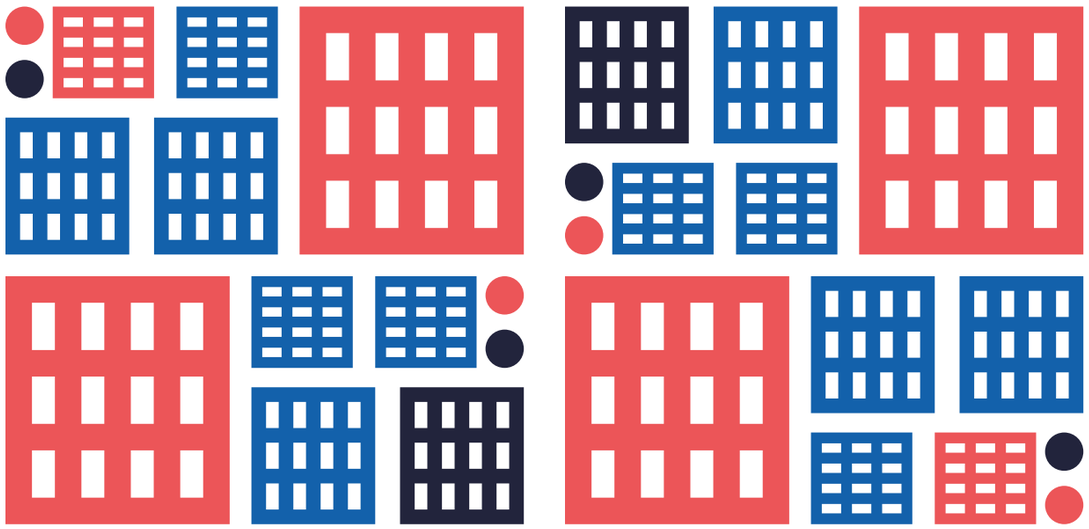
For the fifth year running, EIA's cargo operations showed strong growth, further cementing our reputation as the key shipping hub for the region. Our air cargo volume grew by 3.9 per cent, bringing us to a total volume growth of 25 per cent over five years. In 2014 alone, our cargo operations supported nearly 870 person years of direct employment.

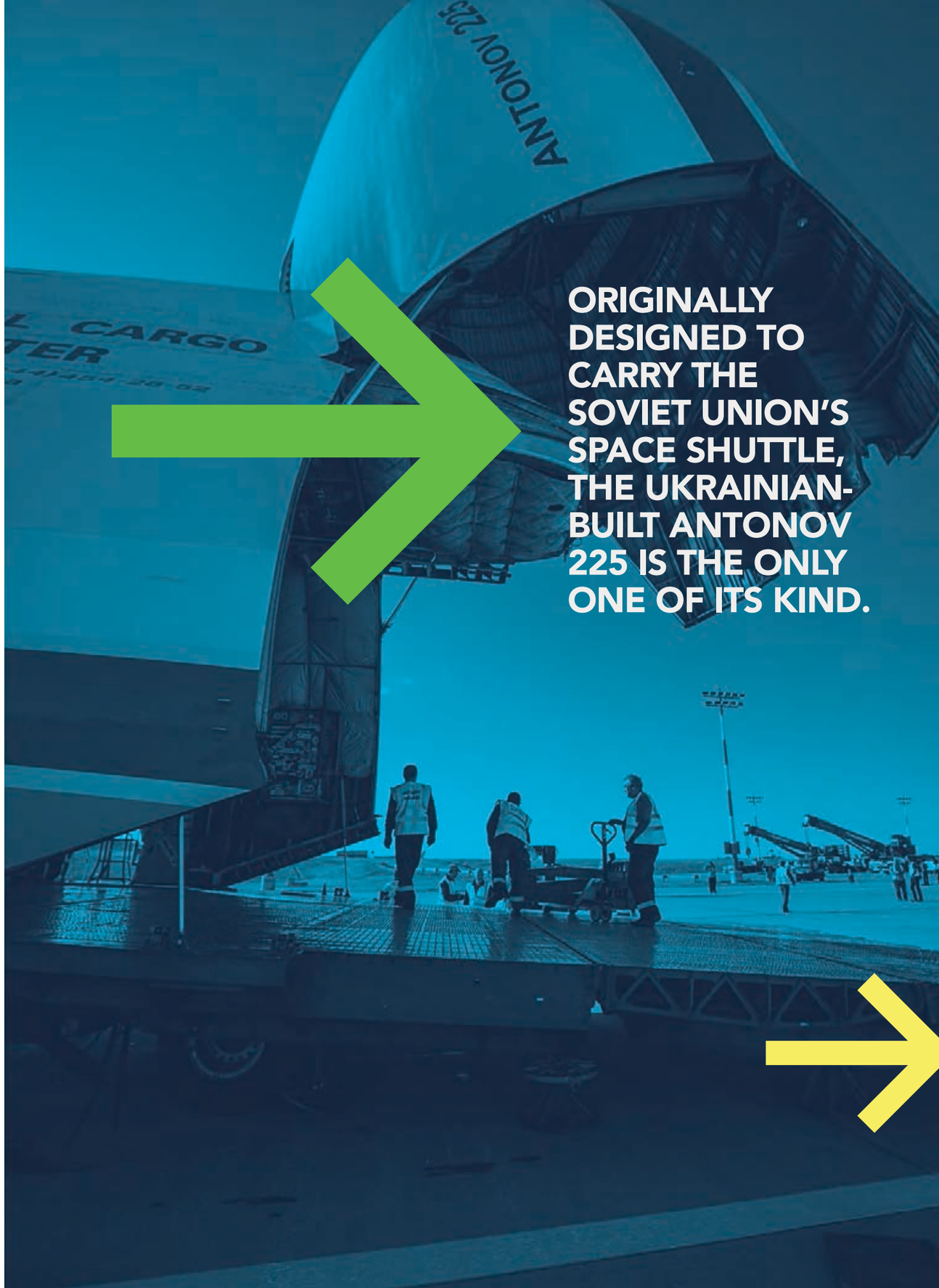
Thanks to new and expanded partnerships with air and road carriers, cargo can now leave from anywhere in Western Canada by road and be on a plane to anywhere in the world within 24 hours via EIA's international, US and domestic non-stop and connecting options. For inbound cargo, EIA provides Alberta businesses superb access to goods and supplies from around the world through domestic and global connecting points, including London (England), Reykjavik and, starting in May 2015, Amsterdam.

This kind of growth demands enhancements to infrastructure to keep pace. So in 2014, we invested more than $30 million in upgrades to our Cargo Village to establish new cargo areas, taxiways and land servicing. This will all be supported by some 370,000 square feet of cargo, warehouse and office space. With additional room and state-of-the-art upgrades, several carriers were able to upgauge their fleets this year. Cargojet upgauged from a B757-200F to a wide-body B767-300F, and DHL upgauged from a B737-200F to a B737-400F and further upgauged to a wide-body B767-200F to handle increased volumes leading up to the holiday season.

In 2014, a number of special charters operated out of EIA. Of note, our cargo operations strutted their stuff this year with another arrival of the Antonov 225, the world's largest aircraft, and a fan favourite with local airplane enthusiasts. Originally designed to carry the Soviet Union's space shuttle, the Ukrainian-built Antonov 225 is the only one of its kind. This behemoth aircraft can lift more than the total combined weight of three fully loaded 737 planes. (That's about 45 African elephants!) The Antonov rolled onto EIA's cargo apron in August 2014, bringing in a 154-metric tonne waste heat boiler from Berlin for a local manufacturer, shaving over 40 days off sea and road shipping times. The rock star of the cargo world, the Antonov drew national interest as it was handily unloaded at EIA and sent on its way. EIA's capability to host the really big freight is an important enabler for industries needing to ship very large components.

All these changes are creating buzz. EIA cargo operations are regularly featured in international shipping industry publications, enhancing EIA's profile on the international stage and attracting additional investment. New investment by companies such as Braden-Burry Expediting (BBE), DHL, Cargojet and Alberta's own Rosenau Transport Ltd. is a clear signal that we're making EIA and the region a very attractive option for cargo operators.





ORIGINALLY DESIGNED TO CARRY THE SOVIET UNION'S SPACE SHUTTLE, THE UKRAINIAN-BUILT ANTONOV 225 IS THE ONLY ONE OF ITS KIND.

NON-STOP SAFETY AND SECURITY

In everything we do, we never lose sight of our primary core value: Safety and Security First.

We work with a variety of regional and airport partners to meet safety protocols and best practices. The Canadian Air Transport Security Authority (CATSA) screens all passengers and their belongings at the airport to ensure aircraft depart safely and securely. Transport Canada governs the safety and security of travellers on the ground and in the air, setting and enforcing the standards for airport and airline operations.

EIA also hosts its own Royal Canadian Mounted Police (RCMP) detachment, which provides policing to EIA and is trained in airport emergency preparedness. In addition to two-legged officers and civilian members, the airport RCMP detachment also includes Bolt, a five-year-old German shepherd trained in tracking and in scent-detecting 15 different substances.

EIA also boasts a highly trained Emergency Response Services team that provides service 24 hours a day, 365 days a year, and is ready to respond to fire and medical emergencies. All team members are Emergency Medical Responders registered with the Alberta College of Paramedics. Each year, the team responds to hundreds of calls that include everything from minor scrapes to life-threatening emergencies, within three minutes, both airside and groundside.

Along with the Canada Border Services Agency, US Customs and Border Protection, airport security personnel, local police and other agencies, we work co-operatively to provide safe and secure facilities and air travel. This year, we continued to conduct regular live emergency preparedness simulations and tabletop exercises, collaborating and sharing information to ensure we continue to work effectively together.

In 2014, the Safety Management System tool was upgraded to a quality management system tool called Q-Pulse. The upgrade expanded the system beyond aviation safety to offer improved tracking and management of security, occupational health and safety, public safety, and contractor safety programs. The quality management process contributed to our receiving our Certificate of Recognition (COR) for our occupational health and safety program.

NON-STOP SUPPORT

In 2014, Villeneuve Airport continued to grow into its role as the region's official general aviation airport.

Villeneuve handles an average of 185 aircraft movements each day and is used mainly for training flights and by small, privately owned aircraft. Flight movements are controlled by the NAV CANADA control tower.

As the region's official satellite airport, and designated by Transport Canada, Villeneuve must also be able to handle flights diverted from EIA and function as an alternate medevac airport. To accommodate contingencies and enhance operations, Villeneuve's runway was extended and a Category 1 Instrument Landing System (ILS) was installed. The new system is capable of providing radio signals and high intensity lighting to help aircraft land safely when visibility is limited. A new strategic plan was also developed for Villeneuve Airport in 2014, drawing on extensive consultation with municipal, business and aviation stakeholders. Edmonton Airports has made capital investments of nearly $10 million into Villeneuve Airport since 2000, and plans to invest another $14 million over the next five years. In addition, NAV CANADA, the Province of Alberta and private sector investors are contributing to the airport's ongoing development.

VILLENEUVE HANDLES AN AVERAGE OF 185 AIRCRAFT MOVEMENTS EACH DAY.

NON-STOP EXCELLENCE

In 2014, we were proud to have been recognized for achievement across a wide range of operational areas. Our awards express our success through both national and international standards. We continue to be driven to innovate and to deliver quality and value for our community.

Accolades we received this year included:

Travel Alberta award

- Alto Award for marketing partnership with Icelandair and Edmonton Economic Development Corporation (EEDC)

Building Owners and Managers Association (BOMA) awards

- Certificate of Building Excellence for Central Tower
- Outstanding Building of the Year award for Central Tower
- Certificate of Achievement (Level 2) for Central Tower

Airports Council International – North America, marketing and communications awards

- Annual Report
- Community Outreach (LIVE music program)
- Partnering with Carriers (Icelandair Reykjavik launch)
- Video and Film Production (Edmonton & EIA promotional video)

Government of Alberta, Jobs, Skills, Training and Labour

- Certificate of Recognition (COR) for health and safety programs developed to established standards

NON-STOP SUSTAINABILITY

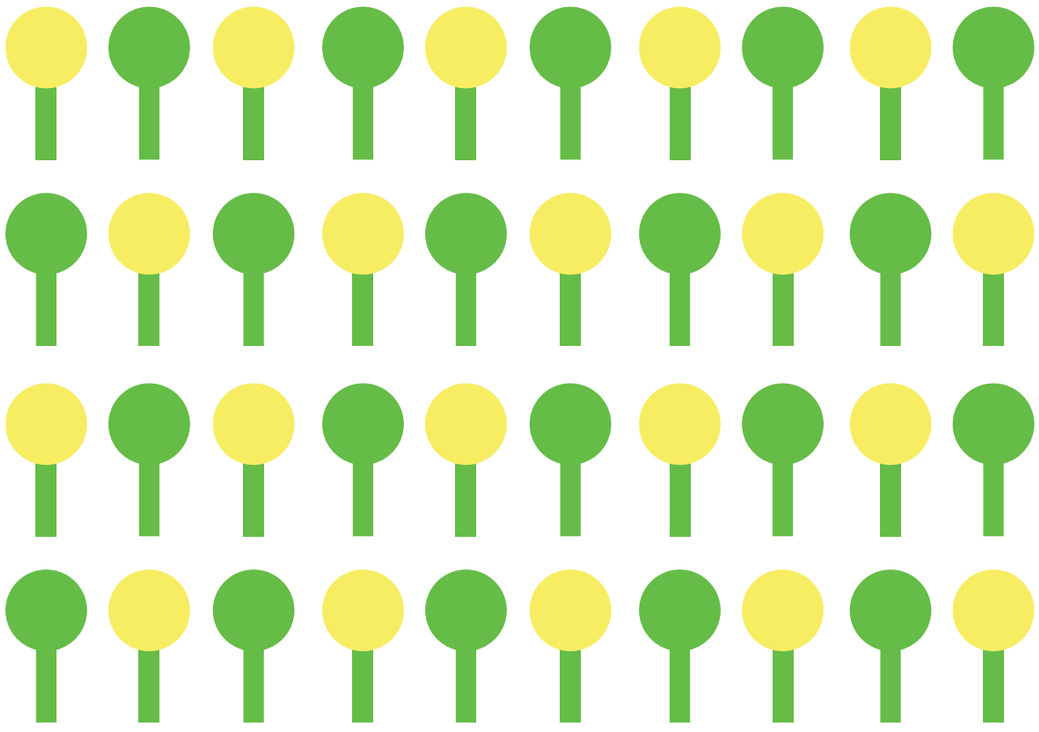
As we look forward to the achievement of our vision, we must always look back at what we have left behind. We're committed to being a positive force in our community. Sustainability is a core value that underscores the importance of that commitment.

In the interests of the region we serve, we consider sustainability across social, financial and environmental aspects of our operations. This means managing the community's airport assets responsibly, supporting environmental stewardship and contributing to the region's social well-being and quality of life. Whether it's working to deliver capital projects on time and on budget, investing in community projects or managing natural resources effectively, we focus on continuing to operate in a sustainable way that honours our community's trust and support.

Sustainability is not a postscript to our operations. It is part of the way we do business, and the foundation on which we rely for current and future success. Although sustainability is woven into our daily operations, this year we took on some new initiatives to help deliver on our sustainability goals.

We launched our Corporate Sustainability Program, which includes an orientation session for all new employees to introduce them to EIA's sustainability values, practices and initiatives. We also committed to developing our first-ever dedicated sustainability report, produced according to internationally recognized best practices for transparency.

As the second major airport in Canada to begin reporting to international Global Reporting Initiative (GRI) standards, we're pleased to join other airports around the world in sharing information that can contribute to a more informed discussion of best practices in sustainability.



OUR ECONOMIC VALUE

Edmonton International Airport is a significant contributor to the region's economic success; in 2014, we contributed a total of over $1.1 billion to the local GDP, and we had an economic output of over $2.2 billion. Our mission statement drives us to support the economic prosperity of our region through our aeronautical and non-aeronautical activities.

In 2014, we commissioned an Economic Impact Study to better understand the degree to which we influence the local economy. Our last study was in 2008, and EIA has undergone some major changes during that time.

Direct EIA employment has increased by over 60 per cent since 2008. Much of the growth in employment can be attributed to the increase in our aviation services, cargo and commercial developments. We have more employees, and we also pay them more; average wages at EIA have keep pace with wage inflation in Alberta since 2008.

	Employment (person years)	Wages ($mil) commitments $	GDP ($mil)	Economic Output ($mil)
TYPE OF IMPACT				
Direct	6,400	360	510	1,200
Indirect	4,300	270	415	650
Induced	1,900	100	225	380
Total impacts	12,600	730	1,150	2,230

Data from InterVISTAs, Economic Impact Study, 2014

The impacts of Edmonton International Airport and the direct operations of the airport community spread across the region we serve. When we succeed, everyone succeeds. EIA contributes to tourism, immigration, education exchange, trade and the growing resource sector through the connections it offers.

EIA and our fixed base operators are key assets that support the resource sector in Northern Alberta and Canada. A study by LPS Avia indicated that the resource workers in Edmonton directly support over 38,000 person years of employment in the region.

NEW FLIGHTS, NEW DOLLARS

The same study by LPS Avia, using insights from Travel Alberta, estimates that Edmonton International Airport supports the entry of over a million tourists to Alberta which in turn suggests an increase of $600 million of expenditures regionally.

We already know that more flights to more places is good news for EIA and the Capital Region. But we wanted to understand just how much benefit new non-stop service can bring. Research suggests that a new all-cargo route from Edmonton to central Europe could generate a $19 million impact on the local and regional GDP.

The same research indicates that a hypothetical Edmonton-East Asia all-cargo route would add more than $25 million to the local and regional GDP. A non-stop passenger flight servicing the same route would increase tourism revenue and trade creation in the region, potentially adding more than $18 million to the local and regional GDP. A single new international non-stop can lead to the creation of dozens if not hundreds of new jobs.

LEADING US FORWARD

Board Composition

The Board of Directors of Edmonton Airports consists of a maximum of fifteen (15) members. Six (6) Directors are appointed by the City of Edmonton, two (2) Directors are appointed by the Government of Canada, and one (1) Director each is appointed by Leduc County, the City of Leduc, Parkland County, Strathcona County and Sturgeon County. The Board has two at-large appointments that are used to fill any gaps in skills, experience or background. Currently, the desired skills, experience and background are represented on the Board, and the Board has elected not to fill the two at-large positions.

Board Governance

The Board is responsible for the stewardship, strategic direction and oversight of the business and affairs of Edmonton Airports. In carrying out these responsibilities, the Board endeavours to maintain and seek continuous improvement in high standards of Board governance. Some of the key governance functions of the Board include adopting and monitoring compliance with an ethics code, reviewing and approving Edmonton Airports' strategic plan and annual business plan, Chief Executive Officer (CEO) succession planning and satisfying itself that management has identified the principal risks of the business and implemented appropriate systems to manage those risks.

In 2013, the Board struck the CEO Search Special Committee, in anticipation of Reg Milley's planned retirement. This special committee was tasked with the mandate of implementing and conducting a diligent search, both nationally and internationally in scope, with guidance from the Governance and Compensation Committee, for Edmonton Airports' new CEO. Effective January 27, 2014, following Reg Milley's retirement, the Board welcomed Tom Ruth as the new President and CEO, who joined Edmonton Airports from his prior position as CEO of the Halifax International Airport Authority. Under Tom's guidance, Edmonton Airports has made great progress in advancing its strategic and business plans.

Tom Redl, Chair

Left to Right

Anne McLellan, Vice-Chair
Gail Stepanik-Keber
Dale Klein
Mary Cameron
Ralph Young
Jay Ramotar
Maureen McCaw
Murray Hales
Naseem Bashir
Robert Petryk
Leonard Blumenthal
Darrell Jones

BOARD CHANGES IN 2014

Bryan Bailey (City of Edmonton) retired from the Board effective December 31, 2014*

Robert Carwell (Strathcona County) retired from the Board effective December 31, 2014*

Rolly Owens (City of Leduc) retired from the Board effective December 31, 2014*

Robert Petryk (Federal Government) was re-appointed to the Board effective January 1, 2015

Darrell Jones (City of Edmonton) was appointed to the Board effective January 1, 2015

Jay Ramotar (Strathcona County) was appointed to the Board effective January 1, 2015

Murray Hales (City of Leduc) was appointed to the Board effective January 1, 2015

** Retired after serving maximum permitted term for a Director (2 terms of 4 years each)*

BOARD MANDATE

1.1 Governance Principles and Guidelines

The Board will perform its overall stewardship responsibilities as a governance board rather than a management board and will have regard to:

(a) Edmonton Airports' guiding principles of vision, mission and core values;

(b) accountability to stakeholders and the community through appropriate transparent processes, disclosure practices and effective communication, including feedback mechanisms;

(c) national and international airport best practices; and

(d) Corporate Governance Guidelines as recommended by the Canadian Securities Administrators, Canadian Coalition for Good Governance and Institute of Corporate Directors.

1.2 Board Stewardship

The Board is responsible for the stewardship, strategic direction and supervision of the business and affairs of Edmonton Airports, including:

(a) satisfying itself that executive management of Edmonton Airports practice and create a culture throughout the organization that includes the core values approved by the Board and articulated in the strategic plan;

(b) adopting an ethics code and monitoring compliance with the Board approved Ethics Code, and satisfying itself that executive management of Edmonton Airports practice and create an ethical corporate culture;

(c) following a strategic planning process which takes into account among other things, the opportunities and risks of the business and sustainability, through the adoption and monitoring of the strategic plan and annual business plan;

(d) satisfying itself that executive management has identified the principal risks of the business and implemented appropriate systems to manage these risks;

(e) satisfying itself that executive management has contingency/emergency replacement plans in place for executive management and essential operational positions and succession plans in place for management;

(f) satisfying itself that executive management has adopted a communication policy for the stakeholders and community, which policy shall ensure effective measures for receiving feedback from the stakeholders and the community; and

(g) satisfying itself that executive management is monitoring internal controls and management information systems.

1.3 Board Responsibilities

Only the Board will:

(a) appoint or remove at-large directors;

(b) appoint or remove officers;

(c) appoint or remove the auditor;

(d) approve the responsibilities and compensation of the Board, Board Chair, Vice Chair and Board Committees;

(e) review environmental, safety and security programs established by management, including standards, insurance coverage, and regulatory compliance;

(f) authorize the issuing of securities;

(g) authorize the raising of money by Edmonton Airports;

(h) approve the giving of financial assistance, directly or indirectly, by means of a loan, guarantee or otherwise;

(i) approve annual audited financial statements;

(j) approve corporate goals and objectives and assess corporate performance;

(k) select, evaluate and establish compensation for the President and CEO;

(l) plan President and CEO succession;

(m) approve Special Resolution matters, including;

- (i) amendment of Articles,
- (ii) sale, lease or exchange of all or substantially all of the assets of Edmonton Airports,
- (iii) the appointment of a Director as a director or officer of an Affiliate,
- (iv) the appointment of a Subsidiary director as a director or officer of an Affiliate,
- (v) requests of the Board to the reviewer appointed under section 29 of the Regional Airports Authorities Act,
- (vi) amendment, replacement or repeal of Bylaws,
- (vii) entering into an agreement to manage and operate an airport not previously managed and operated by Edmonton Airports,
- (viii) participation with Affiliates, and
- (ix) any material change to any Airport Master Plan.

1.4 Board Authorizations

The Board authorizes:

(a) the Audit Committee to approve quarterly unaudited financial statements and the annual audit plan;

(b) the President and CEO to manage all aspects of Edmonton Airports, consistent with all Board approved plans which authority includes the right of the President and CEO to delegate authority to other employees;

(c) the Board Chair to appoint ad hoc Committees to act on matters between Board meetings;

(d) the Governance and Compensation Committee to make determinations respecting disclosures made pursuant to the Conflict of Interest Rules that the disclosed interest would not materially or detrimentally conflict with the interests of Edmonton Airports or give rise to an appearance of a conflict of interest, or give direction respecting actions or processes to manage the disclosed interest; and

(e) the Real Estate Development Oversight Committee to establish guidelines for Board oversight of non-AIF funded income-generating real estate development opportunities on Edmonton Airports' lands to support Edmonton Airports' Vision and Mission and review and make recommendations to the Board with respect to any investment or income-generating real estate development opportunities that fall outside of the approved guidelines.

1.5 Board Effectiveness

The Board, with support from Board Committees as required, will:

(a) meet at least four times per year;

(b) review appropriate and timely management reports;

(c) appoint an Audit Committee and a Governance and Compensation Committee with Board approved mandates;

(d) appoint a Special Committee with a Board approved mandate for a capital project or series of capital projects that could materially affect the credit or reputation of Edmonton Airports, as determined by the Board;

(e) conduct regular assessments of the Board, Board Committees, Board Chair, Vice Chair, Board Committee Chairs and individual directors;

(f) annually review the Board Mandate and Workplan, Board Committee Mandates and Workplans, Terms of Reference for a Director, Director's Confirmation, Acknowledgement and Declaration, and position descriptions for the Board Chair, Vice Chair, Board Committee Chairs, President and CEO, Corporate Secretary and Board Secretary to ensure clear delineation of responsibilities and expectations;

(g) establish a comprehensive director development program for directors consisting of director selection, orientation and continuing education;

(h) review size and makeup of the Board and participate in filling Board vacancies;

(i) directly engage advisors as required;

(j) meet "in camera" with the President and CEO at each meeting and as the Board at the beginning and end of each meeting to ensure independence from management; and

(k) require directors to annually sign a Directors' Confirmation, Acknowledgement and Declaration.

DISCLOSURE OF CORPORATE GOVERNANCE PRACTICES

Under National Policy 58-201 Corporate Governance Guidelines and the accompanying National Instrument 58-101 Disclosure of Corporate Governance Practices, published by the Canadian Securities Administrators, public companies are required to disclose their corporate governance practices. Although not subject to governance rules that apply to public companies, Edmonton Airports is committed to implementing corporate governance practices that are in alignment with practices required of public companies, adapting them to Edmonton Airports' status as a non-share corporation. The following is Edmonton Airports' disclosure of its Corporate Governance Practices.

Composition of the Board

Independence of Directors	All Edmonton Airports Directors are independent.
Independence of Board Chair	The Board Chair is an independent director. The Board Chair's role and responsibilities are described in the Board Chair's Position Description.

Attendance Record of each Director for 2014

Attendance – Board & Committee Meetings 2014

	Board*	Audit Committee	Governance & Compensation Committee	Real Estate Development Oversight Committee
Bryan Bailey	4/6	1/1**	3/3	4/4
Naseem Bashir	5/6	1/1**	3/3	
Leonard Blumenthal	6/6	4/4		
Mary Cameron	6/6	4/4		4/4
Robert Carwell	6/6	4/4		4/4*****
Dale Klein	6/6	4/4		4/4
Maureen McCaw	3/6	1/1**		3/4
Anne McLellan	5/6	1/1****		3/4
Rolly Owens	6/6	4/4		
Robert Petryk	5/6		3/3	
Tom Redl	6/6	2/2***	3/3	4/4*****
Gail Stepanik-Keber	5/6		3/3	
Ralph Young	5/6	4/4		

*Includes one non-scheduled Board meeting (Notice waived)
**Non-member – attended at request of Committee Chair
***Non-member – attended as Board Chair
****Non-member – attended as Vice Chair
*****Ex-officio Member

Director Independence

In Camera Meetings	In camera sessions are held at the beginning and end of every Board and Board Committee meeting in accordance with the Board and Board Committee Mandates.

Board Mandate

Board Mandate	The Board has a written mandate that sets out its role and responsibilities. The text of the Board Mandate is set out herein.

Position Descriptions

Position Descriptions	The Board has written position descriptions for the Board Chair, the Vice Chair, the Governance and Compensation Committee ("Governance Committee") Chair, the Audit Committee Chair, the Real Estate Development Oversight Committee ("REDOC") Chair, the President and CEO, the Corporate Secretary and the Board Secretary.

Orientation and Continuing Education

New Director Orientation	The Director Development Program sets out an orientation program for new directors, which is designed to provide a comprehensive introduction to Edmonton Airports and the Board's governance policies and practices. The program includes, inter alia, orientation sessions with the Board Chair, Governance Committee Chair and Corporate Secretary, President and CEO and Executive Management, as well as attendance at one meeting of each Board Committee in the new director's first year and tours of the facilities operated by Edmonton Airports.
Director Continuing Education	The Policy for Director Development provides for funding for director development. The Director Development Program sets out a program for Continuing Education to expand a director's knowledge of the aviation industry, government policy, business risk, competition and governance.

Code of Business Conduct and Ethics

Written Code of Business Conduct and Ethics	The Board has adopted a written Ethics Code applicable to Edmonton Airports' Directors, Officers, Executive Management and Employees. The Board monitors compliance of Directors by requiring Directors to annually sign the Director's Confirmation, Acknowledgment and Declaration Form.
Conflict of Interest Rules	The Conflict of Interest Rules that form part of the Ethics Code requires completion of a Personal Information Form and disclosure of all interests, activities, investments, memberships and appointments that Directors, Officers, Executive Management and Employees have become involved with that may materially or detrimentally conflict with the interests of Edmonton Airports or any interests that may reasonably be perceived as giving rise to an appearance of a conflict of interest. The Board implements appropriate processes to manage disclosed interests, such as requiring Directors who have a material interest in a transaction to recuse themselves from discussions concerning those transactions. Since the beginning of 2014, Directors, Officers and Executive Management will be required to complete a Personal Information Form on an annual basis.

Nomination of Directors

Nomination and Appointment of Directors	The Director Selection Process, which is a component of the Director Development Program, provides for a strategic, disciplined and transparent process to bring the skill sets and competencies required on the Board. The process consists of: 1. Gap analysis conducted by the Governance and Compensation Committee ("Governance Committee") to identify anticipated gaps in the skill sets and competencies set out in the skills matrix maintained by the Board; 2. Communication of selection criteria to the Appointer for the Appointer's consideration in designating candidates, and where appropriate, the Board encourages the Appointer to utilize a search firm to assist in identifying candidates; 3. Meeting of the Governance Committee Chair and Board Chair, and where possible other Governance Committee members and with the candidate to communicate the skill set and competencies required, expectations of time commitment, application of Conflicts of Interest rules. Meetings with the Board Chair and other Directors are arranged to get to know the candidate and determine if there is a cultural fit; and 4. Communication with the Appointer as to the suitability of candidates interviewed.
Nominating Committee	The Governance and Compensation Committee Mandate includes responsibility for reviewing the size and makeup of the Board and filling Board vacancies.
Nominating Committee Responsibilities, Powers and Operation	The Governance and Compensation Committee's annual Workplan includes reviewing director skill sets and identifying gaps, reviewing size and makeup of Board, and recommending competencies and skill sets to Appointers for Board vacancies.

Compensation

Compensation Committee	The Governance and Compensation Committee has responsibilities with respect to compensation.
Compensation Committee Responsibilities, Powers and Operation	The Governance and Compensation Committee Mandate includes responsibility for reviewing and recommending for Board approval the CEO evaluation process and compensation, Edmonton Airports' Compensation Philosophy, the Directors' Compensation Philosophy and Director compensation.

Other Board Committees

Other Standing Committees	The Board's standing committees are the Audit Committee, Governance and Compensation Committee and Real Estate Development Oversight Committee. The Board appoints Special Committees with Board-approved mandates as required.

Board Assessments

Assessments of the Board, Board Committees and Individual Directors	Assessments of the Board, Board Committees, the Board Chair, Board Committee Chairs and individual Directors (both self and peer) are conducted regularly. Assessment information may be collected and compiled through questionnaires or interviews or a combination of the two techniques and may be conducted with the assistance of external consultants. All assessment results are reviewed by the Governance and Compensation Committee and the Board Chair. The Governance and Compensation Committee is responsible for recommending and monitoring improvement based on assessment results.

MD&A

2014 MANAGEMENT DISCUSSION AND ANALYSIS

Advisories

The following Management Discussion and Analysis of Financial Results (MD&A) should be read in conjunction with the Financial Statements and note disclosures for the year ended December 31, 2014. 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. References to Edmonton Airports mean Edmonton Regional Airports Authority.

Cautionary statement regarding forward-looking information

The disclosure found under the heading "Outlook" in this MD&A may contain forward-looking information that constitutes a financial outlook. Our actual results, performance or achievements could differ materially from those expressed in, or implied by, this forward-looking information.

Please refer to the Outlook section of this MD&A for further information on our forward looking information including assumptions and estimates used in its development.

Non-GAAP and additional GAAP measures

Certain measures in this MD&A do not have any standardized meaning as prescribed by generally accepted accounting principles (GAAP) and, therefore, are considered non-GAAP measures. These measures are provided to enhance the reader's overall understanding of our financial performance or financial condition. They are included to provide readers with an alternative method for assessing our operating results in a manner that is focused on the performance of our ongoing operations and to provide a more consistent basis for the comparison between periods. These measures are not in accordance with, or an alternative to, GAAP and do not have standardized meanings. Therefore, they may not be comparable to similar measures presented by other entities.

Corporate Profile

In 2014, Edmonton Regional Airports Authority (Edmonton Airports) operated Edmonton International Airport (the Airport) and Villeneuve Airport.

Our mandate, as defined in the *Regional Airport Authorities Act (Alberta)*, is to manage these airports to ensure they are safe, secure and efficient. As well, we are expected to foster economic and community development by improving airline and transportation service and expanding the aviation industry. As a no-share, not-for-profit entity, the net earnings we earn are re-invested in the airports under our control so we can fulfill this mandate

Recent Events

Certain events transpired in 2014 that have had an impact on Edmonton Airports' operations or financial results or that may have an impact on future results.

- Effective January 27, 2014, Tom Ruth replaced Reg Milley as Edmonton Airports' President and Chief Executive Officer (CEO), as was announced in 2013.
- As was announced in Q4 of 2013, Edmonton Airports increased the Airport Improvement Fee (AIF) at the Airport by $5.00, bringing the fee to $30.00 per departing passenger. The new amount applied to travel on or after July 1, 2014 for tickets sold on or after February 1, 2014.
- Overall passenger growth in 2014 was 7.0% resulting in a record number of overall passengers exceeding 8.2 million.
- Business aviation passenger growth in 2014 was 27.0% resulting in a record number of passengers of over 0.9 million.
- Aircraft activity at the Airport increased by 7.6% over 2013 to 168,671 movements.
- Revenue growth of 12.6% resulted in recognizing revenue of $205.8 million from $182.4 million in 2013.
- The Airport implemented US Customs and Border Protection Automated Passport Control (APC) for US bound travelers to expedite their entry process through self-service kiosks.
- On May 15, 2014, the first Renaissance Hotel attached to an international airport worldwide and the first Renaissance Hotel in Alberta officially opened at the Airport. The new Renaissance Hotel opened in May and recently earned the prestigious AAA/CAA Four Diamonds award.
- On October 21, 2014, DHL, the world's leading logistics company, announced expansion at the Airport, representing a significant investment of $2.1 million. The facility will provide Edmonton customers with a full range of shipping and logistics services such as courier, back office, import and export.
- On January 21, 2015, Edmonton Airports had two significant development announcements that together will bring $225 million in investment to the region and will create approximately 1,000 jobs. Ivanhoé Cambridge announced immediate leasing opportunities for a new retail outlet centre, *"Outlet Collection at EIA"*, and Rosenau Transport Ltd. will move to a new facility on site at the Airport that will give western Canadian shippers the ability to send cargo to Edmonton that can be on a plane to any destination within 24 hours.
- During 2014, the Airport added new non-stop service to Reykjavik, Iceland, Dallas/Forth Worth, Texas and Los Angeles, California. A new non-stop service to Amsterdam was announced to begin on May 19, 2015.
- Over 42 thousand tonnes of cargo passed through the Airport in 2014, an increase of 3.9% over 2013.

2014 Operations

AIR SERVICE

2014 was the second full year under the Airport's new strategy of placing an increased focus on increasing passenger demand, in addition to the usual airport focus of increasing airline capacity. Passenger volumes are a key driver of the overall financial performance of Edmonton Airports as they directly drive revenues in the form of AIF and also support aircraft activity that drives aeronautical revenues from landing and terminal fees. Indirectly, passenger volumes also support non-aeronautical revenues including parking, car rentals and concessions. To facilitate passenger growth, the organization focuses both on attracting new non-stop destinations to key connection hubs such as our new routes to Reykjavik and Amsterdam as well as promoting passenger demand from both a regional hub and international inbound traffic perspective.

PASSENGER TRAFFIC

	2011	2012	Change %	2013	Change %	2014	Change %
Domestic	4,814,157	5,109,637	6.1	5,312,226	4.0	5,500,592	3.5
Transborder	1,085,466	1,174,294	8.2	1,264,796	7.7	1,372,669	8.5
International	377,514	392,926	4.1	406,207	3.4	459,260	13.1
Commercial Total	6,277,137	6,676,857	6.4	6,983,229	4.6	7,332,521	5.0
Business/General Aviation	578,340	559,416	(3.3)	714,766	27.8	907,640	27.0
Grand Total	6,855,477	7,236,273	5.6	7,697,995	6.4	8,240,161	7.0

2014 was another record-setting year for passenger traffic at the Airport. Commercial passenger traffic increased by 349,000 (5.0%) over 2013 which continues to indicate the regions support for Edmonton Airports' vision: More Flights to More Places. Business and general aviation passenger activity also recorded new records at the Airport with passenger volumes increasing to over 907,000 passengers in 2014, a 27.0% increase over the prior year. In total, the Airport served over 8.2 million passengers in 2014 marking an impressive 7.0% increase over 2013.

Traffic across all passenger sectors increased in 2014 but was highlighted by the international sector which saw passenger volumes increase by 13.1%. The Airport's success in marketing Edmonton to the world through the international inbound passenger strategy is evidenced by the launch of the new non-stop service to Reykjavik in the spring of 2014 and the further announcement of a non-stop service to Amsterdam in 2015. Seating capacity to Europe climbed by 15.7% in 2014 while scheduled capacity to sun destinations such as Mexico, Panama and Jamaica increased by nearly 21%. As noted earlier, KLM will begin non-stop service to Amsterdam in 2015 joining London (Air Canada) and Reykjavik (Icelandair) in the Airport's inventory of European destinations. These three markets not only provide great access into Europe, but they also allow for access to and from the Edmonton region into Asia, the Middle East and Africa.

We also continued to see strong growth in our transborder markets with passenger travel to/from the United States increasing by 8.5% over 2013. Transborder seating capacity grew by 11.3% in 2014 and was highlighted by the addition of American Airlines to the ever-growing family of carriers serving the Airport. American successfully launched service to Dallas/Fort Worth and joined WestJet in providing service to Los Angeles in 2014. We also saw service enhancements from existing carriers with United Airlines increasing scheduled capacity to Denver and San Francisco by 16.4% and 9.9% respectively. WestJet and US Airways combined to boost capacity to Phoenix by 9.8% while the ever popular Las Vegas destination saw a 14.6% increase in service. The Airport did experience one unfortunate air service loss in the fall of 2014 when United, as part of an overall network restructuring, halted their direct service from the Airport to Newark Liberty Airport. Other airports in the Edmonton regional catchment area, including Fort McMurray and Saskatoon, also saw United cut services; diverting much of this traffic back through the Airport.

Domestic passenger traffic grew by 3.5% in 2014, outpacing growth airline capacity which only grew by 2.8%. The Airport's regional hub strategy, which focuses on getting more passengers from Western Canadian communities to choose the Airport as their preferred connection point experienced great success with connections from target communities growing by over 12% over 2013. Airlines also responded to this increased demand increasing capacity to Regina by 22.4%, Saskatoon by 25.3% and High Level by 23.9%. Domestic passenger growth did soften over the last quarter of 2014 as falling energy prices reduced travel demand for workers traveling to and from Canada's North. New services in 2015 including non-stop service to Kamloops and full-year service to Halifax will help support continued growth in the Airport's domestic market.

Finally, the number of passengers using the fixed base operators at the Airport grew by 27.0% in 2014, driven by continued growth in Alberta's oil sands as well as the mining of diamonds and precious metals in Canada's North. Estimates are that approximately 60% of the passengers using the general and business aviation facilities at the Airport originate in the Edmonton region while the remaining 40% connect onto these flights from commercial airlines at the Airport. Falling oil prices in the later part of 2014 resulted in a slowdown in general and business aviation passenger growth which relates to the slowdown in domestic passenger traffic growth noted earlier.

In total, Edmonton International Airport now offers service to 59 non-stop destinations.

AIRCRAFT MOVEMENTS

Airport	2014	2013*	Change %
Edmonton International Airport	168,671	156,711	7.6
Villeneuve	67,410	53,397	26.2
City Centre	N/A	42,469	(100.0)

*Restated to reflect Statistics Canada Aircraft Movement Statistics Annual Report (TP 577)

EDMONTON INTERNATIONAL AIRPORT

Aircraft activity at the Airport continued to increase in 2014 with total aircraft activity up by 7.6% and nearly 169,000 aircraft movements. Aircraft activity generates landing fee revenues and generates terminal revenues for aircraft using the main terminal building at the Airport. Commercial passenger and cargo flights made up approximately 60% of all activity at the Airport, down from 65% in 2013, while business and general Aviation and local movements (those that don't leave Edmonton Airports' control zone) account for the remainder of the activity. Business and general aviation activities increased by 16.6% over 2013. This increase was driven primarily by continued growth in northern resource projects. Passenger activity related to fly-in/fly-out energy and mining projects accounted for over 900,000 business/general passengers in 2014. Helicopter activity also increased at the Airport driven by the relocation of STARS and Canadian Helicopters to the Airport from their former locations at Edmonton City Centre Airport.

VILLENEUVE AIRPORT

Total aircraft movements at Villeneuve Airport increased by 26.2% in 2014 largely as a result of the permanent closure of Edmonton City Centre Airport at the end of November 2013.

All aircraft activity at Villeneuve Airport is general aviation-related with approximately 67% of activity classified as local movements, down from 75% in 2013. The increase is the result of the migration of aircraft previously based at Edmonton City Centre relocating to Villeneuve combined with the runway expansion completed in 2013. It also contributed to the increased itinerant movements in the growth in real estate development at the Airport which allows for more general aviation business to be based there. The majority of local movement activity at Villeneuve is related to flight training.

AIRPORT FEES

Edmonton Airports is focused on increasing non-aeronautical revenue sources and controlling expenses, with the goal of providing airlines with the lowest possible airport cost. An increase of 3.0% over 2013 for landing, terminal and bridge fees charged to carriers utilizing Edmonton International Airport was implemented in 2014 with the objective of offsetting inflationary increases in general airport operating expenses. For 2015, airline related charges were increased by approximately 3.0%. Edmonton International Airport continues to be one of the lowest-cost airports in Canada in terms of aircraft related charges.

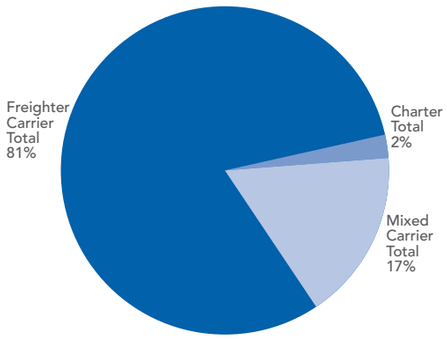
The Airport Improvement Fee (AIF) was increased in 2014 to $30.00, a $5.00 increase from the prior rate, for travel on or after July 1, 2014. The Airport and other Canadian airports do not receive government funding for airport expansion or improvements, leaving AIF as the primary means of funding these capital projects. Revenue generated by the AIF is directly related to passenger volumes. Funds from the increase in AIF will allow Edmonton Airports to fund its near term capital program with minimal increases in net borrowing. There is no planned increase in AIF for 2015.

CARGO

Cargo Volumes (kgs)	2011	2012	Change %	2013	Change %	2014	Change %
Scheduled	37,080,515	37,744,006	1.8	40,873,053	8.3	41,750,756	2.1
Charter	182,536	138,396	(24.2)	167,709	21.2	870,707	419.2
Total	37,263,051	37,882,402	1.7	41,040,762	8.3	42,621,463	3.9

Edmonton International Airport continued to grow its cargo business in 2014 with total cargo volumes increasing by 3.9%. The organization made significant investments in improving the cargo infrastructure at the airport as well as promoting the region's cargo potential. These efforts paid off as scheduled cargo operations, including belly freight on passenger aircraft, grew by 2.1% while volumes on charter operations grew at an impressive rate of 419.2% over 2013. Global growth in cargo volumes was similar to that of the Airport in 2014 with volumes up just over 4% while the Airport exceeded the North American growth rate of approximately 2.7%.

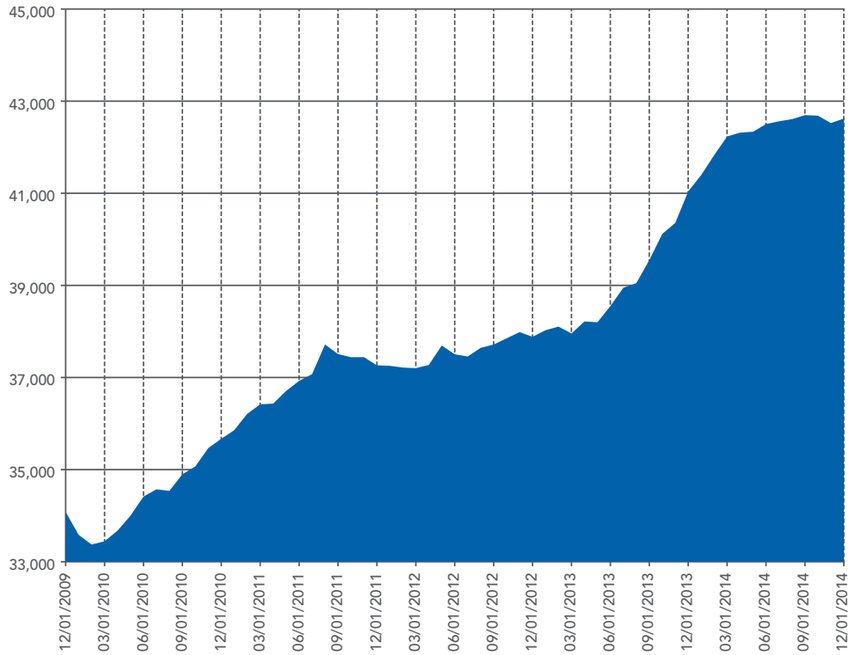
AIR CARGO TYPE 2014



Aside from investments in airport infrastructure, the Airport has also had some exciting announcements in relation to our Cargo Village developments. Rosenau Transport Ltd. announced that construction of its northern Alberta warehouse and distribution centre will commence in 2015. Located in the Airport's Cargo Village, this facility will be 210,000 square feet and will connect all major western cities to the Airport within 24 hours or less, opening up new opportunities for cargo to flow through the airport for perishable products such as pharmaceuticals and food products. DHL also made a significant investment at the Airport in 2014, committing $2.1 million towards expansion at the Airport. This will more than triple their space at the Airport and allows for the continued growth of their business in Alberta. The Airport has experienced rapid growth in cargo volumes since the depths of the recession in 2009, and companies are taking note of this growth and investing in this growth market.

EIA Air Cargo Tonnage Growth

(to December 2014, Rolling 12 Month Total)



The addition of Icelandair's service also helped boost cargo volumes, including allowing fresh fish to be imported from Iceland directly into the Edmonton market. Product can move from boat to plane in only a matter of hours providing Edmontonians with access to some of the freshest fish in the Prairies. The addition of service to Amsterdam in 2015 will also open new opportunities for belly freight to move in and out of the Edmonton region. Cargo forms an important part of the revenue stream on passenger carriers and helps to support commercial air service. In 2014, about 17% of all cargo through the Airport was carried in the belly of passenger planes.

2014 Financial Performance

As our primary customers, passengers are the strongest influencers of airport success. The more passenger demand we have, the more opportunity we have to deliver our vision. With this in mind, and with the capacity in place to support immediate growth, Edmonton Airports continued to focus on attracting and retaining a growing number of passengers in 2014.

NET OPERATING RESULTS

(in thousands)	2014 $	2013 $	Change $	Change %
Revenue	205,821	182,844	22,977	12.6%
Expenses	108,317	98,316	10,001	10.2%
EBITDA*	97,504	84,528	12,976	15.4%
EBITDA margin %	47.4%	46.2%	1.1%	2.5%
Depreciation and amortization	64,500	63,157	1,343	2.1%
Interest	45,020	44,510	510	1.1%
(Gain) loss on foreign exchange	(84)	(158)	74	(46.8%)
Loss (gain) on disposal of property, plant and equipment	276	(261)	537	(205.7%)
Loss on derecognition of property, plant and equipment	3,572	-	3,572	-
Net loss	(15,780)	(22,720)	6,940	(30.5%)

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

In 2014, we experienced a net loss of $15.8 million, which was a decrease of 30.5% over the prior year. The net loss was a result of higher costs from our significant investment during the expansion to increase our capacity for growth and improve passenger experience. These costs included depreciation and amortization expense and interest expense.

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 a couple years as investment continues in air service development.

During Q2 of 2014, a one-time loss for the derecognition of the moving walkways was recorded as replacement is required to restore operational capability of the walkways and therefore, the parts have no further economic benefit. It is anticipated that the reimbursement of the costs to replace the assets will be recovered under warranty.

REVENUE

(in thousands)	2014 $	2013 $	Variance $	Variance %
Airport improvement fee	86,178	74,793	11,385	15.2%
Parking and concessions	59,272	53,576	5,696	10.6%
Airside and general terminal	45,690	41,772	3,918	9.4%
Police and security	9,762	8,513	1,249	14.7%
Real estate leases	4,834	3,955	879	22.2%
Other revenue	85	235	(150)	(63.8%)
	205,821	182,844	22,977	12.6%

AERONAUTICAL REVENUE

Revenue continued to grow, year over year, to $205.8 million which was an increase of 12.6% over the prior year driven mainly by passenger growth of 7%, year over year, which is the main driver of revenues derived from airport improvement fees, 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 2014, AIF revenue was $86.2 million, an increase of $11.4 million (15.2%) over 2013. The increase in AIF revenue was the result of the 5.1% increase in the number of departing passengers at the Airport in 2014 and a $5 per departing passenger fee increase which took effect in July 2014.

Airside and general terminal revenue (AGT) is derived from airline activity. AGT revenue was $45.7 million, an increase of $3.9 million (9.4%) from 2013. The increase in revenue is made up of both increased aircraft activity, particularly in the business aviation sector, as well as an increase in landing and terminal fees.

Edmonton Airports recovers police and security expenses through a per passenger charge to airlines. During 2014, police and security fee revenue was $9.8 million, an increase of $1.2 million (14.7%) over 2013. This increase is a result of increased passenger volumes in 2014 and a fee increase per passenger.

NON-AERONAUTICAL REVENUE

Edmonton Airports also earns revenue from non-aeronautical commercial operations, such as parking, concessions, ground transportation and real estate. Revenues from concessions and parking totaled $59.3 million in 2014, $5.7 million (10.6%) higher than 2013. During 2014, the shopping and dining outlets that opened as part of Expansion 2012 continued to show strong performance and growth and resulted in an increase in concession revenues, year over year. Parking revenue increased during the year as a result of increased passengers and a fee increase implemented in April 2014.

During 2014, real estate revenues were $4.8 million (22.2%) higher than 2013. This increase represents return on our investment in land servicing over the last several years and the resulting increase in tenants at Edmonton Airports.

OPERATING EXPENSES

(in thousands)	2014 $	2013 $	Change $	Change %
Salaries and employee benefits	30,550	30,914	(364)	(1.2%)
Services, maintenance, supplies and administration	33,995	27,657	6,338	22.9%
Canada lease rent	17,591	15,380	2,211	14.4%
Utilities, insurance and property taxes	12,810	12,666	144	1.1%
Police and security	8,368	7,148	1,220	17.1%
Airport improvement collection costs	5,003	4,551	452	9.9%
	108,317	98,316	10,001	10.2%

During 2014, operating expenses increased by 10.2% to $108.3 million as compared to $98.3 million in 2013. This was primarily driven by an increase in costs resulting from a shift in focus to utilizing capacity from our expansion by focusing financial resources on improved passenger experience and advertising and promotion of non-stop routes and air service development.

SALARIES AND EMPLOYEE BENEFITS

(in thousands)	2014 $	2013 $	Change $	Change %
Salaries and benefits	28,583	27,004	1,579	5.8%
Defined benefit pension plan	2,638	3,467	(829)	(23.9%)
Supplementary executive retirement plan	-	429	(429)	(100.0%)
Long-term benefit plan	49	1,151	(1,102)	(95.7%)
Defined contribution plan	248	80	168	210.0%
	31,518	32,131	(613)	-
Capitalized salaries	(968)	(1,217)	249	(20.5%)
	30,550	30,914	(364)	(1.2%)

During 2014, salaries and employee benefits decreased by 1.2% to $30.6 million as compared to $30.9 million in 2013. The change was driven by an increase in salaries and benefits, offset by decreases in the cost of pension benefit plans.

Salaries and benefits increased, year over year, due to merit increases, compensation increases under the collective bargaining agreement, headcount additions, and increased overtime related to operations.

Defined benefit pension plan expense (current service cost) is the increase in the present value of the defined benefit obligation resulting from employee service in the current period. This cost is driven by the rate used to discount the benefit obligation and is based on high quality fixed income investments with cash flows that match expected payments from the plan. Compared to 2013, current service cost was lower due to a higher discount rate used to calculate 2014 current service cost.

Effective March 31, 2014, Edmonton Airports committed to termination of the long-term benefit plan which resulted in re-valuation of the obligation and recognition of past service costs. Costs in 2014 include only the service costs accumulated for a limited number of employees to the end of the March 31, 2014.

SERVICE, MAINTENANCE, SUPPLIES AND ADMINISTRATION

(in thousands)	2014 $	2013 $	Change $	Change %
Services	10,357	9,455	902	9.5%
Maintenance and supplies	6,427	6,347	80	1.3%
Administration	16,984	12,360	4,624	37.4%
	33,768	28,162	5,606	19.9%
Bad debt expense (recovery)	227	(505)	732	(145.0%)
	33,995	27,657	6,338	22.9%

Services, maintenance, supplies and administration expense increased 22.9% to $34.0 million as compared to $27.7 million in 2013.

Services costs includes the operational costs of operating our parking facilities and ground transportation services, contracted maintenance services and contracted Information Technology (IT) services. The increase was driven by increased labour required to support parking operations growth and increased contracted maintenance costs.

Maintenance and supplies includes the costs to maintain Edmonton Airports' facilities, equipment, aprons and runways. This includes janitorial costs, lighting replacement costs, fleet equipment and repair and consumables, including fuel, chemicals and equipment parts. These costs remained consistent, year over year.

Administration costs includes the costs of credit card service fees, legal expenses, marketing and communication costs, management consulting, travel and training, director's fees and stationary supplies. The increase was driven by a strategic increase in expenses for the promotion of air service growth and development including advertising.

In 2014, bad debts in the amount of $0.2 million were recorded compared to the previous year when there was a recovery of amounts that had been allowed for or written off in previous periods as they were deemed uncollectible.

CANADA LEASE RENT

Canada Lease Rent expense is based on a percentage, on a progressive scale, of "Airport Revenues" at Edmonton Airports, as defined in the Ground Lease. "Airport Revenues" for 2014 were $208.0 million (2013 - $185.4 million), which resulted in a 14.2% increase in rent expense of $17.6 million compared to $15.4 million in 2013.

Based on "Airport Revenues" (in thousands)	Rate %	Rent Payable $
On the first $5 million	0%	0
On the next $5 million	1%	50
On the next $15 million	5%	750
On the next $75 million	8%	6,000
On the next $150 million	10%	10,791
On any amount over $250 million	12%	0
		17,591

UTILITIES, INSURANCE AND PROPERTY TAXES

Utilities, insurance and property tax expenses increased 1.1% to $12.8 million as compared to $12.7 million in 2013 driven by an increased tax assessment for property taxes and slightly higher insurance premiums, year over year.

POLICE AND SECURITY

During 2014, police and security expenses increased by 17.1% to $8.4 million compared to $7.1 million in 2013. The increase is a result of an increase in contracted labour rates and hours.

AIF IMPROVEMENT FEE COLLECTION COSTS

AIF collection costs for 2014 increased 9.9% to $5.0 million as compared to $4.6 million in 2013. The increase is directly driven by the increase in AIF revenue as Edmonton Airports pays a 6.0% fee paid to the airlines for collecting AIF. In the fourth quarter, Edmonton Airports met the threshold for a reduction in the fee from 6.0% to 5.0% which offset the increase in the fee over the previous year.

OTHER ITEMS

Total gains of $0.08 million in 2014 relate to foreign exchange on the US dollar bank account and a loss of $3.8 million is primarily resulting from the derecognition of the moving walkways in the second quarter of 2014.

OTHER COMPREHENSIVE LOSS

Edmonton Airports experienced a net remeasurement loss on post-employment benefits of $7.1 million in 2014 as compared to a $9.9 million gain in 2013. These remeasurement adjustments are the result of the change, year over year, in actuarial assumptions used by Edmonton Airports' actuarial expert to estimate the pension obligation at the end of each period. The loss in 2014 was the net result of a $7.2 million loss from the change in mortality assumptions, a $1.0 million experience loss, a $3.2 million return on plan assets and a $1.4 million loss from the change in financial assumptions, impacted most significantly by the decrease in the discount rate to 4.1% in 2014 from 4.9% in 2013.

OTHER EXPENSES

(in thousands)	2014 $	2013 $	Change $	Change %
Depreciation and amortization	64,500	63,157	1,343	2.13%
Interest	44,850	43,984	866	1.97%
Net interest cost and expected return on plan assets	170	526	(356)	(67.7%)
(Gain) loss on foreign exchange	(84)	(158)	74	(46.8%)
Loss on disposal of property, plant and equipment	276	(261)	537	(205.7%)
Loss on derecognition of property, plant and equipment	3,572	-	3,572	0.00%
	113,284	107,248	6,036	5.63%

DEPRECIATION AND AMORTIZATION

The Expansion 2012 combined with other capital investments, increased amortization costs for 2014 by $1.3 million to $64.5 million (2.1%). The increase reflects the impact of capital assets that became available for use in 2014 and continued depreciation from capital assets that became available for use in 2012.

NET INTEREST EXPENSE

(in thousands)	2014 $	2013 $	Change $	Change %
Series A Bond interest	16,229	16,592	(363)	(2.2%)
Series C Bond interest	30,860	30,611	249	0.81%
Interest portion of current service cost for post-employment benefits	170	526	(356)	(67.7%)
Other interest and financing costs	124	121	3	2.48%
Interest income and other	(932)	(1,113)	181	(16.3%)
	46,451	46,737	(286)	0.00%
Capitalized interest	(1,431)	(2,227)	796	(35.7%)
	45,020	44,510	510	1.15%

Edmonton Airports' interest costs represent interest on the outstanding balances of the revenue bond (Series A Bond) issued in October 2000 and the fixed rate debentures (Series C Bond) issued by the Alberta Capital Finance Authority (ACFA). During 2014, interest expense increased slightly by 1.1% to $45.0 million as compared to $44.5 million in 2013. The change was primarily attributable to an increase in Series C Bond interest and decreases in Series A interest and interest related to the current service cost for post-retirement benefits. The remainder of the increase was attributed to the reduction in capitalized interest, year over year, as a result of the completion of major projects to which interest was being capitalized.

LOSS ON DERECOGNITION OF PROPERTY, PLANT AND EQUIPMENT

A one-time loss for the derecognition of the moving walkways was recorded as replacement is required to restore operational capability of the walkways and therefore, the parts have no further economic benefit. It is anticipated that the reimbursement of the costs to replace the assets will be recovered under warranty.

Capital Projects

Edmonton Airports' capital projects are identified by the 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. $5.3 million was spent on all projects to December 31, 2014.

During 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.

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. $38.1 million was spent on all projects to December 31, 2014.

The most significant projects in this category included the following:

- Cargo Facility Development investments were made including the design and fit out of the Canada Border Services Agency (CBSA) building for a cargo tenant and flight simulator. Costs totalled $5.6 million in 2014.
- The Revitalization of Transborder Check-in Area (support Self Tagging) project was completed. Costs totalled $0.4 million in 2014.
- The Automated Tag Reader (ATR) Array for Inbound Baggage Racetracks project was completed. Costs totalled $0.3 million in 2014.
- The Cargo Commander 60i Main Deck Loader and 20 foot dollies purchased this year were delivered in September and are supporting several cargo flights. Costs totalled $0.4 million in 2014.
- Construction of the North General Aviation Taxilane Project (Taxilane K) was ongoing during this period. Work also commenced on the connection of Taxilane Kilo to Taxiway Bravo. Costs totalled $5.7 million in 2014.
- Projects at Villeneuve Airport included land servicing and the storm water management pond upgrade were completed during 2014. Costs totalled $2.9 million in 2014.
- Construction of the jetSet parking facility expansion was substantially completed during 2014. Costs totalled $1.4 million in 2014.
- The construction of an extension to cargo apron IV commenced during this period and is ongoing. Costs totalled $11.6 million in 2014.
- Land was acquired for future expansion including the construction of a third runway. Costs totalled $4.0 million in 2014.
- Continued work on the Central Utilities Plant (CUP) including the second Reservoir, the Sanitary Lift Station and connection of CUP fire alarm to terminal system. Costs totalled $2.1 million in 2014.

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. $13.2 million was spent on all projects to December 31, 2014.

In line with the objective of improving airport infrastructure, the most significant projects in this category included the following:

- The 2014 Runway Rehabilitation project was completed during this period. Milling and repaving of selected section of asphalt on Runway 12/30 and Runway 02/20 were completed. Additional work including the replacement of several sections of poor condition asphalt on Taxiway Bravo was completed. Costs totalled $3.8 million in 2014.
- An upgraded lightning detection system was installed to replace the existing Thorguard System. This new detection system has already resulted in fewer "false" alerts and downtime during the improved detection algorithm. Costs totalled $0.1 million in 2014.
- The Parkade (Old Section) Fire Protection Sprinkler Mains replacement project commenced this period and will be completed this year. The new sprinkler mains will provide increased service life and protection capability in the old section of the parkade. Costs totalled $0.2 million in 2014.
- The Carpet and Flooring Replacement project was completed and included the replacement of sections of worn carpet in the passenger hold room with new carpet providing a more durable surface and enhanced ambience. Costs totalled $0.6 million in 2014.
- Lifecycle replacement of fleet servicing airside and groundside was completed in 2014. Costs totalled $0.9 million.
- Lifecycle replacement of Common Use Terminal System equipment including upgrades, replacement and refurbishment and the addition of seven self-service kiosks to improve the passenger check-in experience was completed during 2014. Costs totalled $0.8 million.
- The core systems replacement project was initiated in 2014 and the design and blueprint of the financial system was completed and software licenses for Dynamics AX were purchased. Costs totalled $0.4 million in 2014.
- The cost of interest, insurance, professional fees and salaries directly related to capital projects were capitalized in 2014. Costs totalled $2.4 million.

Liquidity and Capital Resources

Edmonton Airports is an authority without share capital and accordingly, is funded through operating revenues, AIF revenues, reserve funds, its bank credit facility and financing from the Alberta Capital Finance Authority (ACFA). Maintaining a strong financial position is imperative to Edmonton Airports' success as it allows the reinvestment of cash flows in supporting our strategic objectives.

We completed 2014 with a cash and equivalents balance of $35.3 million, compared to $28.3 million at December 31, 2013. The increase in our cash position was a result of positive cash flow from operations of $44.1 million and financing inflows of $40.0 million, offset by $56.6 million spent on capital expenditures and $18.9 million in financing outflows.

Our current ratio, defined as current assets over current liabilities, was 1.1 at December 31, 2014 as compared to 0.9 at December 31, 2013. The increase was due to an increase in cash and cash equivalents, a decrease in accounts payable and accrued liabilities, and a decrease in the current portion of post-employment benefits as a result of termination of the long-term benefit pension plan in 2013.

(in thousands)	2014 $	2013 $	Change $
Cash flows from operating activities	44,108	36,997	7,111
Cash flows used in investing activities	(58,321)	(87,359)	29,038
Cash flows from financing activities	21,107	2,443	18,664
	6,894	(47,919)	54,813
Effect of foreign exchange on cash and cash equivalents	136	180	(44)
Net increase (decrease) in cash and cash equivalents	7,030	(47,739)	54,769
Cash and cash equivalents, beginning of year	28,259	75,998	(47,739)
Cash and cash equivalents, end of year	35,289	28,259	7,030

OPERATING CASH FLOWS

Edmonton Airports defines cash flows from operating activities as those that are primarily derived from our principal revenue producing activities and generally result from transactions and other events that enter into the determination of profit or loss. Therefore, this includes cash flows from AIF revenue and cash outflows for interest expense. We consider the cash flows arising from operating activities as a key indicator of the extent to which Edmonton Airports has generated sufficient cash flows to repay loans, maintain operating capability and make new investments.

For the year ended December 31, 2014, our cash flows from operating activities increased 19.2% to $44.1 million compared to $37.0 million in the prior year. This year-over-year increase was mainly the result of increased EBITDA offset by a negative change in working capital and increased payments required to fund the defined benefit pension plan and settle the long-term benefit plan. Cash inflows from operating activities were used to repay long-term debt, and invest in capital projects.

INVESTING CASH FLOWS

For the year ended December 31, 2014, cash flows used in investing activities totaled $58.3 million compared to $87.4 million in the prior year. The significant year-over-year decrease is mainly due to the decrease in capital expenditures as a result of our focus on utilizing capacity and maintaining existing structures.

FINANCING CASH FLOWS

For the year ended December 31, 2014, cash flows from financing activities totaled $21.1 million compared to $2.4 million in the prior year. A lower cash balance at the beginning of 2014 as compared to 2013 resulted in planned borrowing from ACFA in the last two quarters of 2014, to fund capital investments.

Debt Covenants

REVENUE BOND

Pursuant to the terms of Edmonton Airports' revenue bond, we are required to maintain a Debt Service Reserve Fund equal to one half of our annual debt service costs and an Operating and Maintenance Contingency Fund equal to one quarter of our annual operation and maintenance expenses. At December 31, 2014, restricted deposits of $32,910 (2013 - $32,518) exist as a requirement of the Debt Service Reserve Fund. The Operating and Maintenance Contingency Fund is satisfied by a $40 million term revolving loan of which $21,115 (2013 - $18,701) has been set aside for the Fund.

We are required to maintain a Debt Service Coverage Ratio on a rolling twelve-month basis of 1.00:1 and a Gross Debt Service Coverage Ratio of not less than 1.25:1. At December 31, 2014, ratios were 1.51:1 and 2.39:1, respectively.

ACFA FINANCING

Pursuant to the terms of Edmonton Airports credit facility with ACFA, we must maintain an Interest Coverage Ratio (ICR) of not less than 1.25:1 and net cash flows greater than zero at the end of any fiscal quarter on a rolling four fiscal quarter basis. At December 31, 2014 the ICR was 1.84:1 and cash flows were greater than zero on a rolling four fiscal quarter basis.

CAPITAL FINANCING

The following is a summary of the most recent ratings issued for Edmonton Airports. Ratings remain consistent with the previous year and Standard & Poor's continues to have a positive outlook on Edmonton Airports A rating.

Rating Agency	Date	2014 Rating	2013 Rating
S & P	June 2014	A positive	A positive
Moody's	June 2014	A1 Stable	A1 Stable
DBRS	May 2014	A (High)	A (High)

Outlook

In 2014, we further advanced our 2020 strategic plan with a continued focus on growing passenger demand and increasing the number of non-stop destinations served from the Airport. We once again achieved record passenger traffic with over 8.2 million total passengers and record setting revenues of $205.8 million. We remain committed to achieving financial sustainability by pursuing opportunities to grow our non-aeronautical revenue and "filling the building" to ensure passenger growth continues and therefore revenue will become sufficient to cover all costs of operations.

The outlook for the US economy is favorable for 2015 driven by decreased oil prices and a continued favorable monetary policy environment. However, other regions are not looking as favorable over the next couple of years. The International Monetary Fund (IMF) is projecting global economic growth 3.5% in 2015 and 3.7% in 2016. Both figures were revised down 0.3% from their October 2014 forecast. Global economic growth was forecast at 3.3% in 2014 so these figures still represent an improvement over the current state. Positive contributors to global economic growth include lower oil prices and depreciation of currencies such as the Euro, Yen and Canadian dollar which helps these nations become more competitive in export markets. Headwinds to economic growth include the lingering effects of the 2008/09 financial crisis, weak global investment which is evidenced through the bond markets and new record low yields. The long-term outlook for global aviation remains quite favorable with Boeing forecasting passenger traffic to grow, on average, by 5.0% per year over the next 20 years and air cargo volumes to grow at an average annual rate of 4.7%. The largest growth opportunities for global aviation are in the Asia-Pacific market, China and developing economies. The Airport's new non-stop service to Amsterdam along with existing services to London and Reykjavik provide Edmonton with improved connectivity to Asia, Africa and the Middle East and help support our international growth strategies.

The Alberta economy led the nation in growth in 2014 with real GDP growth forecasted at 3.8% for the year, 1.4 percentage points higher than British Columbia which had the second fastest growing economy. However, the outlook for 2015 is for a significant moderation in the province's growth rate. TD Economics is forecasting that the Alberta economy will grow at a rate of 0.5% in 2015 before accelerating to 1.8% in 2016. Despite the downturn in prices, overall oil production in the province is still anticipated to climb in 2015, just at a much slower pace than has been seen over the last several years. The drop in energy prices is also anticipated to have a significant impact on provincial government revenues with estimates of up to a $7 billion hit to government coffers over the next year. This could lead to a reduction in government spending and/or revenue increases in the form of increased taxes or new user fees. As Edmonton is the capital city of Alberta, any significant budget reductions would likely have an adverse impact on the region's economy. There are still some positive indicators for the provincial economy for the year ahead. There are currently $205 billion ($17.2 billion currently identified as on hold) worth of major construction projects currently planned, or underway, across the province with the majority of these investments in Northern Alberta. The Edmonton Region serves as a stage ground for much of this investment and the region still faces a shortage of skilled workers to complete these projects. This activity will help support passenger demand as workers are brought into the region to execute these projects.

The economic environment plays a major role in Edmonton airports ability to meet and achieve its business objectives. The following section highlights some of the key strategic risks identified by management that could affect business outcomes over the short to medium-term.

Our outlook to 2020 is as follows:

(in thousands)	2015	2016	2017	2018	2019	2020
Passengers	8,787	9,263	9,842	10,481	11,456	11,802
Revenue	$226,676	$241,077	$257,736	$272,625	$290,600	$310,624
EBITDA margin	48.0%	48.0%	48.3%	51.0%	52.3%	55.6%
Net Earnings/(loss)	($5,332)	$253	$8,941	$22,253	$36,034	$58,530
Capital expenditures	$82,369	$64,073	$74,590	$64,786	$38,569	$26,101
Debt/Enplaned Passenger ($)	$226	$210	$198	$182	$164	$149
Debt Service Coverage Ratio	1.56	1.64	1.72	1.77	1.86	2.09
Interest Coverage Ratio	1.63	1.72	2.17	2.57	2.80	3.56

Strategic Risks

GROWTH ASSUMPTIONS

Results and outcomes described in this plan depend on growth assumptions surrounding both passenger volumes and commercial real estate. These passenger growth assumptions are considered aggressive because the plan calls for higher passenger volumes than would be traditionally expected under our prior business model. The base forecast in this plan calls for approximately 0.8 million more passengers in 2020 than the independently produced base forecast provided by InterVISTAs. Edmonton Airports' current passenger growth assumptions are based on the successful implementation of the growth strategies outlined in Edmonton Airports' 2015 – 2020 Strategic Plan. External events such as lower than forecasted economic growth, airline strategies, wars or a major threat to aviation travel would likely cause Edmonton Airports to fall short of these forecasts. Additionally, any weakening in the local commercial real estate market would slow development from the assumptions included in our Strategic Plan. The result would be reduced revenues, and lower than forecasted financial returns.

ENERGY/OIL PRICES

Edmonton Airports and the Edmonton region have close ties to Alberta's energy sector and oilsands development. Changes in energy prices may have both positive and negative impacts on our plan's assumptions. Traditionally, when energy prices increase at a slow and stable pace, driven by world economic growth, the region and Edmonton Airports experience the benefits of a strong, local economy, and passenger growth exceeds average levels. Increased airline costs partially offset the benefits of this growth, which results in higher ticket prices and/or fuel surcharges. Conversely, lower energy prices are beneficial for airlines but, may slow investment for projects in the Alberta oilsands. Prices below $70/barrel (currently averaging around $50/barrel) are estimated to be around the threshold rate for investment in new projects.

Sharp price spikes driven by factors outside of supply and demand, as seen in late 2008, tend to have a short-term positive impact on airport activity. This positive impact, however, is short-lived as higher energy prices lead to lower global economic activity, and ultimately decreases in airline profitability. For the industry as a whole, slow, stable growth in the price of oil represents the optimal balance between economic growth and predictable fuel prices for airlines.

COMMUNITY

Edmonton Airports has a significant impact on the local communities. Air service connects the Edmonton region with the world and supports economic growth, jobs, trade and tourism. Edmonton Airports must remain actively engaged with the community to ensure its growth plans are aligned with its neighbours. Our community engagement priorities will focus on:

- Developing a third runway that is operationally optimal for Edmonton Airports and address social, economic and environmental considerations
- Ensuring airport long-term growth and development objectives are aligned with those of our municipal partners, particularly in the context of the City of Edmonton's proposed annexation of airport lands and adjacent areas
- Working with local developers to build support and cooperation for non-aeronautical land use on airport property in the interest of growing air service and driving economic prosperity in the region.

GENERAL/BUSINESS AVIATION

Edmonton Airports has experienced strong growth in the general/business aviation sector over the last several years, which was evidenced in 2014 with a passenger growth rate of 27.0%. The majority of the growth in this sector is directly related to crew change activity of companies operating in the oilsands and northern Canadian diamond mines. The recent drop in energy prices has resulted in a slowdown of growth in this sector. Several large oilsands players have announced reductions in their 2015 capital programs which will negatively impact general and business aviation passenger activity at Edmonton Airports in the short-run however, investments in the oilsands are long-term plays and projects that are already in production are unlikely to decrease operations unless energy prices drop substantially from their current levels. Traffic through Edmonton Airports helps support the ongoing operations of oilsands sites, in addition to expansion activities, and, as such, a substantial portion of this activity will continue through the downturn in energy prices.

A significant decrease in this activity would negatively impact the organizations revenue projections and reduce utilization of past and planned capital investments geared towards this sector.

TALENT GAP

Shifting towards demand-based passenger marketing and a passenger-centred business viewpoint represents a new development in Edmonton Airports' business culture, and in some cases may require new skills and best practices. It is critical to ensure that we are developing and acquiring the appropriate skill sets to meet this strategic focus and that our organization is aligned correctly. We are addressing talent through formal workforce planning to identify gaps and subsequently implement strategies to close gaps.

We are developing our current leaders and identifying future leaders who will ensure we succeed. Similarly, trades and technical skills are in the process of being upgraded through apprenticeships and effective knowledge transfer. Specialized skills and mission-critical talent not readily available in the short-term will be acquired. These deliberate talent-management activities will ensure we have the right people aligning their efforts to successfully deliver the overall strategy.

Accountability

Edmonton Airports' public accountability requirements with respect to planning, reporting, conduct and operational effectiveness are documented in the Airport ground lease and associated agreements with the Government of Canada and under the relevant provincial legislation, including the *Regional Airports Authorities Act (Alberta).* These agreements and incorporating legislation set out specific requirements for matters such as business ethics, conflict of interest, audit, periodic performance reviews and disclosure. In addition to information included in the 2014 Management Discussion and Analysis above, the following items require disclosure:

BUSINESS AND STRATEGIC PLANS

The executive summary of Edmonton Airports' 2015-2020 Strategic Plan is available at flyeia.com.

CONFLICT OF INTEREST

In accordance with the Airport ground lease and the *Regional Airport Authorities Act (Alberta),* Edmonton Airports confirms it has an appropriate Conflict of Interest Policy and is in compliance with that policy.

Edmonton Airports confirms its compliance, in all material respects, with the public accountability requirements documented in the Airport ground lease as well as with provincial legislation, including the *Regional Airports Authorities Act (Alberta).*

PUBLIC COMPETITIVE TENDERING

Edmonton Airports, in accordance with the Airport ground lease with the Government of Canada, is required to report on all contracts in excess of $129,622 ($75,000 in 1992 dollars) that were entered into during the year and were not awarded on the basis of a public competitive tendering process. Such reporting shall identify the parties, contract amount and nature and circumstances of the contract, and the reasons for not awarding the contract on the basis of a public competitive tendering process. We entered into nine contracts in excess of $129,622 ($75,000 in 1992 dollars) that, for the reasons outlined in the corresponding table, were not awarded on the basis of a public competitive tendering process.

2014 SOLE SOURCE CONTRACTS OVER $129,622
(BASED ON 2014 EDMONTON CPI INDEX)

Supplier	Project	Value	Code
CIMA+ International	Third Runway Planning	$135,000	Proprietary service provider
3-Line Locating Ltd.	Utility Locate Services at EIA and Villeneuve	$250,000	Long-term service provider
Brock Solutions	Automated Tag Readers for Domestic Inbound	$525,000	Proprietary service provider/long-term service provider
Capax Global	Email System Upgrade	$175,000	Proprietary service provider
Tandus Flooring	Flooring replacement for North and South Holdroom areas	$250,000	Proprietary service provider
Hitachi Solutions Canada Ltd.	Customer Relationship Management (CRM) Strategy	$200,000	Qualified service provider
IBM Canada	CUSS kiosks and components	$960,000	Proprietary service provider/In compliance with a product or equipment standardization program
Lorac Construction Ltd.	Emergency hydrant repairs at Villeneuve and EIA	$400,000	Critical operating requirement
G&S Airport Conveyor	Baggage carousel repairs at EIA	$130,000	Proprietary service provider

FINANCIAL STATEMENTS

REPORT OF MANAGEMENT

The financial statements of the Edmonton Regional Airports Authority (Edmonton Airports) are the responsibility of management and have been approved by the Board of Directors. These financial statements have been prepared by management in accordance with International Financial Reporting Standards, as issued by the International Accounting Standards Board, and include disclosures otherwise required by laws, regulations and agreements to which Edmonton Airports is subject. These financial statements also include amounts that are based on estimates and judgments which reflect currently available information. Edmonton Airports has developed and maintains accounting procedures and related systems of internal controls that are designed to provide reasonable assurance that its assets are safeguarded and that its financial records are reliable.

PricewaterhouseCoopers LLP, an independent firm of chartered accountants, has been appointed by the Board of Directors as external auditors of Edmonton Airports. The Auditor's Report to the Board of Directors, which describes the scope of their examination and expresses their opinion, is presented herein.

The Board of Directors has appointed an Audit Committee, whose members are not employees of Edmonton Airports. The Audit Committee meets with management and external auditors at least four times a year to review any significant accounting, internal control and auditing matters. They also review and recommend the annual financial statements of Edmonton Airports to the Board of Directors for approval.

Tom Ruth
President and Chief Executive Officer

Rob Malli
Chief Financial Officer and
Vice President Strategy and Corporate Services

Edmonton, Canada
March 26, 2015

pwc

March 26, 2015

Independent Auditor's Report

To the Board of Directors of
Edmonton Regional Airports Authority

We have audited the accompanying financial statements of Edmonton Regional Airports Authority, which comprise the statement of financial position as at December 31, 2014 and the statements of comprehensive loss, changes in net assets and cash flows for the year then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

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

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

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

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

Opinion
In our opinion, the financial statements present fairly, in all material respects, the financial position of Edmonton Regional Airports Authority as at December 31, 2014, its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers LLP

Chartered Accountants

PricewaterhouseCoopers LLP
TD Tower, 10088 102 Avenue NW, Suite 1501, Edmonton, Alberta, Canada T5J 3N5
T: +1 780 441 6700, F: +1 780 441 6776

EDMONTON REGIONAL AIRPORTS AUTHORITY

STATEMENTS OF FINANCIAL POSITION

For the years ended December 31, 2014 and 2013

(in thousands)	2014 $	2013 $
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	35,289	28,259
Accounts receivable (note 5)	19,729	18,667
Prepaid expenses and other	4,657	3,886
	59,675	50,812
NON-CURRENT ASSETS		
Restricted deposits (note 6(b))	32,910	32,518
Prepaid expense and lessee receivable	404	457
Property, plant and equipment (note 8)	999,203	1,010,185
Intangible assets (note 9)	1,850	806
	1,094,042	**1,094,778**
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities (notes 8(b), 10)	32,997	35,845
Deferred revenue	803	3
Current portion of post-employment benefits (note 7)	-	2,407
Current portion of long-term debt (note 6)	20,726	18,688
	54,526	56,943
NON-CURRENT LIABILITIES		
Tenants' security deposits	1,658	1,477
Post-employment benefits (note 7)	8,578	3,553
Long-term debt (note 6)	965,097	945,730
	1,029,859	1,007,703
Contingencies (note 13)		
Commitments (note 14)		
NET ASSETS	64,183	87,075
	1,094,042	**1,094,778**

See accompanying notes to financial statements.

Approved by the Board of Directors:

Chair

Chair – Audit Committee

EDMONTON REGIONAL AIRPORTS AUTHORITY

STATEMENTS OF COMPREHENSIVE LOSS

For the years ended December 31, 2014 and 2013

(in thousands)	2014 $	2013 $
REVENUE		
Airport improvement fee (note 11)	86,178	74,793
Concessions and parking	59,272	53,576
Airside and general terminal	45,690	41,772
Police and security	9,762	8,513
Real estate leases	4,834	3,955
Other revenue	85	235
	205,821	182,844
EXPENSES		
Salaries and employee benefits	30,550	30,914
Service, maintenance, supplies and administration	33,995	27,657
Canada lease rent (notes 1, 14(c))	17,591	15,380
Utilities, insurance and property taxes	12,810	12,666
Police and security	8,368	7,148
Airport improvement fee collection costs (note 11)	5,003	4,551
	108,317	98,316
EBITDA (note 15)	97,504	84,528
OTHER EXPENSES		
Depreciation and amortization (notes8(c), 9(b))	64,500	63,157
Interest (note 6(f))	45,020	44,510
Gain on foreign exchange	(84)	(158)
Loss (gain) on disposal of property, plant and equipment (note 8(f))	276	(261)
Derecognition of property, plant and equipment (note 8(e))	3,572	-
	113,284	107,248
NET LOSS FOR THE YEAR	(15,780)	(22,720)
OTHER COMPREHENSIVE (LOSS) INCOME:		
ITEMS THAT WILL NOT BE RECLASSIFIED TO NET LOSS		
Remeasurement (loss) gain on post-employment benefits (note 7)	(7,112)	9,854
COMPREHENSIVE LOSS FOR THE YEAR	**(22,892)**	**(12,866)**

See accompanying notes to financial statements.

EDMONTON REGIONAL AIRPORTS AUTHORITY

STATEMENTS OF CHANGES IN NET ASSETS

For the years ended December 31, 2014 and 2013

(in thousands)	2014 $	2013 $
NET ASSETS - BEGINNING OF YEAR	87,075	99,941
Remeasurement (loss) gain that will not be reclassified to net loss	(7,112)	9,854
Net loss for the year	(15,780)	(22,720)
Total comprehensive loss for the year	(22,892)	(12,866)
NET ASSETS - END OF YEAR	**64,183**	**87,075**

See accompanying notes to financial statements.

EDMONTON REGIONAL AIRPORTS AUTHORITY

STATEMENTS OF CASH FLOWS

For the years ended December 31, 2014 and 2013

(in thousands)	2014 $	2013 $
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss for the year	(15,780)	(22,720)
Adjustments for:		
Depreciation and amortization	64,500	63,157
Amortization of borrowing costs	276	313
Gain on foreign exchange	(84)	(158)
Loss (gain) on disposal of property, plant and equipment	276	(261)
Derecognition of property, plant and equipment	3,572	-
Post-employment benefit expense	2,894	5,647
Finance costs - net	44,088	42,871
Changes in working capital:		
Accounts receivable	(3,353)	2,291
Prepaid expenses and other	(771)	(689)
Accounts payable and accrued liabilities	(1,199)	(3,343)
Deferred revenue	800	(35)
Tenants' security deposits	181	208
Post-employment benefit contributions	(7,388)	(7,456)
Interest paid	(44,835)	(43,941)
Interest received	931	1,113
NET CASH FLOWS FROM OPERATING ACTIVITIES	44,108	36,997
CASH FLOWS FROM INVESTING ACTIVITIES		
Lessee receivable	53	47
Purchase of restricted deposits	(392)	(360)
Purchase of property, plant and equipment	(54,752)	(88,915)
Purchase of intangible assets	(1,845)	(659)
Proceeds on disposal of property, plant and equipment	46	4,755
Interest paid capitalized to property, plant and equipment	(1,431)	(2,227)
NET CASH FLOWS USED IN INVESTING ACTIVITIES	(58,321)	(87,359)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of finance lease	(22)	(28)
Repayments of long-term debt	(18,871)	(17,529)
Proceeds from long-term debt	40,000	20,000
NET CASH FLOWS FROM FINANCING ACTIVITIES	21,107	2,443
Effect of exchange rate on cash and cash equivalents at the end of the year	136	180
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	7,030	(47,739)
Cash and cash equivalents – beginning of year	28,259	75,998
CASH AND CASH EQUIVALENTS – END OF YEAR	**35,289**	**28,259**

See accompanying notes to financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the years ended December 31, 2014 and 2013 (in thousands of dollars)

1 NATURE OF OPERATIONS

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 financial statements were authorized for issue by the Board of Directors on March 26, 2015.

EDMONTON INTERNATIONAL AIRPORT

On April 2, 1992, Edmonton Airports signed an agreement with the Landlord to transfer control of the Edmonton International Airport (the Airport) to Edmonton Airports. Effective July 31, 1992, Edmonton Airports signed the Ground Lease Agreement (Canada Lease) with the Landlord to lease the Airport facilities for an initial period of sixty years ending in 2052. On August 1, 1992, Edmonton Airports assumed control of the Airport. All revenue and expenditure contracts in effect on August 1, 1992, were assigned to Edmonton Airports and Edmonton Airports did not assume any liability with respect to claims against the Landlord prior to this date. On August 13, 2012, the Landlord advised Edmonton Airports' that its notice to exercise the Canada Lease term extension provision was duly received. As a result, the term of the Canada Lease has been extended for an additional 20 year term and will now expire on July 31, 2072. The parties agreed that the extension of term was on the same conditions, except that there was no longer any option to renew the Canada Lease or further extend the term. At the end of the renewal term, Edmonton Airports is obligated to return control of the Airport to the Landlord. The Airport must be returned in a state of good order, condition and repair. The Airport must also be free and clear of any Occupancy Agreement, Transfer, Leasehold Mortgage (as defined in the Canada Lease) or other encumbrances of any nature or kind except those for which the Landlord has granted rights of non-disturbance.

The Canada Lease is the principal document governing the relationship between Edmonton Airports and the Landlord at the Airport. It determines the rent (Canada Lease Rent) to be paid and generally allocates risk and responsibilities between Edmonton Airports and the Landlord for all matters related to the operation of the Airport. Under the terms of the Canada Lease, Edmonton Airports is fully responsible for the management, operation and development at the Airport. Edmonton Airports is free to operate the Airport on a commercial basis and has the authority to set rates and charges and to develop and improve facilities. The Landlord retains regulatory control over aeronautics and as such, will set safety and security standards for airports, license airports and regulate the aviation industry as a whole.

Canada Lease Rent is calculated as a percentage of Gross Revenue at the Airport as defined by the Canada Lease and related documents using escalating percentages with the following ranges: 0% for Gross Revenue below $5.0 million, 1% for Gross Revenue between $5.0 million and $10.0 million, 5% for Gross Revenue between $10.0 million and $25.0 million, 8% for Gross Revenue between $25.0 million and $100.0 million, 10% for Gross Revenue between $100.0 million and $250.0 million, and 12% for Gross Revenue in excess of $250.0 million. The calculation of Gross Revenue is subject to audit by the Landlord. The future lease payments due to the Landlord are based upon projected Gross Revenue in each year and are estimated in note 14 (c).

The Airport operates on approximately 2,800 hectares of land in the County of Leduc adjacent to the City of Leduc in the Province of Alberta. The assets of the Airport include air-terminal, airside assets including two runways, multiple taxiways and aprons, loading bridges, groundside assets including parking lots, maintenance facilities and other ancillary structures necessary to execute its mandate. These assets will revert to the Landlord (Transport Canada) upon the expiration or termination of the Canada Lease. Assets owned by NavCanada, the operator of Canada's civil air navigation system, are excluded from Airport operations.

Edmonton Airports is committed to the continuing development of the Airport. This includes continued redevelopment of the terminals, increasing airside capacity, and increasing cargo and aircraft facilities.

CITY CENTRE AIRPORT

On September 18, 2013, the City Council of Edmonton requested that Edmonton Airports take necessary steps for full closure of City Centre Airport effective November 30, 2013. As Edmonton Airports was operating the airport on a cost-recovery basis, the result of the closure did not have a material impact on the financial position of Edmonton Airports.

VILLENEUVE AIRPORT

On March 30, 2000, Edmonton Airports acquired from the Landlord all lands, assets, chattels and equipment comprising the Villeneuve Airport for a nominal amount. Villeneuve Airport operates on approximately 579 hectares of land in Sturgeon County and is a certified general aviation airport. Villeneuve Airport's role is to serve the needs of small commercial, recreational flying and general aviation and it is a flight training facility with a flight control system owned and operated by NAV CANADA.

2 SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

a) Basis of preparation

Edmonton Airports prepares its financial statements in compliance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and Canadian Generally Accepted Accounting Principles ("GAAP") as issued by the Chartered Professional Accountants of Canada. Edmonton Airports has consistently applied IFRS throughout these financial statements.

The financial statements have been prepared in Canadian dollars under the historical cost convention. The financial statements and notes are presented in thousands of Canadian dollars unless otherwise noted.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying Edmonton Airports' accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4.

b) Joint arrangements

These arrangements are undivided interests in the assets, liabilities, revenues and expenses under arrangement and Edmonton Airports records its proportionate share in accordance with the agreements as joint operations.

On December 19, 2014, Edmonton Airports entered into a Joint Venture Agreement with Edmonton Economic Development Corporation (EEDC) for purposes of establishing an initiative called Port Alberta to assist in expanding and enhancing the Edmonton region, economically, and to establish Port Alberta as a critical logistics service centre and energy hub for North America. The principal place of business will be Edmonton, Alberta, Canada.

Edmonton Airports and EEDC have joint control of the arrangement through the establishment of co-chairs with equal decision making authority. Edmonton Airports will share all liabilities, obligations, costs and expenses in proportion to the activities carried out through the arrangement. Net revenues generated will be reinvested to promote the goals Port Alberta.

No significant expenditures or commitments were incurred to December 31, 2014.

c) Cash and cash equivalents

Cash and cash equivalents includes cash and other investments comprised of pooled money-market funds with an original term of 90 days or less.

d) Leases

A lease is classified as a finance lease when it transfers to the lessee substantially all the risks and rewards related to ownership of the leased asset. All other leases are classified as operating leases.

Edmonton Airports as the lessee:

A leased asset in accordance with a finance lease is recognized at the commencement of the lease term as an item of property, plant and equipment at an amount equal to the fair value of the leased asset, or if lower, the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability is recognized in the statements of financial position within "Obligation under finance lease". Minimum lease payments of a finance lease are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period so as to produce a constant periodic rate of interest on the remaining balance of the liability. The finance charges are expensed as part of "Interest" expenses.

Operating lease payments made are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

In the event that lease incentives are received to enter into operating leases, such incentives are recognized as deferred revenue. The aggregate benefit of incentives is recognized as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

The Canada Lease Agreement is accounted for as an operating lease.

Edmonton Airports as the lessor:

The amount receivable from the lessee in accordance with a finance lease is recognized at an amount equal to the net investment of Edmonton Airports in the lease. Lease income from finance leases is recognized over the term of the lease in order to reflect a constant periodic return on Edmonton Airports' net investment in the finance lease.

Rental income from operating leases is recognized on a straight-line basis over the lease term.

In the event that lease incentives are provided to the lessee to enter into an operating lease, when the lease incentive adds future economic value to the space independent of the lease in place, such costs are capitalized to property, plant and equipment and recognized through depreciation expense over the useful life of the corresponding asset. If the costs incurred are specific to the lessee, and do not have stand-alone value, these costs are treated as tenant incentives and amortized on a straight-line basis to revenue over the lease term.

e) Property, plant and equipment

Property, plant and equipment are measured at cost, net of applicable government grants, less accumulated depreciation and accumulated impairment losses and include only the amounts expended by Edmonton Airports. Property, plant and equipment do not include the cost of the facilities that are leased from the Landlord (note 8). These assets will revert to Transport Canada upon the expiration or termination of the Canada Lease. No amounts are amortized longer than the lease term.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located and interest capitalized during the construction of the asset.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of that property, plant and equipment, and are recognized net within other items in the statements of comprehensive loss.

The cost of replacing a part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to Edmonton Airports and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. Repairs and maintenance costs are charged to the statements of comprehensive loss during the period in which they are incurred.

Depreciation is recognized in the statements of comprehensive loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Leased assets are amortized over the shorter of the lease term and their useful lives unless it is reasonably certain that Edmonton Airports will obtain ownership by the end of the lease term.

The major categories of property, plant and equipment are amortized at the following annual rates:

TERMINAL AND FACILITIES (EXCLUDING LEASED FACILITIES)	
Buildings	1.67 - 50.00%
Roadways systems	2.50 - 5.00%
Parking facilities and lots	2.50 - 20.00%
Runway, taxiways and apron surfaces	1.67 - 25.00%
Other facilities	1.67 - 33.33%
Land	Straight-line over the remaining term of the Ground Lease

MACHINERY AND EQUIPMENT	
Vehicles and maintenance equipment	5.00 - 33.33%
Furniture and equipment	2.85 - 20.00%
Computer hardware	33.33 - 50.00%

Depreciation methods, useful lives and residual values are reviewed at each financial year end and adjusted as appropriate.

Edmonton Airports has previously purchased land for operational purposes and future development. The Canada Lease requires that at commencement of development the applicable land be transferred to the Government of Canada at which time Edmonton Airports reclassifies the land to leased land.

f) Intangible assets

Intangible assets are measured at cost less accumulated amortization and accumulated impairment losses and include only the amounts expended by Edmonton Airports, offset by any contributions from government grants. Intangible assets do not include the cost of the facilities that are leased from the Landlord (note 9).

Intangible assets include purchased computer software and software licences with finite useful lives. These assets are capitalized and amortized on a straight-line basis in the statements of comprehensive loss at the following annual rates:

Purchased software and software licences	33.33 - 50.00%

g) Impairment of financial assets

At each reporting date, Edmonton Airports assesses whether there is objective evidence that a financial asset is impaired. If such evidence exists, Edmonton Airports recognizes an impairment loss for its financial assets carried at amortized cost.

The loss is the difference between the amortized cost of the loan or receivable and the present value of the estimated future cash flows, discounted using the instrument's original effective interest rate. The carrying amount of the asset is reduced by this amount either directly or indirectly through the use of an allowance account.

Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized. The reversal shall not result in a carrying amount of the financial asset that exceeds what the amortized cost would have been had the impairment not been recognized at the date the impairment is reversed. The amount of the reversal shall be recognized in net loss. Impairment losses on available-for-sale equity instruments are not reversed.

h) Impairment of non-financial assets

Property, plant and equipment and intangible assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For the purpose of measuring recoverable amounts, assets are grouped at the lowest levels for which there are separately identifiable cash-generating units (CGUs). The recoverable amount is the higher of an asset's fair value less costs to sell and value in use (being the present value of the expected future cash flows of the relevant asset or CGUs). An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount.

i) Edmonton Airports evaluates impairment losses for potential reversals when events or circumstances may indicate such consideration is appropriate. The increased carrying amount of an asset other than goodwill attributable to a reversal of an impairment loss shall not exceed the carrying amount that would have been determined (net of amortization or depreciation) had no impairment loss been recognized for the asset in prior years.

Borrowing costs attributable to the acquisition or construction of qualifying assets are added to the cost of those assets, until such time as the assets are available for use as intended by management. All other borrowing costs are recognized as interest expense in the statements of comprehensive loss in the period in which they are incurred.

j) Revenue recognition

Edmonton Airports recognizes revenues when received or receivable if the amount to be received can be reasonably estimated and if collection is reasonably assured as follows:

- Airport improvement fee (AIF) revenue is recognized based upon monthly remittances from air carriers. Monthly remittances are estimated when necessary and adjusted to actual amounts received.
- Concession revenue is recognized based upon the greater of agreed percentages of reported concession sales and specified minimum rentals over the terms of the respective leases.
- Airside and general terminal and parking revenues are recognized as the airport facilities are utilized.
- Police and security revenue is recognized as these services are provided.
- Real estate revenue net of incentives is recognized on a straight-line basis over the terms of the respective leases.

k) Post-employment benefits

Edmonton Airports operates various post-employment plans including a defined benefit (DB) pension plan, a defined contribution (DC) pension plan, a (DB) Supplementary Executive Retirement Plan (SERP) with one member that is a non-funded liability, and a non-funded long-term benefit plan for eligible employees under the terms of the collective bargaining agreements.

The DC plan is a pension plan under which Edmonton Airports pays fixed contributions into a separate entity. Edmonton Airports has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. The contributions are recognized as employee benefit expense when they are due. Prepaid contributions are recognized as an asset to the extent that a cash refund or reduction in the future payment is available. A DB plan is a pension plan that is not a DC plan.

The liability recognized in the balance sheet in respect of the DB pension plan is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the unit credit method. The present value of the post-employment benefit obligations is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that have duration to maturity approximating the duration of the related pension liability.

Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognized in full in the period in which they arise in other comprehensive income.

Past service costs are recognized immediately in net loss for the year.

The expected costs of the DB SERP are accrued over the period of employment using the same methodology as used for the DB pension plan. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognized in full in the period in which they arise in other comprehensive income. These obligations are valued annually by independent qualified actuaries.

l) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one party and a financial liability or equity instrument of another party. Financial assets and liabilities are recognized when Edmonton Airports becomes a party to the contractual provisions of the financial instrument.

Financial assets and liabilities are derecognized when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards have transferred. A financial liability is derecognized when it is extinguished, discharged, cancelled or expired.

At initial recognition, all assets and liabilities are classified as followed depending on the purpose for which the instruments were acquired:

(i) Financial assets and liabilities at fair value through profit or loss: A financial asset or liability is classified in this category if acquired principally for the purpose of selling or repurchasing in the short-term. Financial instruments in this category are recognized initially and subsequently at fair value. Transaction costs are expensed in the statements of comprehensive loss. Gains and losses arising from changes in fair value are presented in the statements of comprehensive loss within other gains and losses in the period in which they arise. Financial assets and liabilities at fair value through profit or loss are classified as current except for the portion expected to be realized or paid beyond twelve months of the statements of financial position date, which is classified as non-current.

(ii) Loans and receivables: Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Edmonton Airports' loans and receivables comprise accounts receivable, restricted deposits and cash and cash equivalents, which are included in current assets due to their short-term nature. Accounts receivable are initially recognized at the amount expected to be received, less, when material, a discount to reduce the receivables to fair value. Subsequently, receivables are measured at amortized cost using the effective interest method less a provision for impairment.

(iii) Financial liabilities at amortized cost: Financial liabilities at amortized cost include accounts payable and accrued liabilities, obligations under a finance lease and long-term debt. Trade payables are initially recognized at the amount required to be paid which approximates fair value. Subsequently, trade payables are measured at amortized cost using the effective interest method. Long-term debt is recognized initially at fair value, net of any transaction costs incurred, and subsequently at amortized cost using the effective interest method. Financial liabilities are classified as current liabilities if payment is due within twelve months. Otherwise, they are presented as non-current liabilities.

m) Government grants

All government grants related to property, plant and equipment are recorded as reductions to the carrying value of the assets to which the grant applies. All government grants related to revenue and expense are recorded as reductions to the related expense in the period which the grant has met recognition criteria.

3 CHANGES IN ACCOUNTING STANDARDS AND DISCLOSURES

i. New and amended standards adopted in 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.

i) 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.

ii) 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.

iii) The following new or amended standards are not expected to have a significant impact on Edmonton Airports' financial statements:

- January 1, 2014 - Offsetting financial assets and financial liabilities (Amendments to IAS 32).

ii. Accounting standards issued but not yet applied

i) IFRS 9 Financial Instruments

IFRS 9, published in July 2014, replaces existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. IFRS 9 is effective for annual reporting periods beginning on or after January 1, 2018, with early adoption permitted. Edmonton Airports is yet to assess IFRS 9's full impact.

ii) IFRS 15 Revenue Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized, as well as requiring entities to provide more informative, relevant disclosures in respect of revenue recognition criteria. It replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programs. IFRS 15 is effective for annual reporting periods beginning on or after January 1, 2017, with early adoption permitted. Edmonton Airports is currently evaluating the impact of IFRS 15 on our financial statements.

iii) The following new or amended standards are not expected to have a significant impact on Edmonton Airports' financial statements:

- July 1, 2014 - Defined benefit plans: employee contributions (Amendments to IAS 19).
- January 1, 2016 - Clarification of acceptable methods of depreciation and amortization (Amendments to IAS 16 and IAS 36).

4 CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATION UNCERTAINTY

In applying Edmonton Airports' accounting policies, management is required to make judgments, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other relevant factors. Actual results may differ from these estimates.

Accounting estimates and their underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

i. Critical judgments in applying accounting policies:

The following are the critical judgments that management has made in the process of applying Edmonton Airports' accounting policies and that have the most significant effect on the amounts recognized in the financial statements.

Lease incentives: Payments to tenants or tenant improvements are often provided when new leases are signed. When the payments or tenant improvements add future economic value to the space independent of the lease in place, such costs are capitalized to property, plant and equipment. If the costs incurred are specific to the lessee, and do not have stand-alone value, these costs are treated as tenant incentives and amortized on a straight line basis to revenue over the lease term in accordance with SIC 15, Operating leases – Incentives. Edmonton Airports uses its judgment in determining whether the lease incentive should be recorded as property, plant and equipment or a lease incentive.

Property, plant and equipment and intangible assets: Critical judgments are utilized in determining when an item of property, plant and equipment and intangible assets are available for use as intended by management. This determination impacts the timing of cessation of capitalized interest and commencement of depreciation.

ii. Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next fiscal year.

Property, plant and equipment and intangible assets: Significant components of property, plant and equipment and intangible assets are depreciated and amortized over their estimated useful lives. Useful lives are determined based on current facts and past experience, and take into consideration the anticipated physical life of the asset. While these useful life estimates are reviewed on a regular basis and depreciation calculations are revised accordingly, actual lives may differ from the estimates.

Post-employment benefits: The present value of the pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost for pensions include the discount rate. Any changes in these assumptions will impact the carrying amount of pension obligations. Key assumptions for pension obligations are included in note 7. Edmonton Airports considers the extrapolation of the December 31, 2013 figures of the DB pension plan to be the best method to estimate Edmonton Airports pension obligation and expense as at and for the year ended December 31, 2014 since the revised assumptions used in relation with this extrapolation were reviewed and found to be accurate.

Fair value of long-term debt: Edmonton Airports uses valuation techniques in measuring fair value of long-term debt for disclosure purposes, where active market quotes are not available. Details of the assumptions are provided in note 15. In applying the valuation techniques, Edmonton Airports makes maximum use of market inputs, and uses estimates and assumptions that are, as much as possible, consistent with observable data that market participants would use in pricing the instrument. Where applicable data is not observable, Edmonton Airports uses its best estimate about the assumptions that market participants would make. These estimates may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date.

5 ACCOUNTS RECEIVABLE

	2014 $	2013 $
Trade receivables	17,332	14,427
Less: allowance for doubtful accounts	(277)	(252)
Trade receivables - net	17,055	14,175
Capital grants receivable	828	3,007
Other receivables and accrued receivables	1,846	1,485
	19,729	**18,667**

All of Edmonton Airports' trade and other receivables have been reviewed for indicators of impairment. Certain trade receivables were found to be impaired and a provision for impairment of accounts receivable has been recorded. (note 15).

6 LONG-TERM DEBT

a) Total long-term outstanding

	2014 $	2013 $
Series A Bond	217,636	222,907
Series C Bond	771,883	745,483
	989,519	968,390
Less current portion Series A Bond	5,917	5,271
Less current portion Series C Bond	14,809	13,417
Total current portion	20,726	18,688
Less unamortized transaction costs	3,696	3,972
	965,097	**945,730**

b) Series A Bond and restricted deposits

In October 2000, Edmonton Airports completed a $250 million revenue bond issue (Series A Bond) to fund the requirements of the Air Terminal Redevelopment project. Net proceeds of the issue were used to retire an existing credit facility and to complete the project's construction.

Pursuant to the terms of this bond, Edmonton Airports is required to maintain a Debt Service Reserve Fund equal to one-half of its annual debt service costs and an Operating and Maintenance Contingency fund equal to one quarter of its annual operation and maintenance expenses. At December 31, 2014, Restricted deposits of $32,910 (2013 –$32,518) exist as a requirement of the Debt Service Reserve Fund. These deposits earned annual interest of 1.10% (2013– 1.10%). The Operating and Maintenance Contingency Fund can be satisfied by cash, letter of credit or undrawn availability of the Series B Bond and revolving credit facility.

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.

Interest Rate	Semi-annual Installment $	Maturity Date	2014 $	2013 $
7.21%	Varying	November 1, 2030	217,636	222,907
Less unamortized transaction costs			3,696	3,972
			213,940	218,935
Less current portion			5,917	5,271
			208,023	**213,664**

c) Series B Bond and revolving credit facility

In addition, Edmonton Airports maintains with the Royal Bank of Canada a three-year term, $5 million revolving credit facility to support operations and a $40 million term revolving loan (Series B Bond) for general corporate purposes and to assist in the interim financing of construction projects. The credit facility was renewed in 2012 for another three-year term and no drawdowns on the credit facility were made in 2014 or 2013. As at December 31, 2014 $21,115 (2013 – $18,701) of the term revolving loan had been set aside for the Operating and Maintenance Contingency Fund as required under the Series A Bond.

Pledged as collateral to the bonds are a first leasehold mortgage on the Edmonton International Airport and related Canada Lease; a security interest over all of the present and future personal property of Edmonton Airports including without limitation, all book debts, and all sources of revenue and assets and any reserve funds; and a floating charge over all of the other present and future property and assets of Edmonton Airports.

d) Series C Bond

Under its existing capital markets platform, Edmonton Airports entered into a Credit Agreement (Agreement) with the Alberta Capital Finance Authority (ACFA) on December 6, 2006. On March 19, 2008 the Agreement was amended (First Amending Agreement) for Edmonton Airports to finance the capital expansion program at the Edmonton International Airport. On March 12, 2012, the First Amending Agreement was amended (Amended and Restated Credit Agreement) for Edmonton Airports to finance the construction of non-expansion related infrastructure at the Edmonton International Airport. The Amended and Restated Credit Agreement contains three Credit Facilities.

Credit Facility 1, for $1.0 billion, by way of fixed rate loans, is to be used solely for the purposes of airport infrastructure expenditures at the Edmonton International Airport.

Credit Facility 2, for $300 million, by way of fixed rate loans, is to be used firstly for the purposes of redeeming or purchasing for cancellation the Series A Bond and the Series B Bond. The First Amending Agreement restricts any drawdown of the final $50 million of Credit Facility 2 until all the Series B Bond is redeemed. Once Series A and Series B Bonds are fully redeemed, any residual balance in Credit Facility 2 can be used for the same purposes as Credit Facility 1.

Credit Facility 3, for $100 million, by way of fixed rate loans, is to be used solely for the purposes of funding capital expenditure projects, the general purpose of which are to construct or improve infrastructure in respect to buildings, airfield, land, roads, navigational aids and other assets required for the operation of the Edmonton International Airport. The use of Credit Facility 3 reduces, dollar for dollar, the amount available to Edmonton Airports under Credit Facility 1.

Throughout the period, when debentures are outstanding, 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.

The collateral pledged under the Agreement is the same as and ranks equally with the Series A and Series B Bonds.

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

Interest Rate	Semi-annual Installment $	Maturity Date	2014 $	2013 $
4.37%	755	December 15, 2026	13,984	14,854
4.50%	1,145	March 15, 2027	21,719	22,989
5.00%	398	June 15, 2027	7,340	7,754
4.89%	395	September 17, 2027	7,529	7,935
4.68%	1,552	June 16, 2028	30,789	32,393
4.55%	3,068	September 17, 2028	63,011	66,170
4.67%	1,245	December 15, 2039	36,529	37,289
4.54%	920	March 15, 2040	27,638	28,205
4.56%	1,845	June 15, 2040	55,292	56,422
4.00%	1,439	October 1, 2040	46,239	47,236
4.40%	2,112	December 15, 2040	65,050	66,369
4.41%	1,511	March 15, 2041	46,947	47,867
3.73%	557	March 17, 2044	19,816	-
3.36%	260	September 15, 2044	10,000	-
3.18%	266	December 15, 2044	10,000	-
			461,883	435,483

Fixed Rate Debentures, Series C Bonds payable in semi-annual installments of interest only:				
4.16%	1,041	June 15, 2041	50,000	50,000
3.70%	926	September 15, 2041	50,000	50,000
3.35%	1,174	December 15, 2041	70,000	70,000
3.41%	512	March 15, 2042	30,000	30,000
3.25%	488	June 15, 2042	30,000	30,000
3.26%	651	September 17, 2042	40,000	40,000
3.24%	324	December 17, 2042	20,000	20,000
3.42%	343	March 15, 2043	20,000	20,000
			310,000	310,000
			771,883	745,483
Less current portion			14,809	13,417
			757,074	**732,066**

e) The future annual principal and interest payments required to retire the long-term debt are as follows:

	Principal $	Interest $	Total $
2015	20,726	46,638	67,364
2016	22,091	45,530	67,621
2017	24,158	44,341	68,499
2018	30,440	42,998	73,438
2019	35,067	41,406	76,473
Thereafter	857,037	391,317	1,248,354
	989,519	**612,230**	**1,601,749**

f) Interest expense (income)

	2014 $	2013 $
Series A Bond interest	16,229	16,592
Series C Bond interest	30,860	30,611
Interest portion of current service cost for post-employment benefits	170	526
Other interest and financing costs	124	121
Interest income and other	(932)	(1,113)
	46,451	46,737
Capitalized interest (note 8(d))	(1,431)	(2,227)
	45,019	**44,510**

7 POST-EMPLOYMENT BENEFITS

The table below outlines where Edmonton Airports' post-employment amounts and activity are included in the financial statements:

	2014 $	2013 $
LIABILITIES INCLUDED IN STATEMENTS OF FINANCIAL POSITION:		
Defined benefit pension plan	4,762	747
Supplementary executive retirement plan	3,187	2,806
Long-term benefit plan	629	2,407
Liability in the statements of financial position	8,578	5,960
EXPENSE INCLUDED IN NET LOSS FOR THE YEAR:		
Defined benefit pension plan	2,675	3,993
Supplementary executive retirement plan	133	429
Long-term benefit plan	86	1,225
	2,894	5,647
REMEASUREMENTS FOR:		
Defined benefit plan	(6,364)	9,555
Supplementary executive retirement plan	(424)	124
Long-term benefit plan	(324)	175
Remeasurement gain (loss) on post-employment benefits	(7,112)	9,854

	2014 $	2013 $
Present value of funded obligations	53,078	40,942
Fair value of plan assets	48,316	40,195
Deficit of funded plans	4,762	747
Present value of unfunded obligations	3,816	5,213
Liability in the statements of financial position	**8,578**	**5,960**

a) Defined benefit pension plan

Effective October 1, 2013, Edmonton Airports closed the existing DB pension plan to employees subject to collective bargaining and such employees are now included in the DC pension plan. The number of employees in the DB pension plan will diminish as time passes.

The most recent funding recommendation for the DB portion of the pension plan was completed as at December 31, 2014 and is contained in an actuarial report dated June 30, 2014. The next required actuarial valuation for funding purposes must be effective no later than December 31, 2014. The financial statements were prepared based on an actuarial valuation completed as at December 31, 2013 with an extrapolation to December 31, 2014.

The level of DB pension benefits provided depends on a member's length of service and their best average pensionable salary. Pensions paid are indexed with inflation and the benefit payments are from funds administered under an insurance contract. Responsibility for governance of the pension plan lies with Edmonton Airports.

Edmonton Airports has set up a pension administration committee to assist in the management of the pension plan and has also appointed experienced, independent professional experts such as investment managers, actuaries and fund holders.

The movement in the defined benefit obligation and fair value of plan assets of the pension plan over the years 2013 and 2014 is as follows:

	Present value of obligation $	Fair value of plan assets $	Total $
At January 1, 2013	47,827	(34,439)	13,388
Current service cost	3,227	-	3,227
Interest expense/(income)	1,925	(1,399)	526
Impact on net loss for the year	5,152	(1,399)	3,753
Remeasurements:			
Return on plan assets, excluding amounts included in interest expense/(income)	-	(3,275)	(3,275)
Loss from change in mortality assumptions	1,948	-	1,948
Gain from change in financial assumptions	(11,575)	-	(11,575)
Experience loss	3,347	-	3,347
Impact of remeasurements on other comprehensive income (loss)	(6,280)	(3,275)	(9,555)
Contributions:			
Employer	-	(7,079)	(7,079)
Participants	-	(52)	(52)
Payments from plans:			
Benefit payments	(5,757)	5,757	-
Administration costs	-	292	292
At December 31, 2013	**40,942**	**(40,195)**	**747**

	Present value of obligation $	Fair value of plan assets $	Total $
At January 1, 2014	40,942	(40,195)	747
Current service cost	2,398	-	2,398
Interest expense/(income)	2,077	(2,040)	37
Impact on net loss for the year	4,475	(2,040)	2,435
Remeasurements:			
Return on plan assets, excluding amounts included in interest expense/(income)	-	(3,218)	(3,218)
Loss from change in mortality assumptions	7,179	-	7,179
Loss from change in financial assumptions	1,441	-	1,441
Experience loss	962	-	962
Impact of remeasurements on other comprehensive income (loss)	9,582	(3,218)	6,364
Contributions:			
Employer	-	(5,024)	(5,024)
Participants	-	(47)	(47)
Payments from plans:			
Benefit payments	(1,919)	1,919	-
Administration costs	-	287	287
At December 31, 2014	53,080	(48,318)	4,762

The significant actuarial assumptions are as follows:

	2014 %	2013 %
Discount rate	4.10	4.90
Rate of compensation increase	3.25	3.25

Assumptions regarding future mortality are set on actuarial advice in accordance with published statistics and experience of the pension plan. Recent experience has indicated actuarial gains or losses that are not material to the pension plan. These assumptions translate into an average life expectancy in years for a pensioner retiring at age 60:

	2014 years	2013 years
Retiring at the end of reporting period:		
Male	25.6	25.5
Female	28.4	28.4
Retiring 20 years after end or reporting period:		
Male	27.2	27.1
Female	29.4	29.5

The sensitivity of the defined benefit obligation to changes in assumptions is set out below. The effects on the DB portion of the pension plan of a change in an assumption are weighted proportionately to the total plan obligations to determine the total impact for each assumption presented.

	Impact on defined benefit obligation		
	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	0.25%	Decrease by 4.3%	Increase by 4.6%
Rate of compensation increase	0.25%	Increase by 1.0%	Decrease by 1.0%
Mortality rates	0.8 years	Increase by 2.0%	Increase by 2.2%

Through its defined benefit plans, Edmonton Airports is exposed to a number of risks, the most significant of which are detailed below:

ASSET VOLATILITY

The plan liabilities are calculated using a discount rate set with reference to corporate bond yields; if plan assets underperform this yield, this will create a deficit. The plans hold a significant proportion of equities, which are expected to outperform corporate bonds in the long-term while contributing volatility and risk in the short-term. As the plans mature, Edmonton Airports intends to reduce the level of investment risk by investing more in assets that better match the liabilities. Edmonton Airports believes that due to the long-term nature of the plan liabilities and the strength of the supporting group, a level of continuing equity investment is an appropriate element of Edmonton Airports' long-term strategy to manage the plan efficiently.

Plan assets are comprised as follows:

	2014 %	2013 %
Equities	59.50	59.90
Debt securities	40.50	40.10
Cash and other	-	-
Total	100.00	100.00

CHANGES IN BOND YIELDS

A decrease in corporate bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the plan's bond holdings.

INFLATION RISK

The majority of the plan's benefit obligations are linked to inflation, and higher inflation will lead to higher liabilities. The majority of the plan's assets are loosely correlated with inflation, meaning that an increase in inflation will also increase the deficit.

LIFE EXPECTANCY

The majority of the plan's obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the plan's liabilities. This is particularly significant in all Edmonton Airports' plans where inflationary increases result in higher sensitivity to changes in life expectancy.

Each sensitivity analysis disclosed in this note is based on changing one assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to variations in significant actuarial assumptions, the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as for calculating the liability recognized in the statement of financial position.

In case of the funded plan, Edmonton Airports ensures that the investment positions are managed within an asset-liability matching (ALM) framework that has been developed to achieve long-term investments that are in line with the obligations under the pension plans. Within this framework, Edmonton Airports' ALM objective is to match assets to the pension obligations by investing in long-term fixed interest securities with maturities that match the benefit payments as they fall due and in the appropriate currency. Edmonton Airports does not use derivatives to manage its risk. Investments are well diversified, such that the failure of any single investment would not have a material impact on the overall level of assets. A large portion of assets in 2014 consists of equities and bonds. Edmonton Airports believes that equities offer the best returns over the long-term with an acceptable level of risk. The plans are not exposed to significant foreign currency risk.

As at December 31, 2014, the aggregate solvency deficit in the defined benefit portion of the pension plan amounted to $10,784. Edmonton Airports will make special payments for past service of $2,157 to fund the pension plan deficit over five years. Edmonton Airports' current service contribution is equal to 14.4% of pensionable salaries. There are no contributions to the SERP or the long-term benefit plan. The next annual actuarial valuation for funding purposes for the pension plan is due to be completed as at December 31, 2014.

The weighted average duration of the defined benefit pension plan obligation is 18.7 years.

The expected maturity analysis of undiscounted pension and long-term benefits is summarized as follows:

	Less than 1 year $	Between 1-2 years $	Between 2-5 years $	Over 5 years $	Total $
Defined benefit pension plan	1,586	1,562	5,009	112,973	121,130
SERP	191	189	556	3,354	4,290
Long term benefit plan	69	30	175	938	1,212
At December 31, 2014	**1,846**	**1,781**	**5,740**	**117,265**	**126,632**

b) Supplementary executive retirement plan

Edmonton Airports also has a DB Supplementary Executive Retirement Plan (SERP) with one member, effective February 1, 2005. The benefits provided under the SERP constitute a non-funded liability of Edmonton Airports. All payments made to the member of the SERP will be made from general revenues of Edmonton Airports. The financial statements were prepared using an independent actuarial valuation completed at December 31, 2014.

The movement in the defined benefit obligation of the SERP over the years 2013 and 2014 is as follows:

	2014 $	2013 $
Balance - beginning of year	2,806	2,501
Current service cost	-	316
Interest expense	133	113
Impact on net loss for the year	133	429
Impact of remeasurements on other comprehensive loss (income)	424	(124)
Benefit payments	(176)	-
Balance, end of year	**3,187**	**2,806**

The methods and types of assumptions used in determining the defined benefit obligation of the SERP are the same used for the defined benefit pension plan. The effect of a 0.25% decrease in the discount rate assumption for the defined benefit obligation would result in an increased defined benefit obligation of the SERP of approximately $95.

c) Long-term benefit plan

Edmonton Airports also has a DB long-term benefit plan for eligible employees under the general bargaining unit collective agreement, excluded employees and management and firefighters under a separate collective bargaining agreement. The benefits provided under the long-term benefit plan constitute a non-funded liability of Edmonton Airports. The financial statements were prepared using an independent actuarial valuation completed at December 31, 2014.

The movement in the defined benefit obligation of the long-term benefit plan over the years 2013 and 2014 is as follows:

	2014 $	2013 $
Balance at beginning of the period	2,407	1,734
Current service cost	49	301
Interest expense	37	74
Past service cost	-	850
Impact on net loss for the year	86	1,225
Impact of remeasurements on other comprehensive income (loss)	324	(175)
		(377)
Benefits paid	(2,188)	-
Balance at end of the period	**629**	**2,407**

The methods and types of assumptions used in determining the long-term benefit plan are the same used for defined benefit pension plan excluding mortality as Edmonton Airports expects to settle the liability in April of 2014.

d) Defined contribution pension plan

Edmonton Airports maintains a pension plan with defined contribution provisions providing pension benefits to employees who joined the plan after November 1, 2010, and whose employment conditions are not subject to collective bargaining. This same pension plan is maintained for employees who joined the plan after October 1, 2013 and whose employment conditions are subject to collective bargaining. Edmonton Airports' contribution to the defined contribution portion of the plan is a maximum of 5.5% of the employee's regular salary and wages.

The net expense for the defined contribution portion of the pension plan in 2014 was $245 (2013 – $80).

8 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 $	Land $	Construction work in progress $	Total $
COST												
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	10,119	1,296	5,899	22,724	424	1,665	(320)	1,665	-	4,080	8,947	56,499
Disposals	(4,573)	-	-	(330)	(56)	(421)	(20)	(786)	(115)	-	-	(6,301)
Balance at December 31, 2014	**820,836**	**45,536**	**127,686**	**238,318**	**85,982**	**23,906**	**17,076**	**18,886**	**-**	**4,080**	**50,573**	**1,432,879**

	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 $	Land $	Construction work in progress $	Total $
DEPRECIATION												
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 year	37,617	1,880	4,079	10,733	3,860	1,418	1,175	2,929	8	-	-	63,699
Disposals	(923)	0	0	(249)	(56)	(400)	(20)	(769)	(102)	-	-	(2,519)
Balance at December 31, 2014	**221,216**	**14,992**	**41,660**	**80,623**	**38,532**	**16,218**	**11,331**	**9,104**	**-**	**-**	**-**	**433,676**
CARRYING AMOUNTS												
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 December 31, 2014	599,620	30,544	86,026	157,695	47,450	7,688	5,745	9,782	-	4,080	50,573	999,203

a) At December 31, 2014, $50,573 (2013 – $41,626) of property, plant and equipment were under construction of which $48,968 (2013 - $41,260) was for parking and roadway systems, land servicing, and runways taxiways and aprons, not yet subject to depreciation.

b) Included in accounts payable and accrued liabilities at December 31, 2014 is $11,167 (2013 - $15,125) relating to unpaid capital expenditures (note 10).

c) At December 31, 2014, $63,699 (2013 - $62,290) of property, plant and equipment depreciation was included in the statements of comprehensive loss.

d) Property, plant and equipment includes $1,431 (2013 - $2,227) in borrowing costs capitalized during the year. Borrowing costs were capitalized at a weighted average rate of its general borrowing of 4.81% (2013 – 4.86%).

e) Parts of moving walkways with a net book value of $3,572, categorized as buildings, were derecognized as they require replacement to restore operational capability of the walkways and it has been determined that the parts have no further future economic benefit. It is probable that the reimbursement of the costs to replace the assets will be recovered from a third party. Two moving walkways became operational subsequent to December 31, 2014.

f) Assets with a net book value of $276 (2013 - $4,494) were disposed of for proceeds of $46 (2013 - $4,755).

9 INTANGIBLE ASSETS

	Computer software $	Construction work in progress $	Total $
COST			
Balance at January 1, 2013	2,935	-	2,935
Additions/transfers	615	44	659
Disposals	(570)	-	(570)
Balance at December 31, 2013	**2,980**	**44**	**3,024**
Balance at January 1, 2014	2,980	44	3,024
Additions/transfers	1,068	777	1,845
Disposals	(217)	-	(217)
Balance at December 31, 2014	**3,831**	**821**	**4,652**

	Computer software $	Construction work in progress $	Total $
AMORTIZATION			
Balance at January 1, 2013	1,921	-	1,921
Amortization for the year	867	-	867
Disposals	(570)	-	(570)
Balance at December 31, 2013	**2,218**	**-**	**2,218**
Balance at January 1, 2014	2,218	-	2,218
Amortization for the year	801	-	801
Disposals	(217)	-	(217)
Balance at December 31, 2014	**2,802**	**-**	**2,802**
CARRYING AMOUNTS			
At December 31, 2013	**762**	**44**	**806**
At December 31, 2014	**1,029**	**821**	**1,850**

a) At December 31, 2014, $821 (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 year ended December 31, 2014, $801 (2013 - $867) of intangible asset amortization was charged to the statements of comprehensive loss.

10 ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2014 $	2013 $
Trade payables	645	291
Construction payables (note 8 (b))	11,196	15,125
Payroll source deductions and other employee benefits payable	4,353	4,213
Accrued interest on long-term debt	7,733	7,549
Other accruals and payables	9,070	8,667
	32,997	**35,845**

11 AIRPORT IMPROVEMENT FEE (AIF)

Effective April 12, 1997, Edmonton Airports implemented an AIF to fund capital expenditures and the related financing costs, including the capital expenditure projects, the general purpose is to construct or improve Airport infrastructure at Edmonton International Airport (see note 14(a)).

(cumulative from program inception)	2014 $	2013 $
AIF revenue	668,196	582,018
AIF collection costs, retained by airlines	(41,552)	(36,549)
	626,644	545,469
Less: cumulative expenditures	(1,541,860)	1,459,224
	(915,216)	**(913,755)**

12 OPERATING LEASES

Edmonton Airports leases various retail spaces, hangars and industrial and agricultural lands which terminate between 2014 and 2072. The future minimum lease payments receivable under operating leases are:

	2014 $	2013 $
No later than a year	14,523	15,276
Later than 1 year and no later than 5 years	46,866	53,661
Later than 5 years	46,712	28,924
	108,101	**97,861**

Contingent-based rents recognized in the statements of comprehensive loss were $9,553 (2013 – $8,313).

13 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.

14 COMMITMENTS

a) Capital commitments

Edmonton Airports' capital projects are identified by airport and are broken into three main categories which are Commercial Real Estate, Growth and Maintenance.

Commercial Real Estate includes projects that build the revenue capacity for Edmonton Airports, the funding for which will be approved as operating earnings grow, and cash flow becomes available. Projects in this category include highway commercial development, light industrial development, and other similar investments. The Growth category is made up of projects that expand capacity, create new services and/or improve the passenger experience. This category 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 third group of projects is related to the maintenance of existing airport facilities and infrastructure. Projects in this category include system lifecycle replacements, paving programs, fleet replacement and capital restoration.

b) At December 31, 2014, Edmonton Airports had outstanding capital commitments in the amount of $10,736 (2013–$6,674).

c) Operating commitments

Edmonton Airports has operating contracts for the provision of parking and information technology management, building maintenance and security, air service, marketing and janitorial services. These contracts have annual commitments as follows:

	$
2015	15,053
2016	11,185
2017	9,935
2018	9,366
2019	5,781

The Amended Canada Lease is based upon a percentage of estimated gross revenues, including AIF revenues, at the Edmonton International Airport (see note 1). The future lease payments due to the Landlord are based upon projected Gross Revenue in each year and are estimated for the next five years as follows:

	$
2015	19,735
2016	21,213
2017	23,133
2018	24,944
2019	27,186

15 FINANCIAL INSTRUMENTS, RISK MANAGEMENT AND CAPITAL MANAGEMENT

FAIR VALUE MEASUREMENT

Financial instruments measured at fair value, are categorized into levels by valuation method. The different levels have been defined as follows:

i) Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).

ii) Inputs other than quoted prices included within level 1 that are observable for the asset or liability either directly (that is prices) or indirectly (that is, derived from prices) (Level 2).

iii) Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

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 at December 31, 2014 is $1,072,862 (2013 – $1,021,290).

There were no transfers between the levels of the fair value hierarchy during the period.

RISK MANAGEMENT

Edmonton Airports' Board of Directors is responsible for understanding the principal risks of the business in which Edmonton Airports is engaged, achieving a proper balance between risks incurred and the purpose of Edmonton Airports and confirming that there are systems in place to effectively monitor and manage those risks with a view to the long-term viability of Edmonton Airports. The Board of Directors has established the Audit Committee, which reviews significant financial risks associated with future performance, growth and lost opportunities identified by management that could materially affect the ability of Edmonton Airports to achieve its strategic or operational targets. The Board of Directors is responsible for confirming that management has procedures in place to mitigate identified risks.

iv) Credit risk

For cash and cash equivalents, accounts receivable and restricted deposits, credit risk represents the carrying amount on the balance sheet. Cash and cash equivalents and restricted deposits credit risk is reduced by investing in instruments issued by financial institutions that management believes are credit worthy and in federal and provincial government issued short-term instruments.

The maximum exposure to credit risk is the carrying value of receivables on the balance sheet. Edmonton Airports derives approximately 71% (2013– 72%) of its airside and general terminal and AIF revenue remitted from two airlines.

Edmonton Airports mitigates credit risk by endeavouring to obtain security deposits, letters of credit, customer credit evaluations and other credit enhancement methods.

Accounts receivable are non-interest bearing and are generally due in 30 to 90 days. At December 31, 2014, provision for impairment of accounts receivable was $277 (2013 – $251).

At December 31, 2014, the aging analysis of trade receivables that are past due, but not impaired, is as follows:

	2014 $	2013 $
30 to 90 days	3,807	2,613
Greater than 90 days	527	758
	4,334	**3,371**

No other impairments have been identified within trade or other receivables.

v) Liquidity risk

Liquidity risk arises through excess obligations over available financial assets due at any point in time. Edmonton Airports' objective in managing liquidity risk is to maintain sufficient readily available reserves to meet its liquidity requirements at any point in time. Edmonton Airports achieves this through funds generated by operations and externally through bank borrowings and bonds that provide flexibility in the timing and amounts of long-term financing. Edmonton Airports has a policy to invest its cash balances in short-term pooled money market funds whose underlying investment policy restricts these investments to federal and provincial government issues and in issues of large highly-rated Canadian financial institutions.

The following table sets out Edmonton Airports' financial liabilities, including interest payments, where applicable:

	Long-term debt $	Contractual commitments $	Trade and other payables $	Total $
AS AT DECEMBER 31, 2014				
Within 1 year	67,363	34,878	32,997	135,238
1 to 5 years	363,048	110,651	-	473,699
After 5 years	1,171,338	-	-	1,171,338
AS AT DECEMBER 31, 2013				
Within 1 year	64,944	51,619	26,937	143,500
1 to 5 years	342,572	99,335	-	441,907
After 5 years	1,194,790	-	-	1,194,790

Given the available credit facilities, the amounts of cash and cash equivalents, and the timing of liability payments Edmonton Airports' management assesses the liquidity risk at as low.

vi) Market risk

Market risk is the risk that changes in market prices, such as foreign currency exchange rates and interest rates, will affect Edmonton Airports' income or the value of the financial instruments held.

FOREIGN CURRENCY RISK

Edmonton Airports' functional currency is the Canadian dollar and major purchases are transacted in Canadian dollars. Management believes that the foreign exchange risk from currency conversions is negligible.

INTEREST RATE RISK

Interest rate risk arises because of the fluctuations in interest rates. Edmonton Airports is exposed to interest rate risk on its cash and cash equivalents, restricted deposits, post-employment benefit liabilities and long-term debt.

Edmonton Airports enters into fixed rate debentures under the Series C Bond and other debt securities with the intention of holding to maturity. Fluctuations in interest rates will have an impact on the fair value of the long-term debt. The fair value of the long-term debt would increase by $116,426 if interest rates decreased by 1 percent and decrease by $97,095 if interest rates increased by 1 percent.

CAPITAL MANAGEMENT

Edmonton Airports is incorporated without share capital under provisions of the Regional Airports Authority Act (Alberta) and, as such, all surpluses are retained and reinvested in airport operations and development. Edmonton Airports manages contributed capital and equity in property, plant and equipment as capital. Edmonton Airports' objective when managing capital is to safeguard the entity's ability to operate and manage its airports in a safe and secure fashion.

Edmonton Airports sets the amount of capital in proportion to risk and its ability to operate the airports in conjunction with its stated purpose. Edmonton Airports manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, Edmonton Airports may adjust rates and fees related to airport operations, AIF or by adjusting its capital project plans.

Edmonton Airports' plan, which is unchanged from 2013, is to comply with the covenants for Debt Service Coverage Ratio, Gross Debt Service Coverage Ratio and Interest Coverage Ratio (notes 6(a) and 6(c)). Edmonton Airports maintains its credit rating in order to secure access to financing at a reasonable cost. As at December 31, 2014, Edmonton Airports was in compliance with the restrictions imposed on capital.

Edmonton Airports has no externally imposed restrictions on capital requirements.

The primary measure Edmonton Airports uses to monitor its profitability and financial leverage is EBITDA (earnings before interest, taxes, depreciation and amortization). Edmonton Airports' earnings are exempt from federal and provincial income tax. EBITDA is an additional GAAP measure as prescribed by IFRS and has been presented in the manner in which the chief operating decision maker assesses performance.

16 DIRECTORS' AND OFFICERS' REMUNERATION AND EXPENSES

This information is provided pursuant to the Regulations of the Act

a) Directors' compensation

	Annual Retainer $
Chair	70
Vice-chair (does not collect Director retainer)	16
Vice-chair who is also a Committee Chair (does not collect Director retainer)	20.5
Committee chairs (do not collect Director retainer)	16
Directors	12.5

Meeting fees: Board and Board Committee meeting fees are $1,000 per meeting.

Total compensation paid and expenses reimbursed to each Director in 2014:

	Compensation $	Expenses $	Total $
Bryan Bailey	27	0	27
Naseem Bashir	22	0	22
Leonard Blumenthal	23	2	25
Mary J. Cameron (Chair, Real Estate Development Oversight Committee)	29	5	34
Robert Carwell (Chair, Audit Committee)	30	2	32
Dale Klein	26	1	27
Maureen McCaw	20	0	20
Anne McLellan (Vice Chair)	25	0	25
Rolly Owens	23	0	23
Robert Petryk (Chair, Governance & Compensation Committee)	28	1	29
Tom Redl (Chair)	79	1	80
Gail Stepanik-Keber	25	1	26
Ralph Young	24	0	24

Total compensation for each key member of management in 2014 was as follows:

	Base salary $	Other cash benefits(1) $	Other non-cash benefits(2) $	2014 Total $	2013 Total $
President and Chief Executive Officer* (effective January 27, 2014)	343	133	32	508	-
Vice President Infrastructure	221	139	53	413	393
Vice President Operations (effective August 4, 2014)	85	5	13	104	-
Chief Financial Officer and Vice President Strategy and Corporate Services*	268	139	32	438	304
Vice President Commercial Development	225	239	68	531	356
General Counsel and Corporate Secretary*	161	59	35	255	223
Vice President Passenger Market Development*	225	178	53	456	367
Key member of management no longer with Edmonton Airports at December 31, 2014	54	419	5	478	1,190
	1,582	1,311	291	3,184	2,833

* Denotes officer of Edmonton Airports at December 31, 2014

(1) Other cash benefits include incentive pay (per note 16(a) (3)) and management allowances.

(2) Other non-cash benefits include Supplementary Executive Retirement Plan (SERP) (per note 7(b)) and Edmonton Airports' share of all taxable employee benefits and contributions or payments made on behalf of employees including the DB Plan and DC Plan and group life insurance plan.

Total remuneration for Directors and Officers:

During the year ended December 31, 2014, Edmonton Airports provided its Directors and Officers remuneration (base salary, incentives, and allowances) and reimbursement of expenses in the following amounts:

		2014
	Remuneration $	Expenses $
To Directors	381	13
To 4 officers who are not Directors	1,657	169
	2,038	182

		2013
	Remuneration $	Expenses $
To Directors	313	10
To 4 Officers who are not Directors	2,084	101
	2,397	**111**

17 SUBSEQUENT EVENT

On January 5, 2015, Edmonton Airports entered into a lease agreement with Ivanhoe Cambridge for land as a site for the design, construction and operation of an Outlet Centre. Pursuant to the agreement, Edmonton Airports has committed to constructing a north to east bound dual right turn road to be completed with service open to the public no later than December 31, 2015 and a direct access development which will be completed with service open to the public no later than November 1, 2017. Edmonton Airports is in the process of determining the cost to construct the infrastructure.

18 COMPARATIVE INFORMATION

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

LONG-TERM STRATEGIC OBJECTIVES 2020

Improve Financial Sustainability

Edmonton International Airport set four long-term targets in relation to our financial sustainability.

By 2020, we aim to have a total revenue of $310 million. Our total revenue in 2014 was $205.8 million, and we expect to meet our target due in large part to our commercial development on airport land. Land lease makes up a growing portion of our non-aeronautical revenue.

With a year-end EBITDA margin of 47.4 per cent, we aim to have an EBITDA margin of 56.1 per cent by 2020.

We served 8.2 million passengers in 2014, leading us towards our goal of 12 million annual enplaned and deplaned passengers by 2020.

We are also targeting an operating expense of $14.91 per enplaned passenger by 2020. Our 2014 operating expense per passenger was $18.65. As passenger numbers grow and operating efficiencies increase, our operating expense will continue to decrease.

Enhance Passenger Experience

EIA uses Airport Service Quality (ASQ) surveys to gauge passenger satisfaction in a variety of areas. We implement many strategies to improve the passenger experience, including technology solutions for key services such as airline check-in and bag delivery, as well as customer friendly programs such as EIALive and Pet Therapy. We also work closely to support our airline partners, who are responsible for baggage delivery, and our security partners, who are responsible for security screening. Our 2020 ASQ target is an overall satisfaction of 4.5; our 2014 result was 4.25.

Improve Social and Environmental Sustainability

Our long-term objective is to report our sustainability journey in accordance with Global Report Initiative (GRI) standards. In 2014, we approved and began the process to produce our first-ever report following GRI guidelines. Our 2014 Sustainability Report was released alongside our 2014 Annual Report as a companion document, and we will continue to expand our reporting, guided by GRI standards.

Enhance Airline Productivity

On-time performance (OTP) is a key priority for our airline partners and shared customers (passengers). EIA has strong OTP numbers, and we will work diligently with our airline partners to maintain focus and efforts to ensure strong OTP. Our 2020 goal is an on-time departure rate of 89 per cent. Our 2014 rate was 86.3 per cent.

Exemplify Exceptional Leadership

Our target for our fifth long-term objective is to achieve an overall engagement score of 75 per cent from our employees. To support exceptional work, an organization needs to develop exceptional leadership. By measuring the engagement of our employee teams, we will identify strengths, address challenges and build leadership and employee plans accordingly.

2014 PERFORMANCE ON STRATEGIC OBJECTIVES

Achieve Financial Sustainability

EIA's goal is to reach 12 million enplaned and deplaned passengers by 2020. In 2014, EIA recorded its busiest year ever, moving a total of 8.2 million passengers, including Fixed Based Operator passengers, up seven per cent from 2013. Of this figure, 7.33 million terminal passengers travelled through EIA, which is an excellent actual result against our target to serve 7.36 million by year end.

EIA's Earnings before Interest, Tax, Depreciation and Amortization (EBITDA) margin, which represents EBITDA divided by total revenue, was a very positive 47.4 per cent at year end 2014 against our year-end target of 46.6 per cent.

Enhance Passenger Experience

In 2014, EIA achieved exceptional customer satisfaction across a number of indicators important to our passengers. One specific challenge was increased time for passenger screening. We continue to support the Canadian Air Transport Security Authority (CATSA) with their screening programs to both ensure security and minimize customer delays. EIA achieved an overall Air Service Quality score of 4.25 against our target of 4.32.

Achieve Social and Environmental Sustainability

In 2014, EIA focused on our core value of non-stop sustainability. To highlight the significant investment, as well as improve reporting, EIA committed to establishing a sustainability program to GRI standards. As a result of this commitment, our first Sustainability Report was produced and released alongside this Annual Report.

Enhance Airline Productivity

Supporting our airline partners is paramount to the success of EIA. On-time performance is a key measure for airlines who are seeking to ensure passenger satisfaction as well as deliver efficient operations. In support of this airline priority, EIA targeted year-end on-time departures of 84 per cent, and recorded a very positive result of 86.3 per cent in 2014. EIA consistently ranks highly amongst our North American peers for on-time performance.

In addition, by measuring expenses per enplaned passenger, EIA remains focused on financial responsibility and productivity. EIA's target was an investment of $18.72 per enplaned passenger in 2014, which was achieved with year-end actuals reflecting $18.65 per passenger.

Be Accountable for Exceptional Leadership

To ensure focused efforts on developing and supporting our employee team, EIA implemented a survey in 2014 to identify how and which programs could be developed in order to best serve our team. We targeted an engagement score of 75 per cent. We performed a subsequent survey in 2014, and saw a rise from 63 per cent engagement in February to 67 per cent in December.

NON-STOP LEADERSHIP

Executive Management Team

Tom Ruth, President & CEO

Traci Bednard, Vice President, Passenger Market Development

Kirstan Jewell, Director of Human Resources

Myron Keehn, Vice President, Commercial Development

Rob Malli, Chief Financial Officer & Vice President, Strategy & Corporate Services

Steve Maybee, Vice President, Operations

Steve Rumley, Vice President, Infrastructure

Bill Wright, General Counsel & Corporate Secretary

Karen Croll, Executive Assistant & Board Secretary

Appointer Representatives

City of Edmonton
Don Iveson, Mayor
Simon Farbrother, City Manager

City of Leduc
Greg Krischke, Mayor
Paul Benedetto, City Manager

Leduc County
John Whaley, Mayor
Brian Bowles, County Manager

Parkland County
Rod Shaigec, Mayor
Rob McGowan, Interim Chief Administrative Officer

Strathcona County
Roxanne Carr, Mayor
Rob Coon, Chief Commissioner

Sturgeon County
Tom Flynn, Mayor
Peter Tarnawsky, Chief Administrative Officer

Transport Canada
Natalie Bossé, Director General, Airport & Marine Programs

Jason Tom, Director, Authorities Stewardship, Airport & Marine Programs

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AIRPORTS