

EDMONTON INTERNATIONAL AIRPORT

**EIA**  
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Edmonton Airports

# Unaudited Condensed Quarterly Interim Financial Statements

For the Three Months Ended March 31<sup>st</sup>, 2013

## 1. INTRODUCTION

The following commentary and analysis of the operating results and financial position of the Edmonton Regional Airports Authority ("Edmonton Airports") for the three months ended March 31, 2013 should be read in conjunction with the unaudited condensed consolidated financial statements and related notes contained in this interim report as well as the Management Discussion and Analysis and the audited financial statements and related notes contained in the 2012 Annual Report.

Edmonton Airports' financial statements reflect the combined results of operations of the Edmonton International, Edmonton City Centre and Villeneuve Airports.

Edmonton Airports recorded an overall net loss of \$4.9 million for the three months ended March 31, 2013, which is an \$8.7 million decrease from the 2012 net earnings of \$3.8 million. During the period, Edmonton Airports experienced revenue growth of \$3.5 million (8.5%) and increased expense growth of \$12.4 million (33.3%).

## 2. EDMONTON INTERNATIONAL AIRPORT ACTIVITY

Passenger volume, comprised of the total number of enplaned and deplaned passengers, is the main driver of certain Edmonton Airports revenue streams. These include concession, parking and car rentals, AIF, and police and security revenues. The following table outlines the seasonality component of passenger traffic at the Edmonton International and compares 2013 actual for January through March to the same period last year.

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#### Enplaned/Deplaned Passenger Traffic by Sector

	Three Months Ended March 31		%
	2013	2012	
Domestic	1,180,404	1,150,597	2.6
Transborder	352,452	328,815	7.2
International	155,290	155,224	0.0
<b>Total</b>	<b>1,688,146</b>	<b>1,634,636</b>	<b>3.3</b>

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

### 3. RESULTS OF OPERATIONS

The table below shows Edmonton Airports combined operating earnings for the three months ended March 31, 2013 with comparative figures for the same period in 2012.

**EDMONTON AIRPORTS**  
**Statement of Operating Earnings (000's of dollars)**  
**Unaudited**

	Three Months Ended March 31	
	2013	2012
	\$	\$
<b>Operating revenues</b>		
Airside and general terminal	10,504	9,949
Parking and car rentals	9,657	8,869
Concession	3,124	2,495
Real estate leases	1,270	822
Other revenue	16	11
	24,571	22,146
<b>Operating expenses</b>		
Salaries and employee benefits	8,049	6,558
Service, maintenance, supplies and administration	6,538	5,129
Utilities, insurance and property taxes	3,305	2,811
Canada lease rent	3,788	3,367
	21,680	17,865
<b>Operating earnings</b>	<b>2,891</b>	<b>4,281</b>

The calculation of operating earnings excludes Airport Improvement Fee and police and security revenues as well as Airport Improvement Fee collection costs, police and security, interest and amortization expenses.

### 3.1. Operating Revenues

Operating revenues for the three months ended March 31, 2013 were \$24.6 million compared to \$22.1 million for the corresponding period in 2012, an increase of \$2.4million (10.9%). The increase in operating revenues is primarily the result of increased aircraft movements, additional concession options, additional car rental revenue from rental agencies exceeding the minimum guarantees, and increased real estate revenue from new land leases at the International Airport.

### 3.2. Operating Expenses

Operating expenses for the three months ended March 31, 2013 were \$21.7 million compared to \$17.9 million for the corresponding period in 2012, an increase of \$3.8 million (17.6%). The increase in operating expenses is primarily the result of increases in salaries and employee benefits due to the contractual increase in wages, higher variable pay and higher pension costs; an increase in services, maintenance, supplies and administration costs primarily related to the launch of the NYC route; an increase in property taxes due to an increase in assessed values from construction; and an increase in Canada lease rent resulting from the increase in revenues. These higher costs were offset slightly by lower insurance costs.

### 3.3. Operating Earnings

Operating earnings for the three months ended March 31, 2013 were \$2.9 million, \$1.4 million lower than last year's operating earnings of \$4.3 million (32.5%).

### 3.4. Net Income

The net loss of \$4.9 million for the three months ended March 31, 2013 represents a decrease of \$8.7 million compared to net earnings of \$3.8 million for the same period in 2012. The decrease in net earnings results from lower operating earnings, increases in amortization expense due to the growth of property, plant and equipment, higher interest expense due to five new debenture draws used to fund the capital program offset by higher AIF revenues and lower police and security net costs.

## 4. CAPITAL INVESTMENT

The approved 2013 Expansion Capital Program is approximately \$20.4 million for all airports. To date, no additional capital has been approved in the first three months of 2013 and \$9.1 million has been spent on all projects, including multi-year projects approved in prior years.

The approved Capital Sustaining Program for 2013 is \$20.0 million for all airports. For the three months ended March 31, 2013, \$5.4 million in projects have been approved and an additional \$2.0 million was spent on all projects including multi-year projects approved in prior years. The major expenditures are \$1.1 million for fleet replacement, and \$0.7 million for CUTE lifecycle replacement.

**EDMONTON AIRPORTS**  
**Statements of Financial Position (000's of dollars)**  
**Unaudited**

**As at March 31, 2013 with comparative figures at December 31, 2012**

	Notes	March 31 2013 \$	December 31 2012 \$
<b>Assets</b>			
Current assets			
Cash and cash equivalents		78,020	75,998
Accounts receivable	5	25,481	18,201
Prepaid expenses and other		2,405	3,197
		105,906	97,396
Restricted deposits			
Restricted deposits	6	32,241	32,158
Prepaid expense and lessee receivable		492	504
Property, plant and equipment	6, 7	1,003,203	1,006,691
Intangible assets	8	950	1,014
		<b>1,142,792</b>	<b>1,137,763</b>
<b>Liabilities</b>			
Current liabilities			
Accounts payable and accrued liabilities	7 (b)	51,183	57,235
Current portion of obligation under finance lease		28	27
Current portion of long-term debt	6	17,639	17,502
Current portion of deferred revenue		14	38
		68,864	74,802
Tenants' security deposits		1,291	1,269
Deferred capital contributions		500	-
Obligation under finance lease		15	23
Post-employment benefit		15,475	17,066
Long-term debt	6	961,068	944,105
		1,047,213	1,037,265
<b>Contingencies</b>	12		
<b>Net Assets</b>		95,579	100,498
		<b>1,142,792</b>	<b>1,137,763</b>

See accompanying notes to interim financial statements

**EDMONTON AIRPORTS**  
**Statements of Comprehensive Income (000's of dollars)**  
**Unaudited**

**For the three months ended March 31, 2013 with comparative figures for 2012**

	Notes	Three Months Ended March 31	
		2013 \$	2012 \$
<b>Revenues</b>			
Airport improvement fee	9, 5	18,061	17,212
Airside and general terminal	5	10,504	9,949
Parking and car rentals		9,657	8,869
Concession		3,124	2,495
Police and security		1,967	1,733
Real estate leases		1,270	822
Other revenue		16	11
		44,599	41,091
<b>Expenses</b>			
Amortization	7 (c), 8 (a)	14,654	10,099
Interest	6	10,419	6,712
Salaries and employee benefits	10	8,049	6,558
Service, maintenance, supplies and administration		6,538	5,129
Canada lease rent	3	3,788	3,367
Utilities, insurance and property taxes		3,305	2,811
Police and security		1,686	1,486
Airport improvement fee collection costs		1,099	1,046
		49,538	37,208
<b>Loss earnings before the undernoted</b>		(4,939)	3,883
Other income (expenses)		20	(45)
<b>Net (loss) income</b>		(4,919)	3,838
Other comprehensive income		-	-
<b>Comprehensive (loss) income for the period</b>		<b>(4,919)</b>	<b>3,838</b>

See accompanying notes to interim financial statements

**EDMONTON AIRPORTS**  
**Statements of Changes in Net Assets (000's of dollars)**  
**Unaudited**

**As at March 31, 2013 with comparative figures for 2012**

	Three Months Ended March 31	
	2013 \$	2012 \$
<b>Net assets – beginning of period</b>	100,498	115,611
Net (loss) income	(4,919)	3,838
Other comprehensive loss – actuarial loss on post-employment benefits	-	-
<b>Total comprehensive (loss) income – end of period</b>	<b>(4,919)</b>	<b>3,838</b>
<b>Net assets – end of period</b>	<b>95,579</b>	<b>119,449</b>

*See accompanying notes to interim financial statements*

**EDMONTON AIRPORTS**  
**Statements of Cash Flows (000's of dollars)**  
**Unaudited**

**For the three months ended March 31, 2013 with comparative figures for 2012**

	Three Months Ended March 31	
	2013	2012
	\$	\$
Cash provided by (used in):		
<b>Operating activities</b>		
Cash receipts from customers	37,721	33,045
Cash paid to employees and suppliers	(16,198)	(11,153)
Cash paid to the landlord	(6,345)	(3,885)
Interest received	355	339
Interest paid	(6,140)	(5,108)
Increase (decrease) in tenants' security deposits	22	(47)
Pension contributions	(1,022)	(592)
	8,393	12,599
<b>Financing activities</b>		
Principal payments under finance lease obligation	(6)	(5)
Repayments of long-term debt	(2,989)	(2,859)
Proceeds from long-term debt	20,000	30,000
	17,005	27,136
<b>Investing activities</b>		
Net purchase of restricted deposits	(83)	(56)
Loan repayments	11	11
Interest paid capitalized to property plant and equipment	(1,101)	(4,046)
Purchase of property, plant and equipment	(22,203)	(39,037)
	(23,376)	(43,128)
<b>Increase (decrease) in cash</b>	2,022	(3,393)
Cash and cash equivalents – beginning of period	75,998	97,178
<b>Cash and cash equivalents – end of period</b>	<b>78,020</b>	<b>93,785</b>

*See accompanying notes to interim financial statements*



**Notes to 1<sup>st</sup> Quarter 2013**  
**Condensed Quarterly Interim Financial Statements (Unaudited)**  
(000's of dollars unless otherwise stated)

**1. BASIS OF PRESENTATION**

These condensed quarterly interim financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) applicable to the preparation of interim financial statements, including IAS 34, Interim Financial Reporting. The condensed quarterly interim financial statements do not include all the information and disclosures required in the annual audited financial statements, and should be read in conjunction with Edmonton Airports' annual audited financial statements as at December 31, 2012.

The condensed quarterly interim financial statements were approved for issue by the Board of Directors on May 9, 2013 as recommended by the Audit Committee.

**2. SIGNIFICANT ACCOUNTING POLICIES**

The condensed quarterly interim financial statements follow the same accounting policies and methods in their application as the most recent annual audited financial statements for Edmonton Airports, except for the adoption IFRS 13 Fair Value Measurement and IFRS 19R Employee Benefits effective as of January 1, 2013.

**3. LEASE AGREEMENTS**

There have been no material changes in the terms and conditions of the lease agreements represented in the most recent annual financial statements of Edmonton Airports.

**4. CAPITAL MANAGEMENT**

Edmonton Airports complies with the covenants for the Debt Service Coverage Ratio, Gross Debt Service Coverage Ratio and Interest Coverage Ratio. Edmonton Airports' credit rating allows it to secure access to financing at the lowest possible cost.

As at March 31, 2013, Edmonton Airports was in compliance with the restrictions imposed on capital.

**5. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**

Edmonton Airports' Board of Directors ("Board") is responsible for understanding the principal risks of the business in which Edmonton Airports is engaged, achieving a balance between risks incurred and the purpose of Edmonton Airports and confirming 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 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 Edmonton Airports' ability to achieve its strategic or operational targets. The Board is responsible for confirming that management has procedures in place to mitigate identified risks.

*Credit risk*

The maximum exposure to credit risk is the carrying value of loans and receivables on the balance sheet. Edmonton Airports has a concentration of credit risk with two airlines which comprise approximately 73.9% (72.3% - 2012) of its airside and general terminal, and AIF revenue. In management's opinion, Edmonton Airports is not exposed to significant credit risk from these airlines.

**Notes to 1<sup>st</sup> Quarter 2013**  
**Condensed Quarterly Interim Financial Statements (Unaudited)**  
(000's of dollars unless otherwise stated)

Accounts receivable are non-interest bearing and are generally due in 30 to 90 days. At March 31, 2013, the provision for impairment of accounts receivable was \$561 (December 31, 2012 \$645).

At March 31, 2013, the aging analysis of trade receivables that are past due, but not impaired, is as follows:

	March 31 2013 \$	December 31 2012 \$
30 to 90 days	4,639	4,233
Greater than 90 days	1,135	1,049
	<b>5,774</b>	<b>5,282</b>

No other impairments have been identified within accounts receivable.

## 6. LONG-TERM DEBT

(a) Series A Bond and restricted deposits

Interest Rate	Semi-annual Instalment \$	Maturity Date	March 31 2013 \$	December 31 2012 \$
7.21%	Varying	November 1, 2030	227,577	227,577
			4,196	4,285
			223,381	223,292
		Less: Current Portion	4,671	4,671
			<b>218,710</b>	<b>218,621</b>

**Notes to 1<sup>st</sup> Quarter 2013**  
**Condensed Quarterly Interim Financial Statements (Unaudited)**  
(000's of dollars unless otherwise stated)

(b) Series C Bond

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

Interest Rate	Semi-annual Instalment \$	Maturity Date	March 31 2013 \$	December 31 2012 \$
4.37%	755	December 15, 2026	15,688	15,688
4.50%	1,145	March 15, 2027	23,603	24,204
5.00%	398	June 15, 2027	8,148	8,148
4.89%	395	September 17, 2027	8,131	8,322
4.68%	1,552	June 16, 2028	33,924	33,924
4.55%	3,068	September 17, 2028	67,697	69,191
4.67%	1,245	December 15, 2039	38,014	38,014
4.54%	920	March 15, 2040	28,479	28,747
4.56%	1,845	June 15, 2040	57,503	57,503
4.00%	1,439	October 1, 2040	48,194	48,194
4.40%	2,112	December 15, 2040	67,633	67,633
4.41%	1,511	March 15, 2041	48,312	48,747
Fixed Rate Debentures, Series C Bonds payable in semi-annual instalments 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%	342	March 15, 2043	20,000	-
			755,326	738,315
Less: current portion			12,968	12,831
			<b>742,358</b>	<b>725,484</b>

Notes to 1<sup>st</sup> Quarter 2013  
Condensed Quarterly Interim Financial Statements (Unaudited)  
(000's of dollars unless otherwise stated)

Interest Expense (Income)	Three Months Ended March 31	
	2013 \$	2012 \$
Series A Bond interest	4,104	4,179
Series C Bond interest	7,576	6,753
Other interest and financing costs	120	32
Interest income and other	(280)	(206)
	11,520	10,758
Less: capitalized interest	1,101	4,046
	10,419	6,712

Notes to 1<sup>st</sup> Quarter 2013  
Condensed Quarterly Interim Financial Statements (Unaudited)  
(000's of dollars unless otherwise stated)

**7. PROPERTY, PLANT AND EQUIPMENT**

	March 31 2013 \$	December 31 2012 \$
Buildings	739,058	711,389
Runways, taxiways and apron surfaces	209,115	206,019
Parking facilities and lots	119,955	117,883
Other facilities	84,968	81,875
Roadway systems	41,750	40,893
Vehicles and maintenance equipment	20,098	20,127
Furniture and equipment	17,038	16,349
Computer hardware	17,918	10,283
Other equipment under finance lease	115	115
Construction work in progress	80,569	114,738
	1,330,584	1,319,671
Less: accumulated amortization	327,381	312,980
	<b>1,003,203</b>	<b>1,006,691</b>

- (a) At March 31, 2013, \$81,823 (December 31, 2012 - \$114,738) of property, plant, and equipment was under construction and not yet subject to amortization.
- (b) Included in accounts payable and accrued liabilities at March 31, 2013 is \$22,390 (December 31, 2012 - \$34,569) relating to unpaid capital expenditures.
- (c) For the period ended March 31, 2013, \$14,431 (March 31, 2012 - \$9,940) of the amortization expense is for property, plant and equipment.
- (d) Assets with a net book value of \$22 (March 31, 2012 - \$Nil) were disposed of for proceeds of \$Nil (March 31, 2012 - \$Nil).

Notes to 1<sup>st</sup> Quarter 2013  
Condensed Quarterly Interim Financial Statements (Unaudited)  
(000's of dollars unless otherwise stated)

**8. INTANGIBLE ASSETS**

	March 31 2013 \$	December 31 2012 \$
Software and software licenses	3,124	2,935
Less: accumulated amortization	2,174	1,921
	<b>950</b>	<b>1,014</b>

(a) For the period ended March 31, 2013, \$253 (March 31, 2012 - \$159) of the amortization expense is for intangible assets.

**9. AIRPORT IMPROVEMENT FEE**

Effective April 12, 1997, Edmonton Airports implemented an Airport Improvement Fee ("AIF") to fund certain capital expenditures and the related financing costs, including the redevelopment and expansion of the terminal facilities at the Edmonton International Airport.

	March 31 2013 \$	December 31 2012 \$
(cumulative from program inception)		
AIF revenue	525,286	507,225
AIF collection costs	(33,097)	(31,998)
	492,189	475,227
Less: cumulative capital expenditures and related financing costs	1,442,964	1,421,870
	<b>(950,775)</b>	<b>(946,643)</b>

Notes to 1<sup>st</sup> Quarter 2013  
 Condensed Quarterly Interim Financial Statements (Unaudited)  
 (000's of dollars unless otherwise stated)

**10. POST-EMPLOYMENT BENEFIT**

	Three Months Ended March 31			Total
	Pension Plan	SERP	Long-term Benefit Plan	
	\$	\$	\$	\$
Current service cost (employer portion)	317	51	50	418
Interest cost	229	18	19	266
<b>Net benefit plan expense included in salaries and employee benefits expense 2013</b>	<b>546</b>	<b>69</b>	<b>69</b>	<b>684</b>
<b>Net benefit plan expense included in salaries and employee benefits expense 2012</b>	<b>508</b>	<b>64</b>	<b>92</b>	<b>664</b>

**Notes to 1<sup>st</sup> Quarter 2013**  
**Condensed Quarterly Interim Financial Statements (Unaudited)**  
(000's of dollars unless otherwise stated)

**11. FAIR VALUES**

Set out below is an overview of financial instruments, other than cash and cash equivalents, held by Edmonton Airports:

	March 31 2013				December 31 2012			
	Level 1	Level 2	Fair Value	Carrying Value	Level 1	Level 2	Fair Value	Carrying Value
			\$	\$			\$	\$
<b>Financial Assets</b>								
Restricted deposits	X		32,241	32,241	X		32,158	32,158
Accounts receivable	X		25,481	25,481	X		18,201	18,201
Prepaid expense and lessee receivable	X		492	492	X		504	504
<b>Financial Liabilities</b>								
Accounts payable and accrued liabilities	X		51,183	51,183	X		57,235	57,235
Tenants' security deposits	X		1,291	1,291	X		1,269	1,269
Obligation under financial lease including current portion	X		43	43	X		50	50
Long-term debt including current portion		X	1,064,811	978,707		X	1,058,307	961,607

The fair value of held-for-trading financial assets and liabilities which have been classified as level 1 of the fair value hierarchy has been calculated using the unadjusted quoted prices. The fair value of the long-term debt classified as level 2 of the fair value hierarchy has been 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.



Notes to 1<sup>st</sup> Quarter 2013  
Condensed Quarterly Interim Financial Statements (Unaudited)  
(000's of dollars unless otherwise stated)

**12. CONTINGENCIES**

There have been no material changes in the existence, likelihood or amount of contingencies since the most recent annual financial statements.