EDMONTON AIRPORTS
ANNUAL REPORT 2013

Hello

Hello. It's one small word overflowing with meaning. It's the word that welcomes friends, introduces strangers and starts conversations. It can be a peace offering, an invitation, a question. It comes with a wave, a handshake, a smile. Wherever you travel, there's a word for hello. It's the world's greeting card.

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2013: a year of hellos.

Whether our customers and community members are coming or going, picking up or dropping off, shipping or receiving, shopping or dining, they can count on us to bring them more service, more choice and more smiles each year.

In 2013, we said hello to nearly seven million passengers, who in turn said hello to millions of friends, family and business contacts around the world. We said hi, howdy, hola, halló, aloha and how YOU doin' to new international, US, sun destination and domestic air service. We welcomed more cargo business to the airport and significantly enhanced our ability to serve the region's business aviation needs. We also gave commercial development at the airport a big high five and hello with the announcement of our partnership with Ivanhoé Cambridge. Under a conditional agreement, Ivanhoe will develop the ultimate outlet shopping experience right at the airport.

Of course, the biggest hello of the year was directed to our new President and CEO, Tom Ruth, who joined Edmonton Airports in January 2014.

The hello business is booming at EIA, and we've got a lot of news to tell you. So sit back, relax and say hello to the year that saw your airport reach a whole new level.

We promise: **we'll move you.**

BOARD CHAIR'S MESSAGE

Hello! Welcome to Edmonton Airports' 2013 Annual Report. The pages that follow will lead you through an incredibly memorable year for our airports and our region. It's fitting that the theme for the 2013 Annual Report is "Hello" because this year we said hello to a whole new era in air service for the region.

We welcomed some exciting new destinations, most notably New York City, and announced upcoming new non-stop flights to Reykjavik and Dallas/Fort Worth. We saw increased regional air service with more flights to Saskatoon and Regina, more international service to Cancun, and Montego Bay and the addition of a new sun destination, Freeport, Grand Bahama. With over 60 non-stop destinations and still growing, EIA is successfully realizing its vision for our community: more flights to more places.

Passengers have responded in record numbers, with nearly seven million travellers using EIA to help them say hello to family, friends and business around the country and around the world. There were significant gains in business aviation at EIA, and increased cargo services helped to drive more cargo business, which reached 14 consecutive quarters of growth in 2013. We continue to play a key role in supporting the industries that drive our region's economy.

All of this progress is happening in a brand new terminal building that has generated unprecedented community pride and support. The new terminal not only connects us to the world, but is also a gathering place that showcases and supports our community's art, music, culture, sport and wellness.

Great leadership was an important contributor to the significant success at EIA. After nine years at the helm, Reg Milley retired as President and CEO of Edmonton Airports. In our community, Reg is known as much for his friendly demeanor as for his considerable business acumen. Under his leadership the region gained 15 more non-stop destinations, grew its commercial seat capacity by 40 per cent, and gained an outstanding terminal with the capacity to meet our 10-million-passenger goal. He leaves behind the impressive legacy of having transformed EIA into a truly world-class international airport.

The Board of Directors set out to find another exceptional leader who could help write the next great chapter in Edmonton Airports' history. After a rigorous international search, we were very pleased to welcome Tom Ruth as our new President and CEO. Tom joins us from Halifax International Airport where he enjoyed great success in leading that airport forward. Tom also has excellent experience on the airline and cargo side – the breadth and diversity of experience our high-growth airport needs. With Tom in the lead, we are confident EIA will consistently deliver on its promise, and ultimately continue to realize its mission of driving our region's economic prosperity.

2013 has been a year filled with successes, and with a strong new leader, a great team and a world-class new terminal, the future has never looked so bright. We will be leveraging those assets to meet our goal of reaching 10 million passengers by 2020. We're focused on attracting new regional and international travellers. We will pursue commercial development to support this and to generate revenue that can be reinvested into air service. Growing non-aeronautical revenue is a key step that will take EIA to the next level in its evolution, cementing its reputation as one of North America's great international airports.

With community support behind us, EIA will continue to play to its strengths and continue to drive the region's success and reputation as an economic powerhouse. So as we close one chapter in the airport's history, I can say with confidence that we're just getting started.

Tom Redl / Board Chair

PRESIDENT AND CEO'S MESSAGE

There are few things more exciting than becoming the leader of an organization that has consistently exceeded expectations. In November 2013, I was very pleased to be chosen to serve as President and CEO of Edmonton Airports at such a great time in its history.

Record-breaking passenger numbers made 2013 the busiest year ever. EIA also saw strong performance in both business and general aviation flights, many of which serve the energy and resources sectors in northern Alberta and Canada's North from EIA's private terminals. The number of these corporate charter flights grew an astonishing 28 per cent over the 2012 total, and that's on top of previous strong annual growth.

This was also a big year for Villeneuve Airport. A runway extension was completed, and upgraded navigational aids were installed to accommodate a broader range of air operations. Significant development is ongoing as businesses seek to capitalize on Villeneuve's potential as an economic driver.

Through my previous experience leading a northern airline, I was lucky to spend time in Edmonton. Now that I'm returning, I look forward to spending a lot more time listening and working cooperatively with the community, our passengers and our business partners. This region and its airport have a great reputation for growth and transformation. It's what attracted me to this job, and I'm excited to play a part in continuing to develop this community asset and support the region's growth.

To say that I'm joining a winning team is an incredible understatement. In the past year EIA has had many reasons to celebrate, thanks to robust results and the contributions of a myriad of partners in the community who have played such an important role in the airport's successes. Still, as I've started meeting with the region's business leaders, community members and our own employees, it's clear that neither this region nor this company would ever rest on its laurels. We're determined to keep our region growing and moving forward. The drive to do better isn't just a goal at EIA; it's a culture, and a reflection of this region.

We have a clear mandate:

» Fulfill the goal of serving 10 million passengers by 2020

» Accelerate growth of non-aeronautical revenue

» Continue to attract more flights to more places

Together, we can look forward to more non-stop destinations and growth not only in air service but in the commercial development that helps to support it. Over the coming years we'll see the land between Highway 2 and the terminal building transformed into a bustling aerotropolis – a thriving business centre that will add even more significant horsepower to our role as an economic engine for the region.

The growth adventure continues, and my part in it is just beginning. And so, to the region's business leaders, to the community and to our dedicated employees, I say an enthusiastic and heartfelt, "Hello!" I'm looking forward to being part of the next prosperous leg of our journey.

Tom Ruth / President and CEO

Tom Ruth

Vision

MORE FLIGHTS TO MORE PLACES

Mission

DRIVING OUR REGION'S ECONOMIC PROSPERITY THROUGH AVIATION AND COMMERCIAL DEVELOPMENT

Goal

10 MILLION ANNUAL ENPLANED AND DEPLANED PASSENGERS BY 2020

Our three strategic themes

Grow the Business

Operational Excellence

Passenger Experience

Our core values

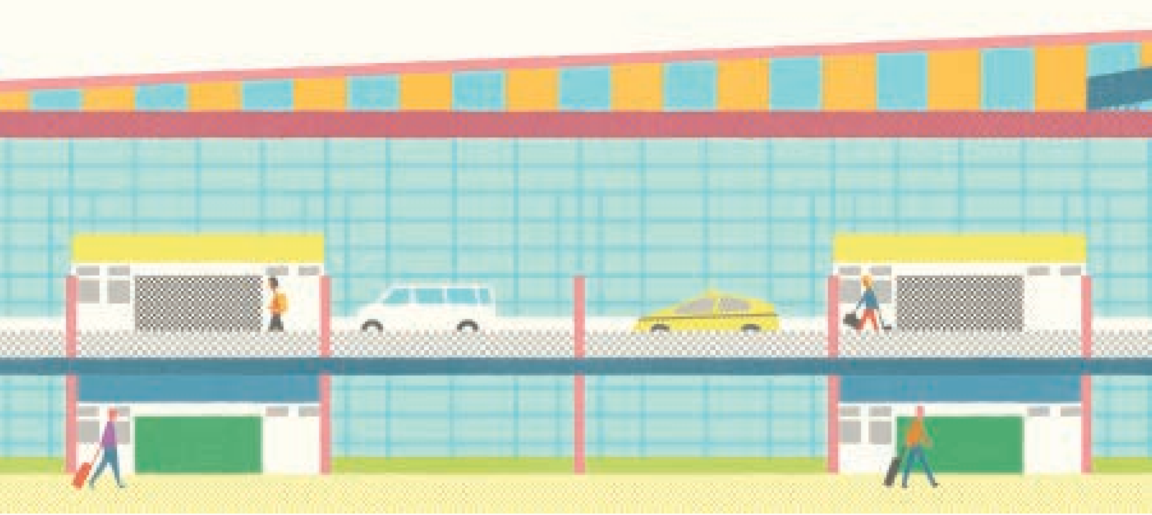
Safety and security first.

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.

Dedicated to sustainability: consider social, environmental and financial impacts.



You had me at *bonjour.*

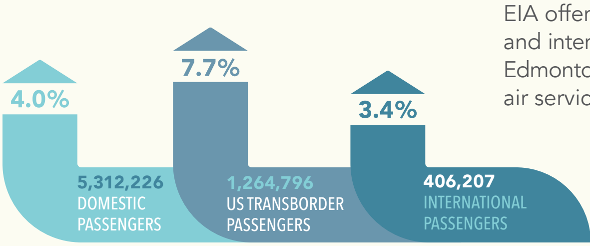
EXCEPTIONAL PASSENGER EXPERIENCE

HELLO NEW Passengers

Record breaking passenger growth

Five years ago, EIA embarked on a massive redevelopment project known as Expansion 2012. It was a calculated risk. On one hand, the economy had fallen into recession, which had a significant impact on passenger traffic across North America. Many airports were seeing air service shrink and passenger numbers dwindle. Although partially shielded from the effects of the recession by the region's robust economy, our passenger growth had slowed. Many wondered if it was the right time for EIA to take on such a huge project.

On the other hand, EIA was at a tipping point. The terminal was already beyond its capacity. We knew that economic recovery was coming and when it arrived more passenger traffic would come with it. Those passengers would expect outstanding air service. To attract more flights to more places, we needed an airport that could handle more aircraft more efficiently.



BREAKING DOWN THE NUMBERS
(January 1–December 31, 2013)

After careful consideration, we forged ahead with creating a world-class airport that would help fuel the region's economy for decades to come. EIA's job is to be an engine for the region's economic growth. Standing still would have stymied that growth and moved potential air service improvements away from the region.

Our predictions for slow and steady economic and passenger traffic recovery were right on the money, and we completed Expansion 2012 just in time. When the expansion project was announced in 2008, our annual passenger traffic was 6.4 million passengers. Annual passenger traffic has grown consistently since then to just under seven million passengers in 2013 – up almost five per cent (or 306,000 passengers) from 2012. We're well on our way to meeting our target of 10 million passengers by 2020.

Airlines took notice. By the end of 2013, EIA offered the region over 60 domestic, US and international non-stop destinations. The Edmonton region is enjoying the most robust air service in its history.

First class comfort for everyone

In spring 2013, EIA domestic and international passengers welcomed a new era of first-class comfort and hospitality for all passengers regardless of airline or class of travel, courtesy of the airport's second Plaza Premium Lounge in the Domestic-International Departures lounge.

Plaza Premium Lounges offer any passenger with a valid boarding pass the quiet, comfort and convenience of an upscale airport lounge at an affordable drop-in price.

This is the second Plaza Premium Lounge to open at EIA and part of a network of 25 lounges around the world. Once in the lounge, passengers can enjoy exceptional food, a range of alcoholic and non-alcoholic beverages, comfortable seating, workstations, Internet access, magazines, newspapers and television. Whether they're looking for some quiet time between flights to work on a presentation or just want to treat themselves, passengers flying on domestic or international flights can now say hello to the friendly staff and great service at EIA's newest Plaza Premium Lounge.

No membership card or secret handshake required.

Plaza Premium Lounge


R

HELLO Luxury

Explore class, comfort and convenience

Opening soon, the Renaissance at EIA will offer outstanding comfort and convenience for both business and leisure travellers. The hotel features 213 rooms, including 13 suites and a presidential suite. With the latest in hotel chic, guests can wind down at the Halo Bar, sample the fine dining of renowned executive chef, Andrew Ihasz, all while enjoying local music, art and entertainment.

For easy air travel, this is the place to be! After a relaxing stay, check in for your flight at the kiosk in the hotel lobby, and your trip is only a short pedway away. Walk out of the hotel straight into EIA Airport Departures.

The Renaissance at EIA will also offer fantastic meeting facilities with state of the art technology. Along with its top-notch food and beverage service, the hotel will offer 20,000 square feet of meeting space, including a spectacular grand ball room that seats over 700 people. With all this and more, the eagerly-awaited Renaissance at EIA will be one of the Capital Region's premier event locations.

The art of parking

All of EIA's parking lots continued to be very popular in 2013. EIA offers eight different parking options. Whether it's curbside valet, reserved executive section, covered parkade, or long-term self-parking, there's an option that's best for you on-site at EIA. jetSet alone grew over 20 per cent from 2012. Our new jetSet rewards program began in December 2013 and now has over 6,500 registered members. There's a lot to love at EIA. Members enjoy faster booking and other processes and receive information on specials and discounts on airport products and services.

jetSet Parking expanded in 2013 with the opening of a second location at Vancouver International Airport. The jetSet brand is owned by EIA, and Vancouver operates the services under a license agreement. All revenue generated from jetSet is re-invested in EIA to support air service development.

The online parking reservation system, which was expanded in March 2013, proved very popular with customers, growing by 40 per cent in 2013. Customers can book parking in advance of their arrival, and in addition to convenience, the reservation system provides up to a 25 per cent discount on fees for advance bookings.

EIA rewards

In December, EIA began pilot testing *EIA rewards*, a program to thank you, our customers, for choosing EIA. *EIA rewards* also allows us to get to know *our passengers* so we can better meet *their* needs. We want passengers to make EIA their first choice because they love the experience we provide. At launch, *EIA rewards* offered contests for flights and exclusive offers for parking, dining and shopping.

A 747 for 100,000

In August, Edmonton Transit System (ETS) and EIA celebrated a milestone when the popular Route 747 bus service reached the 100,000 rider mark. The route connects Century Park on Edmonton's south side with the airport. Launched in spring 2012, the service has steadily grown in popularity, carrying more than 10,000 passengers each month, just over halfway through the three-year pilot program.

Serious retail therapy at EIA

One of Edmonton Airports' strategic objectives is to grow non-aeronautical revenue, meaning revenue generated from sources other than traditional aviation activities such as landing fees and airport improvement fees. Non-aeronautical revenue, comes from land and building leases, retail concessions as well as parking, and is reinvested to improve air service. EIA has the largest land mass of any airport in Canada at 7,000 acres, offering significant potential for development.

With Expansion 2012 complete, our focus over the next years will be on fostering commercial land development between Highway 2 and the terminal. With that in mind, in December 2013 we were pleased to announce our conditional agreement with Ivanhoé Cambridge to lease 45 acres of land for the development of *The Outlet Collection at EIA*. Ivanhoé Cambridge is a leader in the outlet business, having established the successful Vaughan Mills in Toronto and CrossIron Mills outlets in Calgary.

This development, to be conveniently located adjacent to Highway 2 south of Airport Road, will feature 350,000 square feet of retail outlets with 85 brands under one roof. *The Outlet Collection at EIA* is scheduled to open in the fall of 2016, bringing a whole new level of retail options to the region.

The Outlet Collection at EIA is expected to draw new passengers to EIA and create new business for the community. Revenue generated from the land lease on this project will be reinvested into building better air service for the region.

HELLO Marketplace

The airport with everything

One of our main goals is to ensure the time passengers spend in the terminal is enjoyable and relaxing. That's why we've focused on enhancing options within the EIA Marketplace. Passengers can choose from a growing number of fantastic shopping, dining and retail options.

2013 marked the first full operational year for our new concessions program at EIA. Customers enjoyed a multitude of new and favourite shopping and dining choices from local brands like Booster Juice, Caffe Sorrentino's, Metalsmiths and Cookies by George to a number of national brand food and shopping outlets. Post-security dining options now include quick-serve to full service restaurants representing flavours from Asia, Belgium, the Netherlands, France, Italy and North America.

Those hungry for shopping will find whatever they're looking for in one of our many shops, whether it is technology and accessories, convenience items, books, sterling silver jewelry, costume jewelry, clothing and accessories or children's toys.

The EIA Marketplace is a work in progress and we're always welcoming new partners to help give our passengers an exceptional airport experience.

Erin Pankratz-Smith –
Everything Flows, Nothing Stands Still

Hello to you, our community

EIA is not just at work in the air and on the ground; we're at work in our community. Our new, world-class terminal is a perfect place to show our community pride by highlighting all the great things our region has to offer.

EIA's Art Program showcases local artists to the millions of people who come through the airport each year. The program also attracts international art to the region. It's why we consider ourselves an ARTport!

Live music performances at EIA give young local artists an opportunity to play in front of an audience. At various times throughout the day, you'll hear beautiful live music from talented performers at mini stages around the airport. This year, we were also proud to sponsor the 2013 Canadian Country Music Awards, right here in Edmonton.

We also lend our support to community organizations fostering art and music culture, sport, safety, health and wellness. In 2013, EIA's annual Charity Classic golf tournament raised more than $100,000 for Youth Empowerment and Support Services (YESS). Through this and many other initiatives, we were proud to work with partners that help to make our community a great place to live.

Braden Gates –
Live Entertainment

EIA community partnerships

Our current community partnerships include:

2013 LPGA CN Canadian Women's Open
Alberta Aviation Museum
Alberta Ballet
Alberta Craft Council
Alberta Government Legislature
Art Gallery of Alberta
Beaumont Blues and Roots Festival
Canadian Aviation Hall of Fame
Canadian Country Music Awards
Chrysalis
Citadel Theatre
City of Edmonton
Cooper Studios
Downtown Business Association
Dreams Take Flight (Air Canada)
Edmonton Catholic School District
Edmonton Chamber of Commerce
Edmonton Economic Development Corporation
Edmonton Eskimos
Edmonton International Athletics Festival
Edmonton Oilers
Edmonton Opera
Edmonton Public Library
Edmonton Public School Board
Edmonton Public Schools Foundation
Edmonton Sun Annual Christmas Auction
Edmonton Symphony Orchestra
Edmonton Tourism
Edmonton Valley Zoo Society
Frozen Eyes Photography
Government of the Northwest Territories
Heritage Festival
Holes Greenhouses – Enjoy Centre
Hope Air
ICE on Whyte
iHuman
ITU Triathlon
Jasper National Park
Kaminski Music
K-Days Parade
Leduc #1 Discovery Centre
Leduc Food Bank
Leduc Regional Chamber of Commerce
Leduc-Nisku Economic Development Association
Leduc LINX Connect Centre
MacEwan University
March Music Inc.
Mayor's Celebration of the Arts
Northern Alberta Institute of Technology (NAIT)
Princess Patricia Canadian Light Infantry
Professional Photographers of Canada
Reynolds Museum
Rise Up House
St. John Ambulance
STARS (Shock Trauma Air Rescue Service)
Stollery Children's Hospital Foundation
TELUS World of Science
The Works
United Way
University of Alberta
You're Welcome Awards
YESS (Youth Empowerment and Support Services)

Halló, howdy and hola.

OUTSTANDING AIR SERVICE


HOLLYWOOD

HALLÓ Iceland

A community love story

After a great deal of work on both sides of the Atlantic, the story broke in September 2013: Icelandair was coming to EIA! Starting in March 2014, Icelandair would operate four flights a week out of EIA. The region would have new access to more than 20 destinations across Europe via a non-stop flight to Reykjavik.

The community was excited to realize that this new route would not only connect them to a breathtakingly beautiful country in less than seven hours, but serve as an important gateway to Europe.

From Reykjavik, it's just a hop, skip and jump to over 20 popular European destinations including Amsterdam, Copenhagen, Frankfurt and Paris. Overall travelling time to these destinations is significantly shorter than traditional cross-Canada routes.

Local Twitter users were quick to spread the news about the arrival of Icelandair to the region, but things really picked up a month later when the airline announced it would be starting the service three weeks earlier and expanding it from seasonal to year-round service. A fifth weekly flight was also added for the summer season. Why? Because the community had fallen a little in love with Iceland, thanks to social media buzz and the great promotional work by Icelandair.

In January 2014, Icelandair launched *#YEGhunt*, a city-wide scavenger hunt for free flights to Europe, t-shirts and other prizes. The event was wildly popular. Reykjavik quickly became a household word in the community, with many people thinking about Iceland as a holiday destination. That relationship and demand is not only how we maintain great air service like the Reykjavik route, it's also how we attract *new* non-stop destinations. After all, as Icelandair can attest, EIA and the region are eager to welcome the world.

This love story would never have happened were it not for a whole host of local matchmakers, including the City of Edmonton, Edmonton Economic Development, the Edmonton Chamber of Commerce, Edmonton Tourism, Travel Alberta and all the other community partners who helped this romance along – and of course, the people of the Edmonton region and beyond, who have opened their hearts and their imaginations to Icelandair's world of new possibilities.

B Lau @thebinster Jan 29
@Icelandair has more social media followers in #yeg than anywhere else in the world [except Iceland] #yeghunt #avgeek @FlyEIA

Edmontontourism @EdmontonTourism Jan 23
What a ton of fun the @icelandair #yeghunt has been. Last chance to win a trip to Europe is today.

Trevor prentice @whiverwill Jan 23
@Icelandair thanks for the fun and the swag! #YEGhunt #yeg

HOWDY *Dallas*

Deep in the heart of Texas

Putting a bow on a great year was the announcement in December of American Airlines' new non-stop service to Dallas/Fort Worth International Airport, beginning April 2014. The service operates daily on an Airbus A319 featuring conveniences like in-flight Wi-Fi, in-seat entertainment and AC power outlets at every seat.

This route will provide convenience for business travellers, particularly in the energy and resources sector, linking them to the world through American Airlines' largest hub. Through American Airlines, the region will now have access to the oneworld alliance global network of almost 1,000 destinations in more than 150 countries. Regional passengers will now have even easier access to Central and South America.

¡Hola! México!

In January, Sunwing announced a new winter flight series from Edmonton to Cancun. Weekly departures began in February and wrapped up in mid-April. This additional service was a direct result of the community's support for flights to Cancun and the Mayan Riviera.

A New York state of mind

In May, EIA and United Airlines' highly anticipated year-round non-stop service to New York City took off with six flights per week to Newark Liberty International Airport. Business travellers now have access to one of the world's key financial hubs and connectivity to the entire globe. What's more, they can leave Edmonton for New York in the morning and be back in their own beds that night. Similarly, leisure travellers departing for New York from EIA will arrive in the Big Apple in a speedy four-and-a-half hours – more than enough time to have dinner and take in a show the same night (even *with* the time change!).

Even more destinations

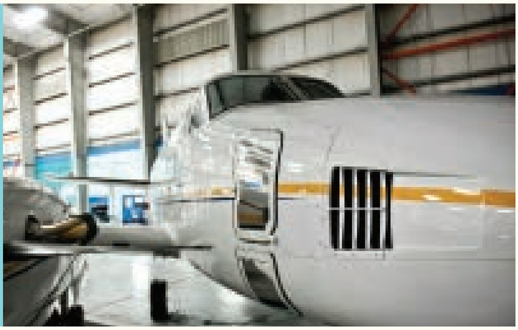
The completion of Expansion 2012 not only allowed us to keep pace with air service demand from our region but also caught the attention of airlines. More gates and more apron space means aircraft don't have to wait for an available gate, even during peak hours. Passenger demand and efficient infrastructure are a potent combination that helps to attract air service. Now, with over 60 non-stop destinations to choose from, the region has never had such easy access to the world from its own airport.

Economic growth through business aviation

Not to be outdone by strong performance in scheduled flights, EIA's private terminals saw 28 per cent more corporate charter flights in 2013 compared to the previous year. That represents almost 26,000 landings. This growth is a positive reflection of the investments we've made in infrastructure, facilities and services to support business aviation for the region.

In June, Edmonton Shell Aerocentre and EIA announced the construction of Aerocentre 2, another premier facility for business aviation offering 42,000 square feet of hangar space and 25,000 square feet of passenger lounges, office and shop space. The facility will also offer a 20-passenger VIP lounge for clients and pilots with their own aircraft, and an upscale 150-seat area for air charter passengers. It will feature a 400-seat secured passenger lounge for larger groups that charter air service for industrial clients working in northern Alberta and northern Canada.

Business aviation is critical to northern economic development, particularly for the energy and resources sectors. Facilitating success there has a direct impact on the region's economy and on demand for commercial air service out of the main terminal.



Central Tower, NAV CANADA and Canadian Helicopters

The final stages of the game-changing Expansion 2012 terminal development program were completed in 2013 with the opening of Central Tower, a fitting coda to the expansion project. It stands as a stunning, iconic landmark against the stark prairie backdrop. Its unique architecture sends arriving passengers one clear, unmistakable greeting: welcome to Edmonton.

With the opening of the 8-storey LEED Silver certified Central Tower, NAV CANADA transitioned into its new space. NAV CANADA is responsible for the safety and efficiency of Canada's civil air navigation service through air traffic control, flight information, weather briefings, airport advisory services and other services. In addition to a 360-degree view, the new control tower cab offers about 50 per cent more floor space and four extra metres of headroom, which improves air traffic controllers' sight lines of the airfield.

Located at the bottom of Central Tower, EIA's new integrated baggage system came online in 2013. With fully automated baggage tracking and cutting-edge baggage screening technology, the new system facilitates safe and efficient loading and unloading of passenger baggage.

In addition to the state-of-the-art air traffic control centre at the top and the new baggage system at the bottom, Central Tower created efficient new office space in the middle. Central Tower is now home to EIA's administrative offices. Canadian Helicopters also moved its western Canadian headquarters to EIA and now occupies one floor of Central Tower.


Central Tower

Safety and security

Our top priority every day is the safety and security of our passengers, staff and the entire airport community. Because maintaining readiness in the event of an emergency is essential, EIA's own Emergency Response Services (ERS) conducts a series of exercises each year. In June, ERS crews responded to a simulated plane crash. The Mobile Aircraft Fire Trainer (MAFT) was used in the mock scenario to simulate the fire, smoke and other issues that would stem from an actual crash. Delta Airlines staff, local volunteers and emergency responders from Leduc County and the City of Leduc also participated in the exercise.

In August, EIA's emergency response crew was pleased to help Kim Ruether raise awareness of Automatic External Defibrillators (AEDs). These easy-to-use automated medical devices can restart a person's heart, and may save a person's life when used immediately in a cardiac emergency.

Kim and her husband Wayne are the parents of Brock Ruether, a 16-year-old who lost his life to a sudden cardiac arrest. The loss was made all the more tragic because an AED lay beside him, but the people trying to help him were unaware that they should use it.

The Ruethers now work to show people that AEDs are very simple to operate – the devices actually talk you through what to do and have built-in systems to prevent them from being used incorrectly. With help from the Heart and Stroke Foundation and Alberta Health Services, Kim worked with media to encourage people to use AEDs in case of a medical emergency.

EIA has over 60 AEDs installed in various locations throughout the airport. On two separate occasions in 2013, quick-thinking people used an AED at the airport to save a person's life. We salute Kim and Wayne Ruether for their efforts to make a difference by creating a safer community for all of us.

Villeneuve Airport

With its Transport Canada designation as the region's official Satellite Airport, Villeneuve Airport (VA) experienced significant growth and expansion in 2013. VA handles an average of 200 aircraft movements each day, and is used mainly for training flights and small privately-owned aircraft. Flight movements are controlled by the NAV CANADA control tower.

Its satellite status means the airport must be able to handle diverted flights, function as an alternate medevac airport and accommodate smaller aircraft. Late in 2013, with funding from the Province of Alberta, one Villeneuve runway was extended to 5,000 feet on the existing airport land to accommodate a wider range of operations. A Category 1 Instrument Landing System (ILS) was installed, providing radio signals and high intensity lighting to help aircraft land safely when visibility is limited. These enhancements were certified by Transport Canada in February 2014.

A new strategic plan has been developed for Villeneuve Airport, drawing on extensive consultation with municipal, business and aviation stakeholders. Edmonton Airports has already put nearly $7 million in capital investment into Villeneuve Airport since 2000, and plans to invest another $17 million over the next five years.

NAV CANADA, the Province of Alberta, and the private sector are also investing millions in Villeneuve Airport to ensure it remains a sustainable, long-term asset for the entire region.

Cargo, freight and logistics

EIA is garnering attention on the commercial air service front, and we're also busy on the cargo development side of the business. Over the past three years EIA has made a multi-million dollar investment in Cargo Village infrastructure, which includes the development of a dedicated air cargo apron, airside building facilities, road and land servicing and a new Canada Border Service Agency (CBSA) facility.

EIA's Cargo Village is the perfect location for other cargo, freight and logistics companies. It offers easy access to air cargo carriers and proximity to Leduc-Nisku Industrial Park and Highway 2's CANAMEX Corridor, part of an internationally-recognized key long-distance trade route through Canada, the US and Mexico.

At the beginning of the year, Lynden International, a full-service freight forwarding and logistics company, opened a new service centre at EIA. Our airport is a vital link to Lynden's North American and Canadian network and will help them meet the increasing demand for transportation and logistics services for Canada's oil and gas industry.

FedEx launched full-time wide-body service between EIA and its world hub in Memphis in January 2013 with an Airbus A310F. Over the course of the year FedEx routinely switched to the larger Airbus A300F to handle increasing volumes.

In March, AOG International Freight Logistics relocated its operations to EIA's Cargo Village. The local company specializes in freight forwarding and project logistics and is one of the fastest-growing freight forwarding companies in Canada.

In other service enhancements, DHL operated a wide-body Boeing 767F from mid-November through the busy holiday season to handle increased demand. Cargojet responded to increased Edmonton demand over the holiday season by moving to twice-daily service.

Roads, Rails and Runways national cargo conference

In September, EIA and the Canadian International Freight Forwarders Association (CIFFA) hosted more than 250 cargo, shipping and logistics leaders from across the country and around the world at the inaugural Roads, Rails and Runways national cargo conference. The Edmonton region was chosen as the conference host in recognition of its solid intermodal road, air and rail infrastructure.

In addition to featuring national and international speakers from various parts of the industry, the event included flyovers of the oil sands area for out-of-province guests and tours of the Leduc-Nisku Business Park, North America's largest energy park outside of Houston, Texas.

The conference also provided the perfect venue and opportunity to announce two new cargo infrastructure projects at EIA:

» A new partnership between EIA and Panatonni Development for light industrial development at the Cargo Village, including warehousing and logistics facilities for freight forwarding that will be custom built for users

» Construction of a custom-built 30,000-square-foot freight forwarding building by Runway Developments Inc.

@R3Cargo what a wonderful evening! Full of class & international flare #bravo! @flyeia @flyeiaCargo

What an absolute amazing evening!! So honored to be part of the amazing team @flyEIA and @flyEIACargo Happy Birthday @CIFFAincg

@R3Cargo event was amazing! Thanks @flyEIA for being fantastic hosts! GR8 event. Great time at the Roads.Rails. Runways conference in #Edmonton. Great job @flyEIA we are looking forward to some new opportunities.

BOARD OF DIRECTORS

Board Composition

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 and one each 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, since the desired skills, experience and background are represented on the board, 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 its key governance functions include adopting and monitoring compliance with an ethics code, reviewing and approving Edmonton Airports' strategic plan and annual business plan, planning Chief Executive Officer (CEO) succession, and satisfying itself that management has identified the principal risks of the business and implemented appropriate systems to manage those risks.

Left to Right Tom Redl, Chair
Robert Carwell, Vice-Chair
Leonard Blumenthal
Naseem Bashir
Ralph Young
Maureen McCaw
Gail Stepanik-Keber
Rolly Owens
Mary Cameron
Anne McLellan
Bryan Bailey
Dale Klein
Robert Petryk

In December 2012, in anticipation of Reg Milley's retirement from Edmonton Airports as President and CEO, the board struck a CEO Search Special Committee, tasked with the mandate of implementing and conducting a diligent search for Edmonton Airports' new CEO. The committee executed its mandate with the assistance of the Governance and Compensation Committee's established CEO succession plan. Following a competitive bid process, the CEO Search Special Committee engaged the services of an executive search firm that conducted a thorough international search of candidates.

An excellent pool of candidates was brought before the committee for consideration, and in accordance with its unanimous resolution passed on November 14, 2013, the board is pleased to welcome the organization's new CEO, Tom Ruth. Tom has joined Edmonton Airports from his prior position as CEO of the Halifax International Airport Authority. The board looks forward to advancing the strategic and business plans of Edmonton Airports under Tom's leadership.

Edmonton Airports is making a strategic shift towards focusing on growing sources of non-aeronautical revenue in support of the organization's vision of "More Flights to More Places." In anticipation of this shift, the board and management recognized the opportunity to leverage board members' real estate development skills and knowledge by striking the Real Estate Development Oversight Committee, effective June 21, 2013. This new committee reports directly to the board and brings a dedicated focus on commercial real estate development.

Board changes in 2013

Naseem Bashir (City of Edmonton) was appointed to the board effective January 1, 2013.
Mr. Bashir is President and Chief Executive Officer of Williams Engineering Canada and chairman of the board for the Williams Group of Companies. Mr. Bashir currently serves as vice-chair of the board of trustees at the Stollery Children's Hospital and is an executive with the Institute of Corporate Directors (ICD) Edmonton Chapter.

Dale Klein (Sturgeon County) was appointed to the board effective January 1, 2013.
Mr. Klein is the President of Canada ICI Capital Corporation, founder and board member with Sector Mortgage (I-V) Investment Corporation and a member of the Real Estate Council of Alberta. He is a past board member of Maple Mortgage Trust Advisory Inc., and past chair of the Sturgeon Industrial Heartland Advisory Committee.

Leonard Blumenthal (Leduc County) was re-appointed to the board effective January 1, 2013.

Mary Cameron (Government of Canada) was appointed to the board effective March 15, 2013.
Ms. Cameron is the Principal of Cameron and Company and is a partner with WestLife Partners Inc. Ms. Cameron is the former President & CEO of Alberta's Workers' Compensation Board, and prior to that was President & CEO of Payment Systems Corporation. Ms. Cameron also formerly held the office of Deputy Minister of Housing with the Government of Manitoba.

Maureen McCaw (City of Edmonton) was re-appointed to the board effective January 1, 2014.

Gail Stepanik-Keber (Parkland County) was re-appointed to the board effective January 1, 2014.

Full Director biographies can be found at: www.corporate.flyeia.com/about-us/board-management

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 practices and creates 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 practices and creates 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 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 annually to 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 2013

	Board	Audit Committee	Governance & Compensation Committee	Real Estate Development Oversight Committee	CEO Search Special Committee
Bryan Bailey, FCA, CA	5/5	1/1*	3/3	4/4	
Naseem Bashir, P.Eng, ICD.D	4/5	2/2**	3/3		
Leonard Blumenthal	5/5	4/4			
Mary Cameron***	5/5	2/3	1/1*	4/4	
Robert Carwell, FCA,CA, ICD.D	4/5	4/4		4/4****	
Dale Klein	5/5	4/4	1/1*	4/4	
Maureen McCaw, ICD.D	4/5				10/10
Anne McLellan, LLB, LLM	5/5		3/3		
Rolly Owens	5/5	4/4			
Robert Petryk, ICD.D	5/5		3/3		10/10
Tom Redl, ICD.D	5/5	3/3****	3/3	4/4****	10/10
Gail Stepanik-Keber	4/5		3/3		9/10
Ralph Young	4/5	2/4		1/2*****	9/10

*Not a member of committee – attended on a voluntary or invitational basis
**Not a member of committee – attended as part of director orientation
***Appointed to board effective March 15, 2013
****Ex-officio member
*****Resigned from committee effective August 2013

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, vice chair, Governance and Compensation Committee chair, Audit Committee chair, Real Estate Development Oversight Committee 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 orientation sessions with the board chair and vice chair, Governance and Compensation Committee chair, the president and CEO and corporate secretary, and management, as well as attendance at committee meetings, 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.

DISCLOSURE OF CORPORATE GOVERNANCE PRACTICES

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 and employees. The board monitors compliance of directors by requiring directors to sign annually the director's confirmation, acknowledgement and declaration.
Conflict of Interest Rules	The Conflict of Interest Rules that form part of the Ethics Code require 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. Beginning in 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 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 to consider 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 and Compensation Committee chair and other directors with the candidate to communicate the skill set and competencies required and expectations of time commitment, and to 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.

LONG-TERM STRATEGIC OBJECTIVES (2013-2017)

Increase air service

We will focus on driving passenger and cargo demand and at the same time strengthening our airline partnerships in order to deliver more flights to more places. We will know if we are making progress on this objective by the number of new destinations we add over the next five years. We review passenger demand annually to determine what specific regional or seasonal services are needed. By 2017, EIA seeks one new year-round US destination, one new European/Asian destination and one new international cargo destination.

Two of the three long-term targets were met in 2013. We announced year-round service to Dallas/Fort Worth (a new year-round transborder destination) and year-round service to Reykjavik provided by Icelandair (a new European-based destination). EIA has made progress towards securing a new international cargo destination and continues to look at opportunities in Asia on both the passenger and cargo fronts.

Expand and retain passenger base

When passengers have a consistent and seamless travel experience at airports, evidence shows their satisfaction increases. To drive satisfaction levels at EIA, we will focus on operational excellence by reducing inconsistencies and improving service levels. One way we will know we are making progress on this objective is by our Airport Service Quality average score and our standard deviation. By 2017, EIA seeks an overall satisfaction score of 4.30 and a standard deviation of 0.68.

In 2013, EIA achieved a new all-time score for overall passenger satisfaction with a total satisfaction score of 4.31 out of 5. The standard deviation, a measure of consistency of service, improved by 0.02 points to 0.71. EIA continues to invest in initiatives that will enhance the overall passengers' experience and provide a more consistent level of service.

Improve financial sustainability

Edmonton Airports must be positioned to invest in growth opportunities. To do this, we need to manage our expenses to accumulate cash flow that can then fund investments in revenue-generating initiatives. We will know we are making progress on this objective by tracking our percentage of cash contributed from Edmonton Airports' net earnings.

In 2013, Edmonton Airports generated nearly $14 million in reinvested cash from operations. This revenue was reinvested into commercial infrastructure. These investments will help grow non-aeronautical revenues in the future, which will help keep aeronautical fees down and support EIA's continued air service growth.

By 2017, EIA seeks to invest $18.5 million annually in revenue investment opportunities.

EIA invested nearly $14 million of reinvested cash from operations into non-aeronautical revenue development opportunities in 2013.

2013 PERFORMANCE ON STRATEGIC OBJECTIVES

Increase air service

EIA had two major route announcements in 2013. Icelandair announced new year-round service from EIA to Reykjavik, with connections to over 20 European destinations. In addition, EIA welcomed American Airlines' announcement of non-stop service to Dallas/Fort Worth. Other achievements in 2013 included the launch of United Airlines' service to New York via the airline's hub in Newark. Sunwing and Air Transat also provided significant capacity increases to sun charter destinations, and Sunwing added a new destination, Freeport, Grand Bahama.

Expand and retain passenger base

EIA achieved a new record score for customer satisfaction in 2013, scoring 4.31 on a scale of 5 on Airport Council International's Airport Service Quality program. EIA was also able to provide more consistent service levels to passengers as evidenced by a decrease in the standard deviation on total satisfaction scores from 0.73 in 2012 to 0.71 in 2013.

Improve financial sustainability

In 2013, Edmonton Airports generated nearly $14 million in reinvested cash from operations. This revenue was reinvested into commercial infrastructure. These investments will help grow non-aeronautical revenues in the future, which will help keep aeronautical fees down and support EIA's continued air service growth.

MD&A

Management Discussion and Analysis

2013 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, 2013. The Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS). All amounts in the following MD&A are in Canadian dollars unless otherwise stated. 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 2013, Edmonton Regional Airports Authority (Edmonton Airports) operated Edmonton International Airport (the Airport), Edmonton City Centre 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 so we can fulfill this mandate.

Recent Events

Certain events transpired in 2013 that have had an impact on Edmonton Airports' operations or financial results or that may have an impact on future results.

» 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.

» Effective January 20, 2014, Edmonton Airports President and Chief Executive Officer (CEO) Reg Milley retired. A replacement was announced in 2013.

» On November 13, 2013, Edmonton Airports announced that the Airport Improvement Fee (AIF) at the Airport will increase by $5, bringing the fee to $30 per departing passenger. The new amount will apply to travel on or after July 1, 2014 for tickets sold on or after February 1, 2014.

» Overall passenger growth from 2012 was 4.6% resulting in a record number of overall passengers of 7.0 million.

» Business aviation passenger growth from 2012 was 27.8% resulting in a record number of passengers of 0.7 million.

» Aircraft activity at the Airport increased by 10.2% over 2012 to 156,000 movements.

» Revenue growth of 7.3% resulted in recognizing revenue of $182.8 million from $170.4 million in 2012.

» On December 4, 2013, Edmonton Airports announced that they had entered into a conditional agreement with Ivanhoé Cambridge to lease approximately 45 acres of land to develop a retail outlet destination called *"The Outlet Collection at EIA"* as part of The Airport's Highway Commercial Project.

» Edmonton Airports extended one of Villeneuve Airport's two runways and oversaw the installation of a precision instrument landing system (ILS). The two projects will help facilitate the acceptance of medevac flights carrying patients as well as improve the overall safety of landings in adverse weather conditions. Funding for this project was provided by the Alberta government.

» Edmonton Airports earned its highest overall passenger satisfaction score of 4.31 out of 5 on the Airport Service Quality (ASQ) passenger survey.

» During 2013, non-stop service to New York commenced and new non-stop service to Reykjavik, Iceland and to Dallas/Fort Worth (DFW) was announced.

2013 Operations

AIR SERVICE

In 2013, we shifted our focus from increasing capacity to attracting and retaining a growing number of satisfied passengers. Passenger volumes are significant in 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, increasing the frequency and diversity of available aircraft movements was a key focus in 2013.

PASSENGER TRAFFIC

	2010	2011	Change %	2012	Change %	2013	Change %
Domestic	4,726,473	4,814,157	1.9	5,109,637	6.1	5,312,226	4.0
Transborder	1,003,938	1,085,466	8.1	1,173,882	8.1	1,264,796	7.7
International	359,709	377,514	4.9	392,926	4.1	406,207	3.4
Commercial Total	6,090,120	6,277,137	3.1	6,676,445	6.4	6,983,229	4.6
General/Business Aviation	N/A	578,340	N/A	559,416	(3.3)	714,766	27.8
Grand Total	6,090,120	6,855,477	N/A	7,235,861	5.5	7,697,995	6.4

2013 was another record-setting year for passenger traffic at the airport. Commercial passenger traffic increased by over 306,000 (4.6%) over 2012. This increase continues to indicate the region's support for Edmonton Airports' vision: More flights to more places. Passenger traffic at business aviation terminals increased to serve more than 700,000 passengers, a 28% increase, year over year. In total, the airport served nearly 7.7 million passengers in 2013, a 6.4% increase over 2012.

Traffic across all passenger sectors increased in 2013 but was primarily driven by transborder traffic, which increased 7.7% over 2012. This was driven directly by capacity built during the expansion which added and improved terminal space for international and US flights. Growth in this sector was highlighted by the launch of service to New Liberty Airport, Newark on United Airlines in the spring of 2013. This major global hub provides increased global access both to and from Edmonton in addition to providing the Edmonton region direct access to one of the world's largest business and financial centres. Domestic sector passenger traffic increased 4.0% over 2012 driven directly by increased frequencies to key hubs including Toronto and Vancouver as well as increased regional capacity to Saskatchewan and Northern Alberta fueled by the launch of WestJet Encore and increased capacity from Air Canada.

Announced in December 2013, commencing April 2014, the airport will welcome American Airlines to its family of carriers with daily nonstop service to Dallas/Fort Worth (DFW). The addition of American Airlines also provides the airport with access to the Oneworld global alliance of airlines. This means the Capital Region now has direct access to all three of the major world airlines partnerships. As an American hub, DFW will provide increased access and more options for travel across the United States as well Central and South America.

Announced in September 2013, service to international destinations outside of the United States will see an exciting addition in 2014 with Icelandair introducing year-round service to Reykjavik commencing in March. This new service will provide convenient access to major markets across Europe resulting in shorter total flight times on most routes compared with options currently available to those travelling to and/or from Edmonton.

Air Transat and Sunwing both added significant capacity to their winter charter schedules, including the introduction of Freeport, Grand Bahama as a new destination.

In total, the airport now offers service to over 60 non-stop destinations and continues to boast the best air service in the Capital Region's history.

AIRCRAFT MOVEMENTS

Airport	2013	2012*	Change %
Edmonton International Airport	156,738	142,269	10.2
Villeneuve	55,527	51,377	(7.5)
City Centre	55,863	42,213	(24.4)

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

EDMONTON INTERNATIONAL AIRPORT

Aircraft activity at the airport increased by 10.2% over 2012 to 156,000 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 make up approximately 65% of all activity at the airport while General and Business Aviation and local movements (those that don't leave Edmonton Airports' control zone) account for the remainder of the activity. General and Business Aviation activities increased by 28.8% over 2012. This growth was driven primarily by the migration of aircraft from Edmonton City Centre as well as continued growth in northern resource projects. Passenger activity related to fly-in/fly-out energy and mining projects accounted for approximately 700,000 general/business passengers in 2013.

EDMONTON CITY CENTRE AND VILLENEUVE AIRPORTS

Combined aircraft movements at Edmonton City Centre Airport and Villeneuve decreased by 15.9% in 2013 largely as a result of the permanent closure of Edmonton City Centre Airport at the end of November. The majority of movements at Edmonton City Centre Airport were in the general aviation category and related to a variety of activities, including non-scheduled commercial activity (charters), corporate aviation, government activity, surveying, flight training, personal business flying, recreational activity and medevac. Medevac operations have been relocated to EIA where Alberta Health Services and STARS Air Ambulance have a modern, state-of-the-art facility to handle medevac activity from across Alberta and northern Canada.

All aircraft activity at Villeneuve Airport is general aviation-related with approximately 75% of activity classified as local movements, down from 90 % in previous years. This is the result of the migration of aircraft previously based at Edmonton City Centre relocating to Villeneuve. 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 2012 for landing, terminal and bridge fees charged to carriers utilizing the airport was implemented in 2013 with the objective of offsetting inflationary increases in general airport operating expenses and increased expenses associated with a larger building and apron footprint following the completion of Expansion 2012. For 2014, airline-related charges were increased by approximately 3%. The airport remains one of the lowest-cost airports in Canada in terms of aircraft-related charges.

The Airport Improvement Fee (AIF) will be increased in 2014 to $30, a $5 increase from the current rate, for travel on or after July 1, 2014. The Edmonton International Airport and other Canadian airports do not receive government funding for airport expansion or improvements. The AIF is therefore 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.

CARGO

Cargo Tonnage	2010	2011	Change %	2012	Change %	2013	Change %
Scheduled	35,336,277	37,080,515	4.9	37,744,006	1.8	40,873,053	8.3
Charter	112,644	182,536	62.0	138,396	(24.2)	159,864	15.5
Total	35,448,921	37,263,051	5.1	37,882,402	1.7	41,032,917	8.3

The airport saw an impressive 8.3% increase in total cargo volumes over 2012 volumes. Scheduled cargo operations, including belly freight on passenger aircraft, grew by 8.3% while volumes on charter operations grew by 15.5%. This is tremendous growth considering that the International Air Transport Association reported global cargo growth of only 1.4% in 2013 and the North American market declined by 0.4%. The growth figures at the airport speak to the strength of the Alberta economy and place Edmonton at the forefront of business investment.

2013 was a year of continued growth for the airport's Cargo Village. DHL moved into a new facility which more than tripled their footprint at the airport and up-gauged aircraft to meet peak season demand. AOG International Freight Logistics also added their presence to the Cargo Village in 2013. This locally owned company specializes in freight forwarding and project logistics and is one of the fastest-growing freight forwarding companies in Canada with 28% growth in 2012. Other significant additions in 2013 included Runway Developments commencing construction of a 30,000-square-foot freight forwarding building and Panattoni Developments announcing a new light industrial development. These developments will provide the infrastructure and facilities required for continued freight growth at the airport.

In September, Edmonton Airports co-hosted the Roads, Rails and Runways National Cargo Conference in partnership with the Canadian International Freight Forwarders Association. This event brought over 250 leaders from the cargo, shipping and logistics industry together in Edmonton and provided them with a first-hand view of the industries driving Alberta's economic growth, including a fly-over tour of the oil sands. Overall impressions from this event were favourable. It drew attention to the key industry players that present freight and cargo opportunities in the Capital Region.

2013 Financial Performance

In 2013, Edmonton Airports concluded its transformational expansion that has increased our capacity for growth and as a result we shifted our human and financial resources from creating capacity to utilizing it. The following is an explanation of the impact on operating results.

NET OPERATING RESULTS

(in thousands)	2013 $	2012 $	Change $	Change %
Revenue	182,844	170,382	12,462	7.3%
Expenses	98,423	88,715	9,708	10.9%
EBITDA	84,421	81,667	2,754	3.4%
EBITDA margin %	46.2%	47.9%	-1.8%	-3.7%
Depreciation and amortization	63,157	55,312	7,845	14.2%
Interest expense	43,984	38,162	5,822	15.3%
Net loss	(22,720)	(11,807)	(10,913)	92.4%

In 2013, we experienced a net loss of $22.7 million, which was an increase of 92.4% 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 several years as focus shifts to utilizing the increased capacity.

REVENUE

(in thousands)	2013 $	2012 $	Change $	Change %
Airport improvement fee	74,793	71,111	3,682	5.2%
Concessions and parking	53,576	48,562	5,014	10.3%
Airside and general terminal	41,772	38,958	2,814	7.2%
Police and security	8,513	7,785	728	9.4%
Real estate leases	3,955	3,877	78	2.0%
Other revenue	235	89	146	164.0%
	182,844	170,382	12,462	7.3%

AERONAUTICAL REVENUE

We had record annual revenue of $182.8 million which was an increase of 7.3% over the prior year driven mainly by passenger growth of 4.6%, 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 2013, AIF revenue was $74.8 million, an increase of $3.7 million (5.2%) over 2012. The increase in AIF revenue was the result of the 4.5% increase in the number of departing passengers at the airport in 2013.

Airside and general terminal revenue (AGT) is derived from airline activity. AGT revenue was $41.8 million, an increase of $2.8 million (7.2%) from 2012. 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 of 3.0%.

Edmonton Airports recovers some police and security expenses through a per passenger charge to airlines. During 2013, police and security fee revenue was $8.5 million, an increase of $0.7 million (9.4%) over 2012. This increase is a result of increased costs related to the agreement for police and security fees.

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 $53.6 million in 2013, $5.0 million (10.3%) higher than in 2012. During 2013 the shopping and dining outlets opened as part of Expansion 2012 were operational for a full year, which resulted in an increase in concession revenues, year over year. Parking revenue increased during the year as a result of increased passenger activity, new parking products geared towards general and business aviation clientele, online marketing strategies and an increased social network promotion of our online parking bookings at our jetSet lot. Also contributing to increased parking revenue was the full-year realization of parking fee increases implemented in September 2012.

During 2013 real estate revenues were $4.0 million (2.0%) higher than 2012. 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)	2013 $	2012 $	Change $	Change %
Depreciation and amortization	63,157	55,312	7,845	14.2%
Interest	43,984	38,162	5,822	15.3%
Salaries and employee benefits	31,440	27,667	3,773	13.6%
Service, maintenance, supplies and administration	27,657	23,482	4,175	17.8%
Canada lease rent	15,380	13,944	1,436	10.3%
Utilities, insurance and property taxes	12,666	11,960	706	5.9%
Police and security	7,148	6,711	437	6.5%
Airport improvement fee collection costs	4,551	4,333	218	5.0%
	205,983	181,571	24,412	13.4%

During 2013 operating expenses increased by 13.4% to $206.0 million as compared to $181.6 million in 2012. This was primarily driven by an increase in costs from our significant investment during the expansion to increase our capacity for growth and improve passenger experience.

DEPRECIATION AND AMORTIZATION

Expansion 2012 combined with other capital investments, increased amortization costs for 2013 by $7.8 million to $63.2 million (14.2%). This increase reflects the full-year impact of additional capital assets that became available for use in 2012 as well as those that became available for use with the central office tower making the largest contribution in 2013 as $3.0 million of depreciation was recorded for the 9 months it was available for use in 2013.

NET INTEREST EXPENSE

(in thousands)	2013 $	2012 $	Change $	Change %
Series A Bond interest	16,592	16,851	(259)	-1.5%
Series C Bond interest	30,611	28,424	2,187	7.7%
	47,203	45,275	2,187	4.9%
Interest income and other interest	(992)	(1,018)	26	-2.6%
Capitalized interest	(2,227)	(6,095)	3,868	-63.5%
	43,984	38,162	5,822	15.3%

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 2013 interest expense increased by 15.3% to $44.0 million as compared to $38.2 million in 2012. The increase was primarily attributable to an increase in Series C Bond interest due to a full year of interest costs on 2012 draws as well as increased interest from the $20.0 million draw in the first quarter of 2013. 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.

SALARIES AND EMPLOYEE BENEFITS

(in thousands)	2013 $	2012 $	Change $	Change %
Salaries and benefits	26,930	25,404	1,526	6.0%
Defined benefit pension plan	3,993	3,440	553	16.1%
Supplementary executive retirement plan	429	428	1	0.2%
Long-term benefit plan	1,225	397	828	208.6%
Defined contribution plan	80	49	31	63.3%
	32,657	29,718	2,939	9.9%
Capitalized salaries	(1,217)	(2,051)	834	-40.7%
	31,440	27,667	3,773	13.6%

During 2013 salaries and employee benefits increased by 13.6% to $31.4 million as compared to $27.7 million in 2012. The increase was driven by full-year staffing of positions filled partway through 2012, a 3% increase for employees under the collective bargaining agreement, an increase in pension costs and a decrease in capitalized salaries.

Defined benefit pension plan expense is driven by the discount rate, which is an interest rate based on high-quality fixed income investments with cash flows that match expected payments from the plan. During 2013 costs were higher due to a lower discount rate used to calculate 2013 current service and interest expense on the defined benefit obligation and interest income on the plan assets.

During 2013, Edmonton Airports committed to termination of the long-term benefit plan effective March 31, 2014. As a result, additional costs were recorded to reflect the re-calculation of the obligation in accordance with the amendment.

Additionally, the amount of capitalized salaries was reduced as there was a reduction in human resources focused on capital expansion.

SERVICE, MAINTENANCE, SUPPLIES AND ADMINISTRATION

(in thousands)	2013 $	2012 $	Change $	Change %
Service	9,455	7,994	1,461	18.3%
Maintenance and supplies	6,347	5,172	1,175	22.7%
Administration	12,360	9,806	2,554	26.0%
	28,162	22,972	5,190	22.6%
Bad debt (recovery) expense	(505)	510	(1,015)	-199.0%
	27,657	23,482	4,175	17.8%

Services, maintenance, supplies and administration expenses increased 17.8% to $27.7 million as compared to $23.5 million in 2012. The increase was driven by increased contracted services costs, increased operating expenses and supplies required for a larger asset base, and increased administrative expenses related to marketing initiatives. In 2013 bad debts in the amount of $0.5 million were recovered from previous amounts written off in 2012.

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 2013 were $185.4 million (2012 - $171.4 million), which resulted in a 10.8% increase in rent expense of $15.4 million in comparison to $13.9 million in 2012.

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%	8,580
On any amount over $250 million	12%	0
		15,380

UTILITIES, INSURANCE AND PROPERTY TAXES

Utilities, insurance and property tax expenses increased 5.9% to $12.7 million as compared to $12.0 million in 2012. Utility costs (primarily electricity) were higher, driven mainly by the increased consumption from a full year of utilization of the expansion and opening and operation of the central office tower. Property tax expenses in 2013 increased, reflecting a higher tax assessment. Insurance premiums were consistent with the previous period.

POLICE AND SECURITY

During 2013, police and security expenses increased by 6.5% to $7.1 million compared to $6.7 million in 2012. The increase is a direct result of an increase in contracted labour costs as negotiated in the contract and additional security required for the expanded terminal.

AIF IMPROVEMENT FEE COLLECTION COSTS

AIF collection costs for 2013 increased 5.0% to $4.6 million as compared to $4.3 million in 2012. The increase is directly driven by the increase in AIF revenue as it is a 6.0% fee paid to the airlines for collecting the AIF on behalf of Edmonton Airports.

OTHER ITEMS

Total gains of $0.4 million in 2013 relate to foreign exchange on the US-dollar bank account and a gain resulting from disposal of an apron in the third quarter of 2013.

OTHER COMPREHENSIVE LOSS

Edmonton Airports experienced a net re-measurement gain on post-employment benefits of $9.9 million in 2013 as compared to a $3.1 million loss in 2012. These re-measurement 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 gain in 2013 was the net result of a $1.9 million loss from the change in mortality assumptions, a $3.3 million experience loss, a $3.3 million return on plan assets and an $11.6 million gain from the change in financial assumptions, impacted most significantly by the increase in the discount rate to 4.9% in 2013 from 4.0% in 2012.

Capital Projects

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

COMMERCIAL REAL ESTATE

Projects in this category include those that build the revenue capacity for Edmonton Airports, the funding for which will be approved as operating earnings grow and cash flow becomes available. $17.5 million was spent on all projects to December 31, 2013, and approximately $3.9 million was carried over to 2014 to complete projects started in 2013.

During 2013 the highway commercial development project continued. 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 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 passenger experience. $38.8 million was spent on all projects to December 31, 2013, and approximately $4.3 million was carried over to 2014 to complete projects started in 2013.

The most significant projects in this category included:

» Life cycle systems replacements required in the older North Air Terminal building as the majority of systems are over 43 years old and have exceeded their normal life expectancy. Costs totaled $1.7 million in 2013.

» Construction of an apron and taxiway connection leading to a cargo facility and a paved airside service road to allow Edmonton Airports the opportunity and flexibility to meet future master plan requirements and increase capacity. Costs in 2013 totalled $2.0 million.

» Installation of leasehold improvements to the central office tower to enable the lease of the fourth floor to an external tenant. Costs in 2013 totalled $1.8 million.

» Extension of the existing taxiway romeo to the east to allow access to a developer that is building a new General Aviation terminal facility and provide access to future lots adjacent to the taxilane. Costs in 2013 totalled $2.5 million.

» Completion of the terminal portion of Expansion 2012: completion of the baggage system, relocated RCMP offices and required fire alarm upgrades to the entire terminal building. Costs in 2013 totalled $9.3 million.

» Completion of the combined office and control tower, including internal and external finishes that allowed administrative staff to occupy the building beginning April 2013. Costs in 2013 totalled $11.1 million.

» Construction of a storm main from the North GA Development to the west side of Runway 02/20 to ensure adequate storm capacity for existing and future development in the area. Costs in 2013 totalled $1.9 million.

» Continued work on the Central Utilities Plant (CUP), including the second Reservoir, the Sanitary Lift Station and connection of CUP fire alarms to the terminal system. Costs in 2013 totalled $3.2 million.

MAINTENANCE

Projects in this category include the maintenance of existing airport facilities and infrastructure such as system lifecycle replacements, paving programs, fleet replacement and capital restoration. $14.7 million was spent on all projects to December 31, 2013 and approximately $0.2 million was carried over to 2014 to complete projects started in 2013.

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

» Milled and repaved sections of Runway 12/30. Costs in 2013 totalled $1.6 million.

» Reconstructed the end of Runway 02, corrected airside storm water drainage issues and conducted further investigation into the state of taxiways. Costs in 2013 totalled $5.8 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 2013 with a cash and equivalents balance of $28.3 million, compared to $76.0 million at December 31, 2012. The decrease in our cash position was a result of $90.3 million spent on capital expenditures, $17.5 million in financing outflows offset by positive cash flow from operations of $38.3 million and financing inflows of $20.0 million.

Our current ratio, defined as current assets over current liabilities, was 0.9 at December 31, 2013 as compared to 1.3 at December 31, 2012. The decrease was due to a decrease in cash and cash equivalents, an increase in the current portion of long-term debt and an increase in the current portion of post-employment benefits as a result of termination of the long-term benefit pension plan. The current ratio in 2013 is more reflective of a reasonable ratio for Edmonton Airports as we carried significant excess cash at the end of 2012 to assist with the payment of expenditures relating to the close of Expansion 2012.

(in thousands)	**2013 $**	**2012 $**	**Change $**
Cash flows from operating activities	38,334	44,050	(5,716)
Cash flows used in investing activities	(88,696)	(168,808)	80,112
Cash flows from financing activities	2,443	103,591	(101,148)
	(47,919)	(21,167)	(26,752)
Effect of foreign exchange on cash and cash equivalents	180	(10)	190
Net decrease in cash and cash equivalents	(47,739)	(21,177)	(26,562)
Cash and cash equivalents, beginning of year	75,998	97,175	(21,177)
Cash and cash equivalents, end of year	28,259	75,998	(47,739)

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 interest expense. We consider the cash flows arising from operating activities to be 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, 2013, our cash flows from operating activities decreased by 13.0% to $38.3 million, compared to $44.1 million in the prior year. This year-over-year decrease was mainly the result of an increase in required post-employment benefit payments and interest paid. Cash inflows from operating activities were used to repay long-term debt and invest in revenue-generating assets.

INVESTING CASH FLOWS

For the year ended December 31, 2013, cash flows used in investing activities totaled $88.7 million compared to $168.8 million in the prior year. The significant year-over-year decrease is mainly due to the decrease in capital expenditures as our focus shifted from building capacity to utilizing capacity and maintaining existing structures.

FINANCING CASH FLOWS

For the year ended December 31, 2013, cash flows from financing activities totaled $2.4 million compared to $103.6 million in the prior year. The decrease was a result of decreased investing activities in 2013 as compared to 2012 and therefore a reduced requirement for financing. During the first quarter of 2013, a $20.0 million fixed rate debenture with semi-annual installments was drawn from ACFA to fund investing cash flows.

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, 2013, restricted deposits of $32,518 (2012 - $32,158) 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 $18.7 (2012 - $16.9) has been set aside for the Fund.

We are required to maintain a Debt Service Coverage Ratio on a rolling 12-month basis of 1.00:1 and a Gross Debt Service Coverage Ratio of not less than 1.25:1. At December 31, 2013, ratios were 1.35:1 and 2.94:1, 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, 2013, the ICR was 1.56 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	2013 Rating	2012 Rating
S & P	September 2013	A positive	A Stable
Moody's	April 2013	A1 Stable	A1 Stable
DBRS	November 2012	A (High)	A (High)

Outlook

In 2013 we began to shift our focus from increasing capacity to attracting and retaining a growing number of satisfied passengers. We achieved record passenger traffic of 7.0 million passengers and record revenue of $182.8 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 so that revenue will become sufficient to cover all costs of operations.

The global economy is starting to show signs of stronger growth with advanced economies beginning to grow at a quicker pace. The International Monetary Fund (IMF) is projecting global economic growth of 3.75% in 2014, an improvement from the estimated 3% rate of growth in 2013. 2015 is expected to be even stronger with global growth reaching 4%. Increased global economic activity drives the increased movement of people and goods. Boeing is projecting average annual growth of 5% for both global passenger and cargo volumes through 2032 based on an average GDP growth rate that is below that of the near-term IMF forecast. Passenger traffic growth is anticipated to be highest in Latin America, which is growing by 6.9% annually, followed by Asia-Pacific and the Middle East at 6.3%. The airport's new non-stop service to Dallas-Fort Worth, along with existing services to Newark and Houston provide Edmonton with great connectivity to the fastest-growing air service market in Latin America and frequent flights to Vancouver, Seattle, Los Angeles and San Francisco provide strong connectivity to the Asia-Pacific market.

The Alberta and Edmonton economies continue to drive the Canadian economy with the provincial economy expected to advance by 3.9% in 2014 following growth of around 3.3% in 2013. Strong growth is projected into 2015, with the provincial economy set to expand by another 3.5%. Growth continues to be driven by investment in oil sands mega projects, with approximately $200 billion in projects planned or currently underway. Since the Edmonton Region serves as a staging ground for much of this investment, economic, employment and retail sales growth is anticipated. The provincial unemployment rate is anticipated to continue to drop towards 4% over the next two years and firms will have to continue to bring labour in from other parts of Canada, the US and around the world to meet their labour demands. These workers travel home frequently and/or bring their families to Alberta to visit, making them a stable source of passenger demand.

Economic growth 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:

(in thousands)	2014	2015	2016	2017	2018	2019	2020
Passengers	7,357	7,666	7,973	8,403	8,901	9,435	10,000
Revenue	$204,010	$224,799	$238,435	$255,213	$271,870	$287,634	$305,177
EBITDA margin	46.6%	50.4%	48.8%	50.2%	52.2%	56.1%	57.0%
Net income/(loss)	($23,314)	($11,587)	($12,756)	($7,104)	$3,566	$20,831	$30,631
Capital expenditures	$62,500	$87,288	$67,463	$57,082	$56,681	$56,835	$46,693
Debt/enplaned passenger ($)	$262	$259	$244	$230	$210	$191	$173
Debt service coverage ratio	1.43	1.66	1.66	1.79	1.84	2.00	2.15
Interest coverage ratio	1.58	1.91	1.94	2.34	2.65	3.24	3.57

Strategic Risks

GROWTH ASSUMPTIONS

Edmonton Airports' corporate and business objective outcomes are heavily dependent on growth assumptions surrounding both passenger volumes and commercial real estate. Our seven-year passenger growth assumptions could be seen as aggressive, as they anticipate higher passenger growth than we would traditionally expect to see if we followed our traditional business model. Our seven-year forecast calls for approximately 1.1 million more passengers in 2020 than the base forecast produced by Transport Canada. Edmonton Airports' current passenger growth assumptions are based on a successful implementation of growth strategies outlined in the organization's Strategic Plan. External events such as lower than forecast economic growth, wars or a major terrorist attack would likely result in Edmonton Airports' falling short of these forecasts. Additionally, any weakening in the local commercial real estate market would slow development. The result would be reduced revenues and lower than forecast financial returns.

ENERGY/OIL PRICES

Edmonton Airports and the Edmonton region are closely tied to the Alberta energy sector and development of the oil sands. Changes in energy prices may have both positive and negative impacts on our business outcomes. Traditionally, when energy prices increase at a slow and stable pace, driven by world economic growth, the region and the airport see the benefits of a strong local economy and passenger growth exceeds average levels. The benefits of this growth are partially offset by increased airline costs (fuel is their largest expense), which result in higher ticket prices and/or fuel surcharges. Conversely, lower energy prices are good for airlines, but as the price of oil approaches $70/barrel, activity in the Alberta oil sands tends to slow with new projects often being put on hold.

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

COMMUNITY

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

» Developing a third runway that is operationally optimal for EIA and addresses 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.

BUSINESS AVIATION

The airport has experienced strong growth in the business aviation sector over the last several years. This growth is largely driven by resource prospecting exploration and extraction. This activity is driven by diamonds, precious metals and energy (oil and gas reserves). For example, capital investment in the oil sands is estimated to add up to $207 billion over 2013-2022.[1] This economic activity drives charter activity to the north through the Airport's Fixed Base Operators. It is anticipated that this activity will grow as investment in the resource extraction industries increases.

Resource extraction is driven by commodity prices, and if prices do not remain strong, we could experience a negative impact on investment and related air charter activity.

TALENT GAP

The shift towards demand-based passenger marketing and a passenger-centred business viewpoint represents a new development in Edmonton Airports' business culture. In some cases this shift 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 doing this through formal workforce planning to identify gaps and implement strategies to close gaps. We are developing our current leaders and identifying future leaders who will ensure we continue to succeed. Similarly, trades and technical skills are 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 help ensure we have the right people focusing their efforts in alignment with the strategy.

Accountability

Edmonton Airports' public accountability requirements with respect to planning, reporting, conduct and operational effectiveness are documented 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 2013 Management Discussion and Analysis above, the following items require disclosure.

BUSINESS AND STRATEGIC PLANS

The Executive Summary of Edmonton Airports 2013 Business Plan and 2014 – 2020 Strategic Plan are available at www.flyeia.com.

1 Government of Alberta, http://oilsands.alberta.ca/economicinvestment.html

CONFLICT OF INTEREST

In accordance with the lease agreement with the Government of Canada 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 with the Government of Canada 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 $126,869 ($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, 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 two contracts in excess of $126,869 ($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.

2013 SOLE SOURCE CONTRACTS OVER $126,869
(BASED ON 2013 EDMONTON CPI INDEX)

Supplier	Project	Value	Code
IBM	Purchase of CUSS kiosks and passport readers for CUTE Lifecycle Replacement Program	$750,000	Proprietary service provider/In compliance with a product or equipment standardization program
ARINC	Servers and software for CUTE System (Lifecycle Replacement Program)	$250,000	Proprietary service provider/In compliance with a product or equipment standardization program

SUSTAINABILITY

SUSTAINABILITY REPORT

The development of sustainability at Edmonton Airports

At Edmonton Airports, we are committed to responsibly managing all of our assets to advance our region's ***environmental*** *stewardship,* ***social*** *well-being and* ***economic*** *prosperity.* In the last decade Edmonton Airports has had an increasing commitment to values-driven decisions as demonstrated by the investments made in sustainable infrastructure, air service and community partnerships.

SOME EXAMPLES OF CORPORATE COMMITMENTS:

	Category of the Triple Bottom Line supported		
Initiative	**Economic**	**Environmental**	**Social**
Showing dedication to our vision, *more flights to more places*, through the expansion of air service from Edmonton to over 60 non-stop destinations. Increasing our non-aeronautical revenue through commercial development in support of the economic prosperity of the region.	■		■
Setting Leadership in Energy and Environmental Design (LEED) expectations for Expansion 2012 (LEED Silver for the Central Tower and LEED Certified for the expanded terminal) in order to minimize the environmental footprint of the new buildings. Building to LEED standard has contributed to more efficient use of resources in addition to improved waste diversion.	■	■	■
Expanding the Community Investment Program and developing the Art and Ambience Program. Through these investments, we have been able to support more community initiatives and contribute to overall traveller experiences through donations and sponsorships while providing opportunities for local artists and musicians to profile their talent to the seven million passengers who pass through our airport each year.			■
Developing forums to better understand the concerns of our stakeholders through engagements such as the Airline Consultative Committee, participation in Air Service Quality (ASQ) surveys, the Noise Advisory Committee, the Business Advisory Committee, the Annual Public Meeting and town-hall meetings.		■	■
Supporting green transportation to the International Airport through the scheduled ETS 747 bus service and encouraging the use of hybrid vehicles for taxi services through a discount on the trip-fee taxis pay to EIA. Additionally, EIA supports employees in adopting sustainable transportation through discounts and initiatives such as parking stalls dedicated for carpooling .	■	■	■
Building the wetlands water treatment system to ensure the water discharged from airport property is clean and safe for the environment and community.		■	■
Expanding EIA's waste diversion program with segregated disposal bins throughout the terminal and office space, leading to an 11% increase in waste diversion in 2013 over 2012.		■	
Purchasing environmentally sustainable office supplies		■	
An assessment of ambient air quality underway, set to be completed in the Spring of 2014.		■	■

The future of sustainability at Edmonton Airports

In 2013, Edmonton Airports integrated sustainability objectives into the long-term corporate strategy for expanding our commitment to the Triple Bottom Line. 2014 marks Edmonton Airports' dedication to augmenting the corporate-wide Sustainability Program and the commitment to producing its first Sustainability Report. EIA's new Sustainability Report will be advised by the guidelines of an internationally implemented reporting system, the Global Reporting Initiative (GRI). The use of a framework, as well as deployment of dedicated personnel, is paramount to the success of integrating sustainability into every aspect of our operations and culture. A framework will provide direction about how to manage the sustainability program, while bringing order and a common language.

The GRI report offers a smooth transition from our previous commitment to sustainability. Here is a sample of six of the many indicators that we have already begun tracking to international standards.

	Category of the Triple Bottom Line supported		
Initiative	**Economic**	**Environmental**	**Social**
Our total number of passengers analysed by international and domestic flights, as well as origin-and-destination and transfer passengers.	■		
Total number of aircraft movements by day and night, broken down by different types of aircrafts	■		
Total amount of cargo	■		
Energy consumption within the organization		■	
Energy consumption outside of the organization		■	
Energy intensity of the organization		■	

This along with many other factors support the belief that following GRI's Framework will help Edmonton Airports to expanding our Sustainability Program using a methodology that is easily communicated and understood by our stakeholders.

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 Corporate Services

Edmonton, Canada
March 27, 2014

pwc

March 27, 2014

Independent Auditor's Report

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, 2013 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, 2013, 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

STATEMENTS OF FINANCIAL POSITION

As at December 31, 2013 and 2012

(in thousands of dollars)	2013 $	2012 (note 3) $
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	28,259	75,998
Accounts receivable (note 5)	18,667	18,201
Prepaid expenses and other	3,886	3,197
	50,812	97,396
NON-CURRENT ASSETS		
Restricted deposits (note 6(b))	32,518	32,158
Prepaid expense and lessee receivable	457	504
Property, plant and equipment (note 8)	1,010,185	1,006,691
Intangible assets (note 9)	806	1,014
	1,094,778	**1,137,763**
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities (notes 8(b), 10)	35,823	57,235
Deferred revenue	3	38
Current portion of obligation under finance lease	22	27
Current portion of post-employment benefits (note 7)	2,407	-
Current portion of long-term debt (note 6)	18,688	17,502
	56,943	74,802
NON-CURRENT LIABILITIES		
Tenants' security deposits	1,477	1,269
Obligation under finance lease	-	23
Post-employment benefits (note 7)	3,553	17,623
Long-term debt (note 6)	945,730	944,105
	1,007,703	1,037,822
Contingencies (note 13)		
Commitments (note 14)		
Net Assets	87,075	99,941
	1,094,778	**1,137,763**

See accompanying notes to financial statements.

Approved by the Board of Directors:

Chair

Chair – Audit Committee

EDMONTON REGIONAL AIRPORTS AUTHORITY

STATEMENTS OF COMPREHENSIVE LOSS

As at December 31, 2013 and 2012

(in thousands of dollars)	2013 $	2012 $
REVENUE		
Airport improvement fee (note 11)	74,793	71,111
Concessions and parking	53,576	48,562
Airside and general terminal	41,772	38,958
Police and security	8,513	7,785
Real estate leases	3,955	3,877
Other revenue	235	89
	182,844	170,382
EXPENSES		
Depreciation and amortization (notes 8(c), 9(b))	63,157	55,312
Interest (note 6(f))	43,984	38,162
Salaries and employee benefits	31,440	27,667
Service, maintenance, supplies and administration	27,657	23,482
Canada lease rent (notes 1, 14(c))	15,380	13,944
Utilities, insurance and property taxes	12,666	11,960
Police and security	7,148	6,711
Airport improvement fee collection costs (note 11)	4,551	4,333
	205,983	181,571
LOSS BEFORE THE UNDERNOTED	(23,139)	(11,189)
OTHER ITEMS		
Gain (loss) on foreign exchange	158	(23)
Gain (loss) on disposal of property, plant and equipment (note 8(e))	261	(595)
	419	(618)
NET LOSS FOR THE YEAR	(22,720)	(11,807)
OTHER COMPREHENSIVE INCOME (LOSS):		
ITEMS THAT WILL NOT BE RECLASSIFIED TO NET LOSS		
Remeasurement gain (loss) on post-employment benefits (note 7)	9,854	(3,695)
COMPREHENSIVE LOSS FOR THE YEAR	**(12,866)**	**(15,502)**

See accompanying notes to financial statements.

STATEMENTS OF CHANGES IN NET ASSETS

As at December 31, 2013 and 2012

(in thousands of dollars)	2013 $	2012 $
NET ASSETS - BEGINNING OF YEAR	99,941	115,443
Remeasurement gain (loss) that will not be reclassified to net loss	9,854	(3,695)
Net loss for the year	(22,720)	(11,807)
Total comprehensive loss for the year	(12,866)	(15,502)
NET ASSETS - END OF YEAR	**87,075**	**99,941**

See accompanying notes to financial statements.

EDMONTON REGIONAL AIRPORTS AUTHORITY

STATEMENTS OF CASH FLOWS

For the years ended December 31, 2013 and 2012

(in thousands of dollars)	2013 $	2012 $
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss for the year	(22,720)	(11,807)
Adjustments for:		
Depreciation and amortization	63,157	55,312
Amortization of borrowing costs	313	259
(Gain) loss on foreign exchange	(158)	23
(Gain) loss on disposal of property, plant and equipment	(261)	595
Post-employment benefit expense	5,647	4,265
Finance costs - net	42,871	37,014
Changes in working capital:		
Accounts receivable	2,291	(3,438)
Prepaid expenses and other	(689)	(147)
Accounts payable and accrued liabilities	(3,343)	4,371
Deferred revenue	(35)	(21)
Tenants' security deposits	208	110
Post-employment benefit contributions	(7,456)	(6,069)
Interest paid	(43,941)	(37,565)
Interest received	1,113	1,148
NET CASH FLOWS FROM OPERATING ACTIVITIES	36,997	44,050
CASH FLOWS FROM INVESTING ACTIVITIES		
Lessee receivable	47	46
Purchase of restricted deposits	(360)	(10,771)
Purchase of property, plant and equipment (note 8(f))	(88,915)	(151,670)
Purchase of intangible assets	(659)	(352)
Proceeds on disposal of property, plant and equipment	4,755	34
Interest paid capitalized to property, plant and equipment	(2,227)	(6,095)
NET CASH FLOWS USED IN INVESTING ACTIVITIES	(87,359)	(168,808)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of finance lease	(28)	(23)
Repayments of long-term debt	(17,529)	(16,386)
Proceeds from long-term debt	20,000	120,000
NET CASH FLOWS FROM FINANCING ACTIVITIES	2,443	103,591
Effect of exchange rate on cash and cash equivalents at the end of the year	180	(10)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(47,739)	(21,177)
Cash and cash equivalents – beginning of year	75,998	97,175
CASH AND CASH EQUIVALENTS – END OF YEAR	**28,259**	**75,998**

See accompanying notes to financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the years ended December 31, 2013 and 2012 (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 27, 2014.

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 an 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 April 1, 1996, Edmonton Airports signed a ground lease agreement (City Lease) with the City of Edmonton, which provides that Edmonton Airports will lease the City Centre Airport facilities for an initial period of fifty-six years ending in 2052. At the end of the lease term, unless otherwise extended, Edmonton Airports is obligated to return control of the City Centre Airport to the Landlord.

To facilitate the City of Edmonton's desire for a phased closure of City Centre Airport, Edmonton Airports signed an amending agreement (City Lease Amending Agreement) with City of Edmonton on July 23, 2010, the effect of which was to surrender certain leased lands effective August 4, 2010, and amend certain terms of the City Lease. On August 4, 2010, one runway was closed and certain tenant leases were assigned to the City of Edmonton.

The City Lease Amending Agreement required that Edmonton Airports operate City Centre Airport on a cost-recovery basis until its full closure, such date to be determined by the City of Edmonton. Edmonton Airports collected fees for aeronautical activity and used those fees to offset the operating costs of the City Centre Airport. Any operating deficits were to be funded by the City of Edmonton and any operating surplus was to be paid to the City of Edmonton. Edmonton Airports retained all the rights and title to the chattels, which comprise predominately maintenance vehicles and equipment.

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.

In 2013, Edmonton Airports completed the extension of one of Villeneuve Airport's two runways and oversaw the installation of a precision instrument landing system (ILS). The two projects will help facilitate the acceptance of medevac flights carrying patients and contributed to airfield development.

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 as set out in the Handbook of the Canadian Institute of Chartered Accountants (CICA Handbook). 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) 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.

c) 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 and the City Lease Amending Agreement are accounted for as operating leases.

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.

d) 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 - 25.00%
Parking facilities and lots	2.50 - 20.00%
Runway, taxiways and apron surfaces	1.67 - 25.00%
Other facilities	1.67 - 33.33%

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

OFFICE EQUIPMENT UNDER FINANCE LEASE	Over the term of the lease

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

e) 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 statement of operations at the following annual rates:

Purchased software and software licences 33.33 - 50.00%

f) 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 amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal shall be recognised in net loss. Impairment losses on available-for-sale equity instruments are not reversed.

g) 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.

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 recognised for the asset in prior years.

h) Borrowing costs

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 net loss in the period in which they are incurred.

i) 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.

j) Post-employment benefit

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.

k) 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.

l) 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 2013

The following standards have been adopted by Edmonton Airports for the first time for the financial year beginning on or after January 1, 2013 and have a material impact on Edmonton Airports:

i) IAS 19, 'Employee benefits' was revised in June 2011. The significant amendments to IAS 19 that impacted Edmonton Airports are as follows:

- Past service costs are to be recognized immediately in the Statements of Comprehensive Loss;
- Expected returns on plan assets will no longer be recognized in net loss. Instead, interest income on plan assets, calculated using the discount rate used to measure the pension obligation, will be recognized in the Statements of Comprehensive Loss;
- Plan administration costs are to be expensed as incurred; and
- Disclosures relating to benefit plans will be enhanced and will include discussions on risk associated with each plan, an explanation of items recognized in the financial statements and descriptions of the amount, timing and uncertainty of Edmonton Airports' future cash flows.

The amendments are required to be applied retrospectively in accordance with IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors. As such, Edmonton Airports has retrospectively adjusted the assets and liabilities as at December 31, 2013, December 31, 2012 and January 1, 2012 and income, expenses and cash flow for the periods ended December 31, 2013 and December 31, 2012.

Through the review of the amendments to IAS 19, it was noted that contributions paid in 2012 for 2011 and contributions paid in 2013 for 2012 were inappropriately included in pension assets and therefore reduced the pension liability previously reported.

For the years ended December 31, 2013 and 2012 (in thousands of dollars)

The summary of the impact arising from the application of the change in accounting policy and the error noted above is as follows:

Adjustments to the statements of financial position:

	December 31, 2012 $	January 1, 2012 $
Net assets before accounting change	100,498	115,611
Increase (decrease) to post-employment benefits	-	-
Increase (decrease) resulting from reclassification adjustment	(557)	(168)
Net assets after accounting change	**99,941**	**115,443**

Adjustments to net loss:

	2012 $
Net loss before accounting change	(10,937)
Increase in salaries and employee benefits (IAS 19 revised)	(870)
Net loss after accounting change	**(11,807)**

Adjustments to comprehensive loss:

	2012 $
Comprehensive loss before accounting change	(15,113)
Increase in other comprehensive income for remeasurement of post-employment benefits (IAS 19 revised)	870
Decrease in other comprehensive income resulting from reclassification adjustment	(389)
Increase in net loss (IAS 19 revised)	(870)
Comprehensive loss after accounting change	**(15,502)**

ii) Amendment to IAS 1, ‘Financial statement presentation’ regarding other comprehensive income. The main change resulting from these amendments is a requirement for entities to group items presented in ‘other comprehensive income’ (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). Edmonton Airports has only one item presented in OCI and has identified its type appropriately.

iii) IFRS 13, ‘Fair value measurement’, aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs. Additional disclosure has been added to note 15 as a result of adoption of the new standard.

ii. Change in presentation of Statements of Cash Flows

i) Effective September 30, 2013 Edmonton Airports changed the method of reporting the Statement of Cash Flows from the direct method to the indirect method as this method provides more reliable and relevant information including improved comparability to Canadian reporting entities. The change in presentation resulted in a restatement of the December 31, 2012 statement of cash flows. There was no impact to the classification of cash flows as operating, investing or financing activities.

iii. Accounting standards issued but not yet applied

i) IFRS 9 Financial Instruments

IFRS 9, ‘Financial instruments’, addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and October 2010. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortized cost. The determination is made at initial recognition. The classification depends on the entity’s business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity’s own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. Edmonton Airports’ is yet to assess IFRS 9’s full impact. Edmonton Airports’ will also consider the impact of the remaining phases of IFRS 9 when completed by the Board.

ii) IAS 36 Impairment of Assets

Effective for accounting periods beginning on or after January 1, 2014, the standard has been 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. This amendment is not expected to have a material impact on the financial position of Edmonton Airports.

iii) IFRIC 21 Levies

Effective for years beginning on or after 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. Edmonton Airports has yet to assess IFRIC 21’s full impact.

There are no other IFRSs, IAS or IFRIC interpretations that are not yet effective that are expected to have a material impact on Edmonton Airports.

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.

For the years ended December 31, 2013 and 2012 (in thousands of dollars)

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, 2012 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, 2013 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

	2013 $	2012 $
Trade receivables	14,427	16,045
Less: allowance for doubtful accounts	252	645
Trade receivables - net	14,175	15,400
Capital grants receivable	3,007	250
Other receivables and accrued receivables	1,485	2,551
	18,667	**18,201**

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 accordingly within "Service, maintenance, supplies and administration" expenses (note 15).

6 LONG-TERM DEBT

a) Total long-term outstanding

	2013 $	2012 $
Series A Bond	222,907	227,577
Series C Bond	745,483	738,315
	968,390	965,892
Less current portion Series A Bond	5,271	4,671
Less current portion Series C Bond	13,417	12,831
Total current portion	18,688	17,502
Less unamortized transaction costs	3,972	4,285
	945,730	**944,105**

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, 2013, Restricted deposits of $32,518 (2012 - $32,158) exist as a requirement of the Debt Service Reserve Fund. These deposits earned annual interest of 1.10% (2012 - 1.05%). 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 Instalment $	Maturity Date	2013 $	2012 $
7.21%	Varying	November 1, 2030	222,907	227,577
Less unamortized transaction costs			3,972	4,285
			218,935	223,292
Less current portion			5,271	4,671
			213,664	**218,621**

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 draw downs on the credit facility were made in 2013 (2012 - $nil). As at December 31, 2013 $18,701 (2012 - $16,906) 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.

For the years ended December 31, 2013 and 2012 (in thousands of dollars)

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 instalments of principal and interest:

Interest Rate	Semi-annual Instalment $	Maturity Date	2013 $	2012 $
4.37%	755	December 15, 2026	14,854	15,688
4.50%	1,145	March 15, 2027	22,989	24,204
5.00%	398	June 15, 2027	7,754	8,148
4.89%	395	September 17, 2027	7,935	8,322
4.68%	1,552	June 16, 2028	32,393	33,924
4.55%	3,068	September 17, 2028	66,170	69,191
4.67%	1,245	December 15, 2039	37,289	38,014
4.54%	920	March 15, 2040	28,205	28,747
4.56%	1,845	June 15, 2040	56,422	57,503
4.00%	1,439	October 01, 2040	47,236	48,194
4.40%	2,112	December 15, 2040	66,369	67,633
4.41%	1,511	March 15, 2041	47,867	48,747
			435,483	448,315

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%	343	March 15, 2043	20,000	-
			310,000	290,000
			745,483	738,315
Less current portion			13,417	12,831
			732,066	725,484

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

	Principal $	Interest $	Total $
2014	18,688	46,256	64,944
2015	19,948	45,251	65,199
2016	21,285	44,171	65,456
2017	23,324	43,010	66,334
2018	29,577	41,697	71,274
Thereafter	855,568	413,531	1,269,099
	968,390	**633,916**	**1,602,306**

f) Interest expense (income)

	2013 $	2012 $
Series A Bond interest	16,592	16,851
Series C Bond interest	30,611	28,424
Other interest and financing costs	121	130
Interest income and other	(1,113)	(1,148)
	46,211	44,257
Capitalized interest (note 8(d))	(2,227)	(6,095)
	43,984	**38,162**

For the years ended December 31, 2013 and 2012 (in thousands of dollars)

7 POST-EMPLOYMENT BENEFIT

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

	2013 $	2012 $
LIABILITIES INCLUDED IN STATEMENTS OF FINANCIAL POSITION:		
Defined benefit pension plan	747	13,388
Supplementary executive retirement plan	2,806	2,501
Long-term benefit plan	2,407	1,734
Liability in the statements of financial position	5,960	17,623
EXPENSE INCLUDED IN NET LOSS FOR THE YEAR:		
Defined benefit pension plan	3,993	3,440
Supplementary executive retirement plan	429	428
Long-term benefit plan	1,225	397
	5,647	4,265
REMEASUREMENTS FOR:		
Defined benefit plan	9,555	(4,463)
Supplementary executive retirement plan	124	100
Long-term benefit plan	175	668
Remeasurement gain (loss) on post-employment benefits	9,854	(3,695)

The defined benefit obligation is composed as follows:

	2013 $	2012 $
Present value of funded obligations	40,942	47,827
Fair value of plan assets	40,195	34,439
Deficit of funded plans	747	13,388
Present value of unfunded obligations	5,213	4,235
Liability in the statements of financial position	**5,960**	**17,623**

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, 2012 and is contained in an actuarial report dated June 18, 2013. The next required actuarial valuation for funding purposes must be effective no later than December 31, 2013. The financial statements were prepared based on an actuarial valuation completed as at December 31, 2012 with an extrapolation to December 31, 2013.

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 2012 and 2013 is as follows:

	Present value of obligation $	Fair value of plan assets $	Total $
At January 1, 2012	40,086	(28,654)	11,432
Current service cost	2,719	-	2,719
Interest expense/(income)	1,909	(1,390)	519
Impact on net loss for the year	4,628	(1,390)	3,238
Remeasurements:			
Return on plan assets, excluding amounts included in interest expense/(income)	-	(1,260)	(1,260)
Gain from change in financial assumptions	5,523	-	5,523
Experience losses	200	-	200
Impact of remeasurements on other comprehensive income (loss)	5,723	(1,260)	4,463
Contributions:			
Employer	-	(5,947)	(5,947)
Participants	-	(89)	(89)
Payments from plans:			
Benefit payments	(2,610)	2,610	-
Administration costs	-	291	291
At December 31, 2012	**47,827**	**(34,439)**	**13,388**

For the years ended December 31, 2013 and 2012 (in thousands of dollars)

	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**

The significant actuarial assumptions are as follows:

	2013 %	2012 %
Discount rate	4.90	4.00
Rate of compensation increase	3.25	3.50

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:

	2013 years	2012 years
Retiring at the end of reporting period:		
Male	25.5	24.3
Female	28.4	26.6
Retiring 20 years after end or reporting period:		
Male	27.1	26.0
Female	29.5	27.5

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 4.7%	Increase by 5.0%
Rate of compensation increase	0.25%	Increase by 0.1%	Decrease by 0.1%
Mortality rates	0.8 years	Increase by 2.2%	Increase by 2.0%

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 under perform 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:

	2013 %	2012 %
Equities	59.9	63.7
Debt securities	40.1	32.1
Cash and other	0.0	4.2
Total	100.0	100.0

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 recognised 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 2013 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.

For the years ended December 31, 2013 and 2012 (in thousands of dollars)

As at December 31, 2012, the aggregate solvency deficit in the defined benefit portion of the pension plan amounted to $15,715. Edmonton Airports will make special payments for past service of $2,512 to fund the pension plan deficit over five years. Edmonton Airports' current service contribution is equal to 13.0% 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, 2013.

The weighted average duration of the defined benefit pension plan obligation is 18.4 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	750	923	3,345	96,575	101,593
SERP	169	182	538	3,387	4,276
Long term benefit plan	2,142	11	33	377	2,563
At December 31, 2013	**3,061**	**1,116**	**3,916**	**100,339**	**108,432**

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, 2013.

The movement in the defined benefit obligation of the SERP over the years 2012 and 2013 is as follows:

	2013 $	2012 $
Balance at beginning of the period	2,501	2,173
Current service cost	316	314
Interest expense	113	114
Impact on net loss for the year	429	428
Impact of remeasurements on other comprehensive income (loss)	(124)	(100)
Balance at end of the period	**2,806**	**2,501**

The methods and types of assumptions used in determining the defined benefit obligation of the SERP are the same used for 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 $80.

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, 2013.

The expected costs of the long-term benefit plan are accrued over the period of employment. On October 15, 2013, as a result of the re-negotiated terms of the general bargaining unit collective agreement, Edmonton Airports will terminate the long-term benefit plan for employees under the general bargaining unit collective agreement and excluded employees and management effective March 31, 2014 offering employees the following two options:

» Cash out long-term benefits accumulated to date or direct the balance to retirement savings; or

» Leave the accumulated balance on deposit with Edmonton Airports until retirement, death or termination

Current service costs will continue to accumulate up to March 31, 2014 for employees that do not cash out long-term benefits by March 31, 2014. Edmonton Airports expects to settle the liability in April of 2014.

The movement in the defined benefit obligation of the long-term benefit plan over the years 2012 and 2013 is as follows:

	2013 $	2012 $
Balance at beginning of the period	1,734	2,127
Current service cost	301	289
Interest expense	74	108
Past service cost	850	-
Impact on net loss for the year	1,225	397
Impact of remeasurements on other comprehensive income (loss)	(175)	(668)
Benefits paid	(377)	(122)
Balance at end of the period	**2,407**	**1,734**

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 2013 was $80.3 (2012 - $49.3).

NOTES TO THE FINANCIAL STATEMENTS

For the years ended December 31, 2013 and 2012 (in thousands of dollars)

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 $	Construction work in progress $	Total $
COST											
Balance at December 31, 2011	282,580	25,047	101,437	186,672	79,102	17,940	16,165	9,403	115	466,950	1,185,411
Additions / transfers	429,300	15,846	16,587	19,347	2,947	2,942	499	919	-	(352,212)	136,175
Disposals and derecognition	(491)	-	(141)	-	(174)	(755)	(315)	(39)	-	-	(1,915)
Balance at December 31, 2012	**711,389**	**40,893**	**117,883**	**206,019**	**81,875**	**20,127**	**16,349**	**10,283**	**115**	**114,738**	**1,319,671**
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**

	Buildings $	Roadways systems $	Parking facilities and lots $	Runway, taxiways and apron surfaces $	Other facilities $	Vehicles and maintenance equipment $	Furniture and equipment $	Computer hardware $	Office equipment under finance lease $	Construction work in progress $	Total $
DEPRECIATION											
Balance at December 31, 2011	119,444	9,475	29,477	48,955	26,555	13,481	7,589	4,092	48	-	259,116
Depreciation for the year	28,534	1,814	4,137	11,343	4,483	1,246	1,451	2,123	23	-	55,154
Disposals and derecognition	(216)	-	(86)	-	(168)	(741)	(51)	(28)	-	-	(1,290)
Balance at December 31, 2012	**147,762**	**11,289**	**33,528**	**60,298**	**30,870**	**13,986**	**8,989**	**6,187**	**71**	**-**	**312,980**
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**
CARRYING AMOUNTS											
At December 31, 2012	**563,627**	**29,604**	**84,355**	**145,721**	**51,005**	**6,141**	**7,360**	**4,096**	**44**	**114,738**	**1,006,691**
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**

a) At December 31, 2013, $41,626 (2012 - $114,738) of property, plant and equipment were under construction of which $41,260 (2012 - $114,406) was for buildings, runways taxiways and aprons, and other facilities not yet subject to depreciation.

b) Included in accounts payable and accrued liabilities at December 31, 2013 is $15,125 (2012 - $34,569) relating to unpaid capital expenditures (note 10).

c) At December 31, 2013, $62,290 (2012 - $55,154) of property, plant and equipment depreciation was included in the statements of comprehensive loss.

d) Property, plant and equipment includes $2,227 (2012 - $6,095) in borrowing costs capitalized during the year. Borrowing costs were capitalized at a weighted average rate of its general borrowing of 4.86% (2012 - 4.36%).

e) Assets with a net book value of $4,494 (2012 - $626) were disposed of for proceeds of $4,755 (2012 - $34).

f) The Province of Alberta has committed to funding up to $14,000 for the runway extension at the Villeneuve Airport. To December 31, 2013 $11,200 has been received from the Province and $12,990 in costs has been incurred.

9 INTANGIBLE ASSETS

	Computer software $	Construction work in progress $	Total $
COST			
Balance at December 31, 2011	2,134	868	3,002
Additions/transfers	1,086	(868)	218
Disposals	(285)	-	(285)
Balance at December 31, 2012	**2,935**	**-**	**2,935**
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**

For the years ended December 31, 2013 and 2012 (in thousands of dollars)

	Computer software $	Construction work in progress $	Total $
AMORTIZATION			
Balance at December 31, 2011	2,048	-	2,048
Amortization for the year	158	-	158
Disposals	(285)	-	(285)
Balance at December 31, 2012	**1,921**	**-**	**1,921**
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**
CARRYING AMOUNTS			
At December 31, 2012	**1,014**	**-**	**1,014**
At December 31, 2013	**762**	**44**	**806**

a) At December 31, 2013, $44 (2012 - $ Nil) 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, 2013, $867 (2012 - $158) of intangible asset amortization was charged to the statements of comprehensive loss.

10 ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2013 $	2012 $
Trade payables	269	1,425
Construction payables (note 8 (b))	15,125	34,569
Payroll source deductions and other employee benefits payable	4,213	4,733
Accrued interest on long-term debt	7,549	7,506
Other accruals and payables	8,667	9,002
	35,823	**57,235**

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 planned redevelopment and expansion of airport and terminal facilities at Edmonton International Airport (see note 14(a)).

(cumulative from program inception)	2013 $	2012 $
AIF revenue	582,018	507,225
AIF collection costs, retained by airlines	(36,549)	(31,998)
	545,469	475,227
Less: cumulative expenditures	1,459,224	1,381,656
	(913,755)	**(906,429)**

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:

	2013 $	2012 $
No later than a year	15,276	15,631
Later than 1 year and no later than 5 years	53,661	61,473
Later than 5 years	28,924	34,607
	97,861	**111,711**

Contingent-based rents recognised in the statements of comprehensive loss were $8,313 (2012- $9,480).

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.

For the years ended December 31, 2013 and 2012 (in thousands of dollars)

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, 2013, Edmonton Airports had outstanding capital commitments in the amount of $6,674 (2012 - $56,123).

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:

	$
2014	16,222
2015	8,250
2016	2,008
2017	363
2018	108

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:

	$
2014	17,611
2015	19,614
2016	21,028
2017	22,955
2018	25,009

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, 2013 is $1,021,290 (2012 - $1,058,307).

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 72% (2012 - 71%) 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, 2013, provision for impairment of accounts receivable was $251 (2012 - $645).

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

	2013 $	2012 $
30 to 90 days	2,613	4,233
Greater than 90 days	758	1,049
	3,371	**5,282**

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.

For the years ended December 31, 2013 and 2012 (in thousands of dollars)

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, 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
AS AT DECEMBER 31, 2012				
Within 1 year	64,006	88,017	49,729	201,752
1 to 5 years	329,781	95,054	-	424,835
After 5 years	1,239,257	-	-	1,239,257

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 $111,267 if interest rates decreased by 1 percent and decrease by $95,094 if interest rates increased by 1 percent.

Edmonton Airports' cash and cash equivalents and restricted deposits are invested at floating rates of interest in order to maintain liquidity. Fluctuations in interest rates will have an impact on interest income. Interest income would increase by $938 if interest rates increased by 1 percent and decrease by $931 if interest rates decrease 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, 2013, Edmonton Airports was in compliance with the restrictions imposed on capital.

Edmonton Airports has no externally imposed restrictions on capital requirements.

16 DIRECTORS' AND OFFICERS' REMUNERATION AND EXPENSES

This information is provided pursuant to the Regulations of the Act

a) Directors' compensation

	Annual Retainer $
Chair (does not collect meeting fees)	70
Vice-chair (does not collect Director fees)	16
Committee chairs (do not collect Director retainer)	16
Directors	11.5

Meeting fees: Board and Board Committee meeting fees are $900 dollars per meeting.

Total compensation paid and expenses reimbursed to each Director in 2013:

	Compensation $	Expenses $	Total $
Bryan Bailey	18	1	19
Naseem Bashir	17	-	17
Leonard Blumenthal	16	1	17
Mary J. Cameron	15	-	15
Robert Carwell (Vice Chair and Chair, Audit Committee)	27	1	28
Dale Klein	20	-	20
Maureen McCaw	20	-	20
Anne McLellan	22	-	22
Rolly Owens	17	-	17
Robert Petryk	26	-	26
Gail Stepanik-Keber	22	1	23
Tom Redl (Chair)	64	5	69
Ralph Young	22	-	22
Shelley Miller*	4	-	4
Evan Cameron*	3	-	3
Gordon Clanachan*	-	1	1

* Term was completed in December 2012. Remuneration paid in 2013 is for meetings attended in the last quarter of 2012.

Changes to Edmonton Airports' Board of Directors were as follows:

Term Completed	December 2012	Evan Cameron Gordon Clanachan Shelley Miller
New Board Member	January 2013	Dale Klein Naseem Bashir
	March 2013	Mary Cameron
Re-appointed Board Member	January 2013	Leonard Blumenthal

For the years ended December 31, 2013 and 2012 (in thousands of dollars)

Total compensation for each key member of management in 2013 was as follows:

	Base salary $	Other cash benefits[(1) (3)] $	Other non-cash benefits[(2)] $	2013 Total $	2012 Total $
President and Chief Executive Officer*	420	250	520	1,190	1,096
Vice President Operations and Infrastructure	224	119	50	393	-
Chief Financial Officer and Vice President Corporate Services*	248	37	19	304	234
Vice President Commercial Development	221	89	46	356	297
General Counsel and Corporate Secretary*	158	35	30	223	-
Vice President Passenger Market Development*	225	95	47	367	28
Key members of management no longer with Edmonton Airports at December 31, 2013	255	1,006	100	1,361	1,201
	1,751	**1,631**	**812**	**4,194**	**2,856**

* Denotes officer of Edmonton Airports at December 31, 2013

(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.

(3) All Officers receive incentive pay that is tied to achieving Board established organizational goals and objectives.

b) Total remuneration for Directors and Officers:

During the year ended December 31, 2013, Edmonton Airports provided its Directors and Officers remuneration (base salary, incentives, and allowances) and reimbursement of expenses in the following amounts:

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

	2012	
	Remuneration $	Expenses $
To Directors	342	13
To 4 Officers who are not Directors	2,326	110
	2,668	**123**

17 SUBSEQUENT EVENT

As a result of inspections performed subsequent to December 31, 2013, Edmonton Airports determined that parts of moving walkways, categorized as buildings, require replacement to restore operational capability of the walkways. An estimate of the total impact of the derecognition of the assets to be replaced has not yet been determined. However, it is probable that the reimbursement of the costs to replace the assets will be recovered from a third party.

18 COMPARATIVE INFORMATION

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

EMC AND APPOINTERS

Executive Management Team

Tom Ruth, President & CEO

Traci Bednard, Vice President, Passenger Market Development

Myron Keehn, Vice President, Commercial Development

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

Steve Rumley, Vice President, Operations & 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
Pat Vincent, 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 & Port Programs
Jason Tom, Director, Authorities Management, Airport & Port Programs

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AIRPORTS

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