

EDMONTON INTERNATIONAL AIRPORT

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Edmonton Airports

Unaudited Quarterly Interim Financial Statements

For the Three Months Ended March 31st, 2010

EDMONTON
CITY CENTRE
AIRPORT

COOKING LAKE
AIRPORT

VILLENEUVE
AIRPORT

1. INTRODUCTION

The following commentary and analysis of the operating results and financial position of the Edmonton Regional Airports Authority (Edmonton Airports) for the three months ended March 31, 2010 should be read in conjunction with the unaudited consolidated financial statements and related notes contained in this interim report as well as the Management Discussion and Analysis and the audited financial statements and related notes contained in the 2009 Annual Report.

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

Edmonton Airports recorded overall net earnings of \$1.1 million for the three months ended March 31, 2010, which is equal to the 2009 net earnings of \$1.1 million. The increase in revenues (\$3.5 million) was offset by the expected increases in Canada lease rent (\$1.5 million), amortization expense (\$1.2 million) and salaries and benefits (\$0.4 million). Cash flow before debt service for the three months ended March 31, 2010 was \$14.7 million, an increase of \$9.6 million (188.0%) over the same period in 2009. This increase results from increased proceeds from sale of debentures partially offset by higher investment in property plant and equipment.

2. EDMONTON INTERNATIONAL AIRPORT ACTIVITY

During the first three months of 2010, a total of 1,498,227 enplaning and deplaning passengers used Edmonton International, compared to 1,512,925 passengers for the same period in 2009 representing a decrease of 1.0%. By sector, Domestic passengers for the three months decreased by 0.1% when compared to 2009; while Transborder increased by 4.1%, and International passengers decreased by -16.3%. The decline in passengers continued in the first quarter however in March the passenger numbers showed an increase over the period for 2009.

EDMONTON AIRPORTS Passenger Traffic by Sector

	Three Months Ended March 31		
	2010	2009	%
Domestic	1,066,983	1,065,328	-0.1
Transborder	287,966	276,471	4.1
International	143,278	171,126	-16.2
Total	1,498,227	1,512,925	-1.0

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

3. EDMONTON CITY CENTRE AIRPORT

On July 10, 2009, Edmonton City Council passed a resolution in respect of the phased closure of the Edmonton City Centre Airport to be completed by a future date yet to be determined. In order to facilitate the phased closure, Edmonton Airports has entered into discussions to amend the current ground lease with the City of Edmonton. While discussions are continuing, Edmonton Airports has agreed to decommission one runway and its related assets in the third quarter of 2010. As a consequence, amortization of the remaining book value of these assets has been accelerated. Edmonton Airports has not made any other adjustments to the financial statements as any future additional financial and annual operational impacts are currently unknown.

4. INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

Edmonton Airports continued its IFRS conversion work in 2010. All component evaluations have been completed. An evaluation and recommendation of the different IFRS accounting policy options and first time IFRS adoption choices were approved at the Audit Committee meeting of March 12, 2010. The preparation of the IFRS adjustments to the 2010 financial statement comparative information for the 2011 financial statements is underway along with all of the remaining conversion activities. The conversion program is currently on time and on budget.

5. RESULTS OF OPERATIONS

The table below shows Edmonton Airports combined operating earnings for the three months ended March 31, 2010 with comparative figures for the same period in 2009.

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

	Three Months Ended March 31	
	2010	2009
	\$	\$
Operating revenues		
Airside and general terminal	9,015	8,965
Parking and car rentals	7,940	7,384
Concession	1,815	2,044
Real estate leases	1,017	940
Other revenue	12	15
	19,799	19,348
Operating expenses		
Salaries and employee benefits	6,705	6,283
Service, maintenance, supplies and administration	4,637	4,772
Utilities, insurance and property taxes	2,142	2,036
Canada lease rent	2,676	1,226
	16,160	14,317
Operating earnings	3,639	5,301

The calculation of Operating Earnings excludes Airport Improvement Fee, Police and security, and Capital Contributions (included in Other revenue) revenues as well as Airport Improvement Fee collection costs, Police and security, Interest and Amortization expenses.

5.1. Operating Revenues

Operating revenues for the three months ended March 31, 2010 were \$19.8 million compared to \$19.3 million for the corresponding period in 2009, an increase of \$0.5 million (2.5%). The increase in operating revenues is primarily the result of an increase in car rental revenues due to the new car rental agreements.

5.2. Operating Expenses

Operating expenses for the three months ended March 31, 2010 were \$16.2 million compared to \$14.3 million for the corresponding period in 2009, an increase of \$1.9 million (13.2%). The Canada lease rent increased by \$1.5 million compared to 2009 due to the change in the calculation of rent payable to the Government of Canada. The rent calculation changed to an escalating percentage of gross revenues as of January 1, 2010. Salaries and employee benefits were \$0.4 million (6.7%) higher than 2009. This increase is primarily due to the negotiated wage increase for General Bargaining Unit personnel.

5.3. Operating Earnings

Operating earnings for the three months ended March 31, 2010 were \$3.6 million, a decrease of \$1.7 million over last year's operating earnings of \$5.3 million (32.1%). The increase in the Canada lease rent (\$1.5 million) and salaries and employee benefits (\$0.4 million) expense was partially offset by the increase in parking and car rentals revenue.

5.4. Net Earnings

The net earnings of \$1.1 million for the three months ended March 31, 2010 is equal to the 2009 net earnings of \$1.1 million. The increase in Airport Improvement Fee revenues of \$3.0 million (31.4%) compared to the same period in 2009 offset the decrease noted in the operating earnings. The AIF revenue increase is due to per passenger rate increase for \$15 to \$20 dollars in September 2009. The increase in revenues (\$3.5 million) was offset by the expected increases in Canada lease rent (\$1.5 million), amortization expense (\$1.2 million) and salaries and employee benefits (\$0.4 million).

6. CAPITAL INVESTMENT

The approved 2010 Sustaining Capital Program is approximately \$12.5 million in projects for all airports. To date, \$7.9 million has been approved and \$1.9 million has been spent on all projects including multi-year projects approved in prior years.

The approved Capital Expansion Program expenditures for 2010 are approximately \$217.2 million for all airports. For the three months ended March 31, 2010, \$1.4 million in projects have been approved and an additional \$27.3 million was spent on all projects. The major expenditures are \$23.2 million for terminal expansion and control office tower, \$1.5 million for taxiway, apron expansion and roadway rehabilitation, and \$2.6 million on long term park and ride.

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

As at March 31, 2010 with comparative figures at December 31, 2009

	Notes	March 31 2010 \$	December 31 2009 \$
Assets			
Current assets			
Cash in interest bearing accounts		38,613	30,016
Short-term investments		50,126	50,084
Accounts receivable	13	13,250	12,374
Prepaid expenses and other		2,229	2,556
		104,218	95,030
Restricted deposits	7	17,067	12,556
Deferred pension asset		8,104	8,104
Lessee receivable		207	240
Property, plant and equipment	5, 10	554,867	522,144
Intangible assets	6(b)	830	789
		685,293	638,863
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	5 (b)	51,367	34,065
Current portion of capital lease obligation		18	18
Current portion of long-term debt	7	10,773	10,196
Current portion of deferred revenue		1,282	1,224
		63,440	45,503
Tenants' security deposits		1,044	914
Deferred revenue		11,798	12,075
Obligation under capital lease		88	93
Long-term benefits payable		3,382	3,219
Long-term debt	7	475,360	447,932
		555,112	509,736
Contingencies	12		
Net Assets			
Contributed capital	4	3,805	3,805
Equity in property, plant and equipment	4	126,376	125,322
		130,181	129,127
		685,293	638,863

See accompanying notes to interim financial statements

EDMONTON AIRPORTS
Statements of Net Earnings and
Equity in Property, Plant and Equipment (000's of dollars)
Unaudited

For the Three Months Ended March 31, 2010 with comparative figures for 2009

	Notes	Three Months Ended March 31	
		2010	2009
		\$	\$
Revenues			
Airport improvement fee	8, 13	12,690	9,659
Airside and general terminal	13	9,015	8,965
Parking and car rentals		7,940	7,384
Concession		1,815	2,044
Police and security		1,499	1,444
Real estate leases		1,017	940
Other revenue		282	284
		34,258	30,720
Expenses			
Amortization	5(c), 6(b)	8,751	7,582
Salaries and employee benefits	9	6,705	6,283
Interest	10	6,089	5,857
Service, maintenance, supplies and administration		4,637	4,772
Canada lease rent	3	2,676	1,226
Utilities, insurance and property taxes		2,142	2,036
Police and security		1,428	1,375
Airport improvement fee collection costs		771	582
		33,199	29,713
Earnings before the undernoted		1,059	1,007
Other (losses) gains		(5)	44
Net earnings and other comprehensive income		1,054	1,051
Equity in property, plant and equipment, Beginning of period		125,322	118,274
Equity in property, plant and equipment, End of period		126,376	119,325

See accompanying notes to interim financial statements

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

For the Three Months Ended March 31, 2010 with comparative figures for 2009

	Three Months Ended March 31	
	2010	2009
	\$	\$
<hr/>		
Cash provided by (used in):		
Operating activities		
Cash receipts from customers	32,025	34,287
Cash paid to employees and suppliers	(10,146)	(11,373)
Cash paid to the landlord	(1,574)	(1,358)
Interest received	128	578
Interest paid	(6,217)	(6,435)
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	14,216	15,699
	<hr/>	<hr/>
Financing activities		
Capital contributions	-	194
Increase in (repayment of) tenants' security deposits	130	(16)
Principal payments under capital lease obligation	(5)	-
Repayments of long-term debt	(1,996)	(1,907)
Proceeds of long-term debt	30,000	-
	<hr/>	<hr/>
	28,129	(1,729)
	<hr/>	<hr/>
Investing activities		
Net (purchase) proceeds of short-term investments	(43)	3,581
Net purchase of interest bearing deposits	(4,510)	(779)
Loan repayments	33	31
Purchase of intangible assets	(148)	(237)
Purchase of property, plant and equipment	(29,080)	(17,321)
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	(33,748)	(14,725)
	<hr/>	<hr/>
Increase (decrease) in cash	8,597	(755)
	<hr/>	<hr/>
Cash in interest bearing accounts, beginning of period	30,016	20,832
	<hr/>	<hr/>
Cash in interest bearing accounts, end of period	38,613	20,077
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Notes to 1st Quarter 2010 Interim Financial Statements (Unaudited)

(000's of dollars unless otherwise stated)

1. INTERIM FINANCIAL STATEMENTS

These interim financial statements conform in all material respects to the requirements of Canadian generally accepted accounting principles (GAAP) for interim financial statements and should be read in conjunction with the most recent annual audited financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES

These interim financial statements follow the same accounting policies and methods in their application as the most recent annual audited financial statements for Edmonton Airports.

3. LEASE AGREEMENTS

Effective 2010, Canada Lease Rent will be based on a percentage of Gross revenues at EIA, including AIF revenues, on a progressive scale as follows:

<u>Gross Revenues</u>	<u>Rent Paid</u>
On the first \$5 million	0%
On the next \$5 million	1%
On the next \$15 million	5%
On the next \$75 million	8%
On the next \$150 million	10%
On any amount over \$250 million	12%

Canada Lease Rent for 2010 is forecasted to be approximately \$10.7 million.

4. CAPITAL MANAGEMENT

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

As at March 31, 2010, Edmonton Airports was in compliance with the restrictions imposed on capital.

Notes to 1st Quarter 2010 Interim Financial Statements (Unaudited)
(000's of dollars unless otherwise stated)

5. PROPERTY, PLANT AND EQUIPMENT

	March 31 2010 \$	December 31 2009 \$
Terminal and facilities	708,782	668,600
Machinery and equipment	39,477	38,878
Office equipment under capital lease	115	115
	748,374	707,593
Less accumulated amortization	(193,507)	(185,449)
	554,867	522,144

- (a) At March 31, 2010, \$125,475 (December 31, 2009 - \$89,723) of property, plant, and equipment was under construction and not yet subject to amortization.
- (b) Included in accounts payable and accrued liabilities at March 31, 2010 is \$30,881 (December 31, 2009 - \$18,634) relating to unpaid capital expenditures.
- (c) For the period ended March 31, 2010, \$8,644 (March 31, 2009 - \$7,489) of the amortization expense is for property, plant and equipment.

6. INTANGIBLE ASSETS

	March 31 2010 \$	December 31 2009 \$
Cost	1,711	1,563
Accumulated amortization	(881)	(774)
	830	789

- (a) Intangible assets are purchased software and software licenses.
- (b) For the period ended March 31, 2010, \$107 (March 31, 2009 - \$93) of the amortization expense is for intangible assets.

Notes to 1st Quarter 2010 Interim Financial Statements (Unaudited)

(000's of dollars unless otherwise stated)

7. LONG-TERM DEBT

			2010 March 31 \$	2009 December 31 \$
Revenue Bond, Series A Bonds payable in semi-annual payments of principal and interest at preset varying amounts each year commencing May 1, 2001 until November 1, 2030:				
Interest Rate	Semi-annual Amount	Maturity Date		
7.21%	Varying	November 1, 2030	238,416	238,416
Fixed Rate Debentures, Series C Bonds payable in semi-annual instalments of principal and interest:				
4.37%	\$755	December 15, 2026	17,983	17,983
4.50%	\$1,145	March 15, 2027	27,015	27,541
5.00%	\$398	June 15, 2027	9,220	9,220
4.89%	\$395	September 17, 2027	9,212	9,377
4.68%	\$1,552	June 16, 2028	38,114	38,114
4.55%	\$3,068	September 17, 2028	76,173	77,477
4.67%	\$1,245	December 15, 2039	40,000	40,000
4.54%	\$920	March 15, 2040	30,000	-
			486,133	458,128
Less: Current Portion			10,773	10,196
			475,360	447,932

Pursuant to the terms of the Indenture, Edmonton Airports is required to maintain a Debt Service Reserve Fund equal to one-half of its annual debt service costs. At March 31, 2010, Restricted Deposits of \$17,067 (December 31, 2009 – \$12,556) are restricted as a requirement of the Debt Service Reserve Fund.

Notes to 1st Quarter 2010 Interim Financial Statements (Unaudited)
(000's of dollars unless otherwise stated)

8. AIRPORT IMPROVEMENT FEE

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

	March 31 2010 \$	December 31 2009 \$
Cumulative AIF revenues net of collection costs	319,451	307,533
Cumulative expenditures	769,246	723,560
	(449,794)	(416,027)

9. BENEFIT PLAN EXPENSE

	Three Months Ended March 31			Total \$
	Pension Plan \$	SERP \$	Long-term Benefit Plan \$	
Current service cost	292	38	56	386
Interest cost	335	35	71	441
Expected return on plan assets	(164)	-	-	(164)
Amortization of transitional surplus	(42)	-	-	(42)
Amortization of actuarial gain (loss)	38	(4)	(19)	15
Net benefit plan expense included in salaries and benefits expense 2010	459	69	108	636
Net benefit plan expense included in salaries and benefits expense 2009	386	69	84	539

Notes to 1st Quarter 2010 Interim Financial Statements (Unaudited)
(000's of dollars unless otherwise stated)

10. INTEREST EXPENSE

	Three Months Ended March 31	
	2010 \$	2009 \$
Bond interest	4,300	4,348
Debenture interest	2,575	2,127
Other interest and financing costs	109	52
Interest income and other	(88)	(518)
	6,896	6,009
Less: capitalized interest	(807)	(152)
	6,089	5,857

11. PASSENGER VOLUME SEASONALITY

Passenger volume, comprised of the total number of enplaned and deplaned passengers, is the main driver of certain Edmonton Airports revenue streams. These include Concession, AIF, and Police and Security revenues. The following table outlines the seasonality component of passenger traffic at the Edmonton International and compares 2010 actual for January through March to the same period last year.

Month	Actual 2010	Actual 2009	Variance	%
January	486,471	493,541	(7,070)	-1.4
February	478,767	492,286	(13,519)	-2.7
March	532,989	527,098	5,891	1.1
First Quarter	1,498,227	1,512,925	(14,698)	-1.0

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

12. CONTINGENCIES

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

Notes to 1st Quarter 2010 Interim Financial Statements (Unaudited)
 (000's of dollars unless otherwise stated)

13. RISK MANAGEMENT

Edmonton Airports' Board of Directors ("Board") is responsible for understanding the principal risks of the business in which Edmonton Airports is engaged, achieving a balance between risks incurred and the purpose of Edmonton Airports and confirming 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 has established the Audit Committee, which reviews significant financial risks associated with future performance, growth and lost opportunities identified by management that could materially affect Edmonton Airports' ability to achieve its strategic or operational targets. The Board is responsible for confirming that management has procedures in place to mitigate identified risks.

Credit risk

The maximum exposure to credit risk is the carrying value of loans and receivables on the balance sheet. Edmonton Airports has a concentration of credit risk with two airlines which comprise approximately 67% (67% - 2009) of its airside and general terminal and AIF revenue. In management's opinion Edmonton Airports' is not exposed to significant credit risk from these airlines.

Accounts receivable are non-interest bearing and are generally due in 30 to 90 days. At March 31, 2010, the provision for impairment of accounts receivable was \$0.7 million; this provision has decreased by \$0.1 million from December 31, 2009.

At March 31, 2010, the aging analysis of trade receivables that are past due but not impaired is as follows:

	March 31 2010 \$	December 31 2009 \$
30 to 90 days	2,251	2,071
Greater than 90 days	307	60
	<u>2,558</u>	<u>2,131</u>

No other impairments have been identified within accounts receivable.