

EDMONTON INTERNATIONAL AIRPORT

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Edmonton Airports

Unaudited Quarterly Interim Financial Statements

For the Three and Nine Months Ended September 30, 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 nine months ended September 30, 2010 should be read in conjunction with the unaudited 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 \$7.6 million for the nine months ended September 30, 2010, which is a \$2.5 million increase from the 2009 net earnings of \$5.1 million. During the period, Edmonton Airports experienced positive revenue growth of \$11.9 million (12.8%) however this was offset by increased expenses of \$9.7 million (11.0%). The increase in net earnings is primarily due to an increase in Airport improvement fee ("AIF") of \$9.8 million and Parking and car rentals revenues of \$2.4 million offset by increases in Canada lease rent of \$4.4 million, Amortization expense of \$3.4 million and Salaries and employee benefits of \$1.0 million.

2. EDMONTON INTERNATIONAL AIRPORT ACTIVITY

During the first nine months of 2010, a total of 4,605,236 enplaning and deplaning passengers used Edmonton International, compared to 4,591,184 passengers for the same period in 2009 representing an increase of 0.3%. By sector, Domestic passengers for the nine months increased by 0.5% when compared to 2009; while Transborder increased by 2.5%, and International passengers decreased by -7.8%.

EDMONTON AIRPORTS Passenger Traffic by Sector

| | Three Months Ended | | | Nine Months Ended | | |
|---------------|--------------------|-----------|------|-------------------|-----------|------|
| | September 30 | | % | September 30 | | % |
| | 2010 | 2009 | | 2010 | 2009 | |
| Domestic | 1,321,293 | 1,311,513 | 0.7 | 3,578,862 | 3,559,663 | 0.5 |
| Transborder | 217,270 | 221,465 | -1.9 | 750,991 | 732,989 | 2.5 |
| International | 55,774 | 49,490 | 12.7 | 275,383 | 298,532 | -7.8 |
| Total | 1,594,337 | 1,582,468 | 0.8 | 4,605,236 | 4,591,184 | 0.3 |

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 signed an agreement ("Lease Amending Agreement") on July 23, 2010 with the City of Edmonton ("City") to surrender certain leased lands effective August 4, 2010. On August 4th runway 16-34 was closed and all tenant leases were assigned to the City. Edmonton Airports continues to lease certain lands to operate runway 12-30 and associated apron and taxiways and the buildings required for the operation of the Edmonton City Centre Airport.

See Note 3 to the Financial Statements.

4. INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS")

Edmonton Airports continued its IFRS conversion work in the third quarter of 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 budget.

5. RESULTS OF OPERATIONS

The table below shows Edmonton Airports combined Operating earnings for the three and nine months ended September 30, 2010 with comparative figures for the same period in 2009.

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

| | Three Months Ended September 30 | | Nine Months Ended September 30 | |
|--|------------------------------------|--------|-----------------------------------|--------|
| | 2010 | 2009 | 2010 | 2009 |
| | \$ | \$ | \$ | \$ |
| Operating revenues | | | | |
| Airside and general terminal | 8,374 | 8,622 | 26,104 | 26,369 |
| Parking and car rentals | 8,299 | 7,458 | 24,478 | 22,045 |
| Concession | 2,230 | 2,180 | 6,063 | 6,235 |
| Real estate leases | 1,089 | 1,164 | 3,077 | 3,011 |
| Other revenue | 33 | 12 | 75 | 54 |
| | 20,025 | 19,436 | 59,797 | 57,714 |
| Operating expenses | | | | |
| Salaries and employee benefits | 6,246 | 6,059 | 19,377 | 18,377 |
| Service, maintenance, supplies and administration | 4,103 | 4,557 | 13,208 | 13,647 |
| Canada lease rent | 2,676 | 1,226 | 8,028 | 3,677 |
| Utilities, insurance and property taxes | 1,855 | 1,693 | 5,909 | 5,326 |
| | 14,880 | 13,535 | 46,522 | 41,027 |
| Operating earnings | 5,145 | 5,901 | 13,275 | 16,687 |

The calculation of Operating earnings excludes Airport improvement fees, Police and security, and Capital contributions (included in Other revenue) as well as Airport improvement fee collection costs, Police and security, Interest and Amortization expenses.

5.1. Operating Revenues

Operating revenues for the nine months ended September 30, 2010 were \$59.8 million compared to \$57.7 million for the corresponding period in 2009, an increase of \$2.1 million (3.6%). Parking and car rental revenue increased by \$2.4 million (11.0%) compared to 2009. The increased revenue is due to the new car rental concession agreements. Airside and general terminal fees are down due to reduced size of aircraft and activity. Concession revenues are slightly lower due to additional contract closing arrangements related to a change in the retail concession provider. Real estate revenues are slightly higher due to the impact of lease agreements approved or modified in the latter half of 2009.

5.2. Operating Expenses

Operating expenses for the nine months ended September 30, 2010 were \$46.5 million compared to \$41.0 million for the corresponding period in 2009, an increase of \$5.5 million (13.4%). Included in this increase is an increase in the Canada lease rent increased by \$4.4 million (118.3%) 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 \$1.0 million (5.4%) higher than 2009. This increase is primarily due to the negotiated wage increase for General Bargaining Unit personnel and staffing of positions in 2010 that were vacant during the same period in 2009.

5.3. Operating Earnings

Operating earnings for the nine months ended September 30, 2010 were \$13.3 million; a decrease of \$3.4 million (20.4%) over last year's operating earnings of \$16.7 million. The increase in the Canada lease rent (\$4.4 million) and Salaries and employee benefits (\$1.0 million) expense was partially offset by the increase in Parking and car rentals revenue (\$2.4 million).

5.4. Net Earnings

The Net earnings of \$7.6 million for the nine months ended September 30, 2010 is an increase of \$2.5 million (49.0%) from the 2009 Net earnings of \$5.1 million. AIF revenues increased \$9.8 million (32.8%) primarily due to the per passenger rate increase of \$15 to \$20 in September 2009. However, this AIF revenue increase was offset by lower Operating earnings and by the increases in Amortization expenses. The increased Amortization expense also results from the increased capital investment and accelerated amortization due to the closure of one of the Edmonton City Centre Airport runways.

6. CAPITAL INVESTMENT

The approved 2010 Sustaining Capital Program is approximately \$12.5 million for all airports. To date, \$10.1 million has been approved and \$6.2 million has been spent on all projects including multi-year projects approved in prior years.

The approved Capital Expansion Program budget for 2010 is approximately \$217.2 million for all airports. For the nine months ended September 30, 2010, cash outflows were \$144.2 million for all projects. The major expenditures were \$111.7 million for terminal expansion and control office tower, \$9.5 million on land development, \$8.0 million on central utilities plant expansion, and \$7.4 million for taxiway, apron expansion and roadway rehabilitation.

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

As at September 30, 2010 with comparative figures at December 31, 2009

| | Notes | September 30 2010 \$ | December 31 2009 \$ |
|---|-------|----------------------------|---------------------------|
| Assets | | | |
| Current assets | | | |
| Cash in interest bearing accounts | | 47,444 | 30,016 |
| Short-term investments | | 2,157 | 50,084 |
| Accounts receivable | 13 | 13,345 | 12,374 |
| Prepaid expenses and other | | 3,443 | 2,556 |
| | | 66,389 | 95,030 |
| Restricted deposits | 7 | 17,117 | 12,556 |
| Deferred pension asset | | 8,104 | 8,104 |
| Lessee receivable | | 142 | 240 |
| Property, plant and equipment | 5, 10 | 685,322 | 522,144 |
| Intangible assets | 6 | 673 | 789 |
| | | 777,747 | 638,863 |
| Liabilities | | | |
| Current liabilities | | | |
| Accounts payable and accrued liabilities | 5 (b) | 83,192 | 34,065 |
| Current portion of capital lease obligation | | 20 | 18 |
| Current portion of long-term debt | 7 | 12,148 | 10,196 |
| Current portion of deferred revenue | | 1,209 | 1,224 |
| | | 96,569 | 45,503 |
| Tenants' security deposits | | 840 | 914 |
| Deferred revenue | | 11,310 | 12,075 |
| Obligation under capital lease | | 78 | 93 |
| Long-term benefits payable | | 3,582 | 3,219 |
| Long-term debt | 7 | 528,669 | 447,932 |
| | | 641,048 | 509,736 |
| Contingencies | 12 | | |
| Net Assets | | | |
| Contributed capital | 4 | 3,805 | 3,805 |
| Equity in property, plant and equipment | 4 | 132,894 | 125,322 |
| | | 136,699 | 129,127 |
| | | 777,747 | 638,863 |

See accompanying notes to interim financial statements

EDMONTON AIRPORTS

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

For the Three and Nine Months Ended September 30, 2010 with comparative figures for 2009

| | Notes | Three Months Ended September 30 | | Nine Months Ended September 30 | |
|--|------------|------------------------------------|------------|-----------------------------------|------------|
| | | 2010 \$ | 2009 \$ | 2010 \$ | 2009 \$ |
| Revenues | | | | | |
| Airport improvement fees | 8, 13 | 13,986 | 10,744 | 39,854 | 30,010 |
| Airside and general terminal | 13 | 8,374 | 8,622 | 26,104 | 26,369 |
| Parking and car rentals | | 8,299 | 7,458 | 24,478 | 22,045 |
| Concession | | 2,230 | 2,180 | 6,063 | 6,235 |
| Police and security | | 1,530 | 1,622 | 4,501 | 4,568 |
| Real estate leases | | 1,089 | 1,164 | 3,077 | 3,011 |
| Other revenue | | 304 | 281 | 885 | 863 |
| | | 35,812 | 32,071 | 104,962 | 93,101 |
| Expenses | | | | | |
| Amortization | 5(c), 6(b) | 8,804 | 8,195 | 26,727 | 23,304 |
| Salaries and employee benefits | 9 | 6,246 | 6,059 | 19,377 | 18,377 |
| Interest | 10 | 5,667 | 6,745 | 17,616 | 17,319 |
| Service, maintenance, supplies and administration | | 4,103 | 4,557 | 13,208 | 13,647 |
| Canada lease rent | 3 | 2,676 | 1,226 | 8,028 | 3,677 |
| Utilities, insurance and property taxes | | 1,855 | 1,693 | 5,909 | 5,326 |
| Police and security | | 1,457 | 1,574 | 4,286 | 4,351 |
| Airport improvement fee collection costs | | 863 | 699 | 2,435 | 1,857 |
| | | 31,671 | 30,748 | 97,586 | 87,858 |
| Earnings before the undemoted | | 4,141 | 1,323 | 7,376 | 5,243 |
| Other gains (losses) | | (4) | (465) | 196 | (136) |
| Net earnings and comprehensive income | | 4,137 | 858 | 7,572 | 5,107 |
| Equity in property, plant and equipment, Beginning of period | | 128,757 | 122,523 | 125,322 | 118,274 |
| Equity in property, plant and equipment, End of period | | 132,894 | 123,381 | 132,894 | 123,381 |

See accompanying notes to interim financial statements

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

For the Three and Nine Months Ended September 30, 2010 with comparative figures for 2009

| | Three Months Ended | | Nine Months Ended | |
|---|--------------------|----------------|-------------------|-----------------|
| | September 30 | | September 30 | |
| | 2010 | 2009 | 2010 | 2009 |
| | \$ | \$ | \$ | \$ |
| Cash provided by (used in): | | | | |
| Operating activities | | | | |
| Cash receipts from customers | 35,907 | 30,726 | 102,071 | 95,205 |
| Cash paid to employees and suppliers | (11,653) | (10,763) | (44,572) | (42,548) |
| Cash paid to the landlord | (1,279) | (1,225) | (4,132) | (3,809) |
| Interest received | 245 | 160 | 507 | 998 |
| Interest paid | (5,912) | (6,905) | (18,123) | (18,317) |
| | 17,308 | 11,993 | 35,751 | 31,529 |
| Financing activities | | | | |
| Deferred pension charge | - | (713) | - | (713) |
| Capital contributions | - | - | - | 194 |
| Proceeds (repayment) of tenants' security deposits | 2 | (44) | (74) | (77) |
| Principal payments under capital lease obligations | (4) | - | (13) | - |
| Repayments of long-term debt | (2,281) | (1,951) | (7,311) | (6,311) |
| Proceeds of long-term debt | - | - | 90,000 | - |
| | (2,283) | (2,708) | 82,602 | (6,907) |
| Investing activities | | | | |
| Net proceeds of short-term investments | 34,996 | 18,511 | 47,927 | 35,919 |
| Net purchase of interest bearing deposits | (35) | (10) | (4,561) | (800) |
| Loan repayments | 32 | 32 | 98 | 95 |
| Purchase of intangible assets | (85) | (3) | (363) | (542) |
| Purchase of property, plant and equipment | (62,146) | (36,701) | (144,214) | (69,660) |
| Proceeds on disposal of capital assets | 162 | - | 188 | 36 |
| | (27,076) | (18,171) | (100,925) | (34,952) |
| (Decrease) increase in cash | (12,051) | (8,886) | 17,428 | (10,330) |
| Cash in interest bearing accounts, beginning of period | 59,495 | 19,388 | 30,016 | 20,832 |
| Cash in interest bearing accounts, end of period | 47,444 | 10,502 | 47,444 | 10,502 |

See accompanying notes to interim financial statements

Notes to 3rd 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

3.1. Edmonton International Airport ("EIA")

Effective 2010, Canada Lease Rent is based on a percentage of Gross revenues at EIA, including Airport Improvement Fee ("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 \$10.6 million.

3.2. 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 signed an agreement ("Lease Amending Agreement") on July 23, 2010 with the City of Edmonton ("City") to surrender certain leased lands effective August 4, 2010. On August 4th runway 16-34 was closed and all tenant leases were assigned to the City. Edmonton Airports continues to lease certain lands to operate runway 12-30 and associated apron and taxiways, and the buildings required for the operation of the Edmonton City Centre Airport.

The Lease Amending Agreement requires that Edmonton Airports operate the airport on a cost recovery basis. Edmonton Airports will bill only for aeronautical activity and use those revenues to offset the operating costs of the airport. Any operating deficits will be funded by the City and any operating surplus will be paid to the City. Future capital costs will be funded by the City upon their approval of the individual projects. Edmonton Airports retained all the rights and titles to all of the chattels.

The total financial impact of this transaction is not known at this time as certain of the closing conditions are not due to be completed until November 2010.

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 reasonable cost.

As at September 30, 2010, Edmonton Airports was in compliance with the restrictions imposed on capital.

Notes to 3rd Quarter 2010 Interim Financial Statements (Unaudited)
(000's of dollars unless otherwise stated)

5. PROPERTY, PLANT AND EQUIPMENT

| | September 30 2010 \$ | December 31 2009 \$ |
|--------------------------------------|----------------------------|---------------------------|
| Terminal and facilities | 863,076 | 668,600 |
| Machinery and equipment | 33,075 | 38,878 |
| Office equipment under capital lease | 115 | 115 |
| | 896,266 | 707,593 |
| Less accumulated amortization | (210,944) | (185,449) |
| | 685,322 | 522,144 |

- (a) At September 30, 2010, \$252,014 (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 September 30, 2010 is \$63,836 (December 31, 2009 - \$18,634) relating to unpaid capital expenditures.
- (c) For the nine month period ended September 30, 2010, \$26,248 (September 30, 2009 - \$23,033) of the amortization expense is for property, plant and equipment.
- (d) Included in other gains for the nine month period ended September 30, 2010 is \$158 (September 30, 2009 - \$33) of gain on sale of assets.

6. INTANGIBLE ASSETS

| | September 30 2010 \$ | December 31 2009 \$ |
|--------------------------|----------------------------|---------------------------|
| Cost | 1,927 | 1,563 |
| Accumulated amortization | (1,254) | (774) |
| | 673 | 789 |

- (a) Intangible assets are purchased software and software licenses.
- (b) For the period ended September 30, 2010, \$479 (September 30, 2009 - \$271) of the amortization expense is for intangible assets.

Notes to 3rd Quarter 2010 Interim Financial Statements (Unaudited)
(000's of dollars unless otherwise stated)

7. LONG-TERM DEBT

| | | | 2010 September 30 \$ | 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, 2002 until November 1, 2030: | | | | |
| Interest Rate | Semi-annual Amount | Maturity Date | | |
| 7.21% | Varying | November 1, 2030 | 236,882 | 238,416 |
| Fixed Rate Debentures, Series C Bonds payable in semi-annual instalments of principal and interest: | | | | |
| 4.37% | \$755 | December 15, 2026 | 17,622 | 17,983 |
| 4.50% | \$1,145 | March 15, 2027 | 26,477 | 27,541 |
| 5.00% | \$398 | June 15, 2027 | 9,052 | 9,220 |
| 4.89% | \$395 | September 17, 2027 | 9,042 | 9,377 |
| 4.68% | \$1,552 | June 16, 2028 | 37,455 | 38,114 |
| 4.55% | \$3,068 | September 17, 2028 | 74,838 | 77,477 |
| 4.67% | \$1,245 | December 15, 2039 | 39,688 | 40,000 |
| 4.54% | \$920 | March 15, 2040 | 29,761 | - |
| 4.56% | \$1,845 | June 15, 2040 | 60,000 | - |
| | | | 540,817 | 458,128 |
| Less: Current Portion | | | 12,148 | 10,196 |
| | | | 528,669 | 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 September 30, 2010, deposits of \$17,117 (December 31, 2009 – \$12,556) are restricted as a requirement of the Debt Service Reserve Fund.

Notes to 3rd 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 AIF to fund capital expenditures and the related financing costs, including the redevelopment and expansion of the terminal facilities at Edmonton International.

| | September 30 2010 \$ | December 31 2009 \$ |
|---|----------------------------|---------------------------|
| Cumulative AIF revenues net of collection costs | 344,952 | 307,533 |
| Cumulative expenditures | (920,510) | (723,560) |
| | (575,558) | (416,027) |

9. BENEFIT PLAN EXPENSE

| | Pension Plan \$ | Three Months Ended September 30 | | Total \$ |
|--|-----------------------|------------------------------------|---------------------------------|-------------|
| | | SERP \$ | Long-term Benefit Plan \$ | |
| Current service cost | 292 | 38 | 95 | 425 |
| Interest cost | 335 | 36 | 30 | 401 |
| Expected return on plan assets | (177) | - | - | (177) |
| 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 | 446 | 70 | 106 | 622 |
| Net benefit plan expense included in salaries and benefits expense 2009 | 491 | 68 | 100 | 659 |

Notes to 3rd Quarter 2010 Interim Financial Statements (Unaudited)
(000's of dollars unless otherwise stated)

9. BENEFIT PLAN EXPENSE (CONTINUED)

| | Nine Months Ended September 30 | | | Total \$ |
|--|-----------------------------------|------------|---------------------------------|-------------|
| | Pension Plan \$ | SERP \$ | Long-term Benefit Plan \$ | |
| Current service cost | 876 | 115 | 207 | 1,198 |
| Interest cost | 1,004 | 105 | 158 | 1,267 |
| Expected return on plan assets | (328) | - | - | (328) |
| Amortization of transitional surplus | (125) | - | - | (125) |
| Amortization of actuarial gain (loss) | 114 | (12) | (58) | 44 |
| Net benefit plan expense included in salaries and benefits expense 2010 | 1,541 | 208 | 307 | 2,056 |
| Net benefit plan expense included in salaries and benefits expense 2009 | 1,390 | 208 | 271 | 1,869 |

10. INTEREST EXPENSE

| | Three Months Ended September 30 | | Nine Months Ended September 30 | |
|------------------------------------|------------------------------------|------------|-----------------------------------|------------|
| | 2010 \$ | 2009 \$ | 2010 \$ | 2009 \$ |
| Bond interest | 4,244 | 4,324 | 12,806 | 13,005 |
| Debenture Interest | 3,517 | 2,094 | 9,046 | 6,335 |
| Other interest and financing costs | 41 | (6) | 217 | 169 |
| Interest income and other | (198) | (66) | (379) | (876) |
| | 7,604 | 6,346 | 21,690 | 18,633 |
| Less: capitalized interest | (1,937) | 399 | (4,074) | (1,314) |
| | 5,667 | 6,745 | 17,616 | 17,319 |

Notes to 3rd Quarter 2010 Interim Financial Statements (Unaudited)

(000's of dollars unless otherwise stated)

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 Parking and Car rentals, 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 September 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 | 533,249 | 527,098 | 6,151 | 1.2 |
| First Quarter | 1,498,487 | 1,512,925 | (14,438) | -1.0 |
| April | 506,095 | 526,066 | (19,971) | -3.8 |
| May | 506,659 | 488,472 | 18,187 | 3.7 |
| June | 499,658 | 481,253 | 18,405 | 3.8 |
| Second Quarter | 1,512,412 | 1,495,791 | 16,621 | 1.1 |
| July | 546,102 | 537,567 | 8,535 | 1.6 |
| August | 565,096 | 571,603 | (6,507) | -1.1 |
| September | 483,139 | 473,298 | 9,841 | 2.1 |
| Third Quarter | 1,594,337 | 1,582,468 | 9,869 | 0.6 |

The figures in the above table may change due to adjustments to reflect actual passengers which are 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.

13. RISK MANAGEMENT

Edmonton Airports' Board of Directors ("the 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.

Notes to 3rd Quarter 2010 Interim Financial Statements (Unaudited)
 (000's of dollars unless otherwise stated)

13. RISK MANAGEMENT (CONTINUED)

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 69% (2009 - 67%) 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 September 30, 2010, the provision for impairment of accounts receivable was \$1.1 million; this provision has increased by \$0.5 million from December 31, 2009.

At September 30, 2010, the aging analysis of trade receivables that are past due but not impaired is as follows:

| | September 30 2010 \$ | December 31 2009 \$ |
|----------------------|----------------------------|---------------------------|
| 30 to 90 days | 4,188 | 2,071 |
| Greater than 90 days | 281 | 60 |
| | <u>4,469</u> | <u>2,131</u> |

No other impairments have been identified within accounts receivable.

14. SUBSEQUENT EVENT

On October 1, 2010 Edmonton Airports completed a drawdown on the Credit Facility 1 by way of a fixed rate debenture. The debenture, which will mature on October 1, 2040, was for \$50,000,000 at an annual interest rate of 4.0% and has fixed semi-annual payments of \$1.4 million.