

1 9 0 3 - 2 0 0 3 : O N E H U N D R E D Y E A R S O F F L I G H T

FLY

Edmonton Airports Annual Report 2002





G. Scott Clements,
President and CEO

H. Glenn Rainbird,
Chairman

One hundred years ago, on the cliffs near Kitty Hawk, North Carolina, Wilbur and Orville Wright gave their vision wings with the first successful sustained flight of a manned 'flying machine.' Just 24 years later, a Boeing 80 Trimotor, on a mail run between Boston and New York, carried the first paying air passenger. This \$25 a seat flight was the beginning of what would become a global network of airlines and airports dedicated to the safe transportation of people and cargo to every corner of the world. It is a history and a future Edmonton Airports is proud to be part of.

2002 was hallmarked by the unprecedented economic growth of our region. Growth in the region's gross domestic product, a high employment rate and dynamic population growth confirmed for us that our long-term vision for air services and airport facilities continues to be responsive to and reflective of the needs of our community.

Edmonton Airports ETeam continued to lead the way with the ambitious and achievable goal of making the customer's experience the best in the world. This partnership of the 65 companies and 3,500 employees at Edmonton International Airport is unique and we believe our approach to customer service will lead to a unique airport experience – a world class experience provided by the friendliest airport staff in the world. From the implementation of enhanced security measures and challenges related to ongoing terminal construction, to the successful staging of a major Air Show, ETeam once again displayed its unwavering dedication to excellent customer service throughout 2002.

This year our customers and partners saw significant progress on our Air Terminal Redevelopment Project, which, in 2002, focused on the construction of Central Hall. Despite significant modifications that had to be made following the events of September 11, 2001, the project was 60 per cent complete by the beginning of 2003 and is on track for opening later in the year:

Demanding regulations and guidelines related to safety and security continued to evolve as the industry analyzed and adopted new safety and security measures. Edmonton Airports and our ETeam partners were very quick to effectively implement Transport Canada's enhanced security measures. In our annual customer survey, our customers' satisfaction with safety and security remained steady at 4.1 on a scale of 5, and increased to 4.2 during the last quarter. This accomplishment is, in no small way, thanks to the dedication of our ETeam Facilities, Service and Security Committee, which helped ensure smooth implementation and effective communication of all the enhancements.

Tempering the effects of strong regional growth on our industry were the significant challenges faced by the aviation community. By the end of 2002, the world airline industry suffered losses in the neighbourhood of \$13 billion USD. Like airports across the world, Edmonton Airports was challenged with a reduction in passenger traffic, the restructuring of the airline industry, expanded security regulations and increased security costs. Mid year, Canadian airports were suffering declines in passenger traffic as high as 16 per cent in the aftermath of the September 11 terrorist attacks. But Edmonton fared well. Despite weak passenger numbers at the beginning of 2002, numbers improved significantly throughout the year, buoyed by our strong economy. At the end of 2002, Edmonton International Airport passenger numbers reflected a 4.2 per cent decline compared to 2001 passenger numbers, putting us modestly ahead of the national average of a 4.7 per cent decline.

And, we have our sights set on new challenges. Airlines continue to struggle with the long-term financial effects of the September 11 terrorist attacks, and the conflict in the Middle East. Air Canada has begun its journey on a restructuring process to return the national carrier to profitability. Despite this, Edmonton continues to be a strong origin and destination market, with first quarter 2003 passenger numbers tracking over two per cent above 2002 numbers. Carriers continue to react positively to our region's strong demand for air service. An excellent example is Continental Airlines' January 2003 announcement that it would introduce new non-stop service to Houston in May.

Edmonton Airports is also prepared to respond to new federal initiatives. New draft legislation was introduced in March 2003 in the House of Commons. The draft Canada Airports Act sets out clear standards for accountability and transparency, as well as a new framework for governance and operations of airports. Edmonton Airports will continue to work with the federal government to represent our communities' interests. We will continue to question why our communities, through their respective airport authorities, pay significant amounts of rent to the federal government. In 2002, not-for-profit airports across Canada collectively paid \$240 million to the federal government. In 2003, this will rise to \$270 million.

Edmonton Airports is motivated and equipped to navigate through the challenging realities of our industry and capitalize on the unique opportunities afforded by our region. To do so effectively, we have embarked upon a new 5-Year Strategic Plan that will reflect the vision of our community for our airports and our air services. In developing our strategy, we consulted with business, political, and community leaders, as well as our staff, our ETeam and our airline partners to ensure we identified a plan that reflects the realities of the industry and the aspirations of our community.

Two long time contributors to Edmonton Airports' success concluded service in 2002. Mr. Enzo J. Barichello completed his full term as a City of Edmonton appointee to the Board and Mr. Cort Smith moved on after many years as Vice President, Finance and Corporate Services. Edmonton Airports extends its deep appreciation to both of these gentlemen for their considerable contributions to our organization.

As always, we reserve special mention for our stakeholders. We must tip our hats to our community, business partners, customers and our staff whose needs guide what we do. Edmonton Airports is, in large part, a reflection of our region's success and an indicator of its ambitions. Our three Key Success Drivers (KSD) – Business Leadership, Customer Satisfaction and Stakeholder/Community Relations – ensure we remain responsive, relevant and effective.

We are proud of our accomplishments in 2002. We are proud of our employees' continued commitment to innovation and entrepreneurial spirit. And like the Wright Brothers who would not stop until they achieved their goal, we will continue to work tirelessly to see our community's vision take flight.



H. Glenn Rainbird,
Chairman



G. Scott Clements,
President and CEO

OUR VISION

We are industry leaders in delivering outstanding airport and aviation services.

OUR MISSION

We manage airports in a safe, secure, and commercially focused manner with emphasis on customer satisfaction. Through optimal air service, facilities and resources, we stimulate regional/provincial economic growth.

OUR CORE VALUES

Safety - We ensure that the safety and security of our customers, staff, facilities and environment is a primary concern in all aspects of doing business.

Quality - We are motivated by customer expectations in providing quality facilities and services in a customer sensitive and service driven manner.

Integrity - We are accountable for all our actions including financial management and act honestly and respectfully in our business relations, usage of our resources, treatment of our customers and each other; and in the general conduct of our business.

Teamwork - People are our most important resource; we work together to foster an open and cooperative environment that encourages teamwork, communication and mutual respect.



Edmonton Airports manages four airports, each providing unique aviation services to the region:

Edmonton International Airport (YEG)

YEG is a hub for domestic and international air travel. Passenger numbers have grown from 1.8 million in 1992 to over 3.7 million in 2002. Edmonton International Airport makes significant direct, indirect and induced economic impacts on our region. It generates approximately \$313 million in wages, contributes \$427 million in gross domestic product (GDP), generates over \$1 billion in economic output, and supports almost 8,300 jobs.

The economic impact of construction projects at YEG over the last four years have been significant. The Air Terminal Redevelopment Project consisting of Phases 1, 2, and 3 has generated approximately \$89 million in wages, contributed \$109 million in GDP, generated almost \$250 million in economic output, and supported over 1,400 jobs.

Edmonton City Centre Airport (YXD)

YXD is a restricted corporate and general aviation facility that supports small charters, private and company aircraft, training, military, industrial and medevac flights.

Villeneuve Airport (ZVL)

ZVL is a flight training and general aviation facility.

Cooking Lake Airport (EZ3)

EZ3 is a general aviation facility for float planes, flight training, and private and recreational aircraft.



Left: Edmonton International Airport, 1965. Right from top: Edmonton City Centre Airport, 1933, Villeneuve Airport, 1963 and Cooking Lake Airport, 1944.

YEG

YXD

ZVL

EZ3

EMERGE



RISE

Vision Unlimited

Safety and Security	6
Air Terminal Redevelopment Project	8
Real Estate and Land Development	9
General Aviation	11
Employment Equity Program	13
Financial Standing	13

Gaining Altitude

Air Service	16
Air Service Development	16
Tourism	17
Cargo Development	18
Customer Satisfaction Surveys	18
Barrier Free	19
Ground Transportation	19
Web Site Redevelopment	19

Something In the Air

<i>Gateway to the North</i> Book	22
Airfest 2002	22
Our Involvement	23
Stakeholder Survey	23
AVPA Regulation	24
Edmonton International Air Show	24
Participation in Major Events	24
September 11 Commemoration	25
Fire Prevention & Education Programs	25
Honours and Awards	25

On The Horizon

5-Year Strategic Plan	28
Highlights of the 2003 Business Plan	28
2003 Key Success Indicators	29
Reaching for the Sky	29

Pilots and Navigators

Board of Directors	32
Appointers and Officers	36

2002 Financial Review

Management Discussion and Analysis	38
Financial Statements	45

SOAR



Vision Unlimited: Business Leadership

The 1903 Wright Flyer I on its first flight, December 17, 1903.



KSD1

Business Leadership:

To achieve and sustain a financially strong competitive business advantage by developing an entrepreneurial, innovative and best practices culture.

For us, accountability is at the core of business leadership. Every project, every initiative, every decision is shaped by our responsibility to our customers, our community and our staff. In everything we do, business leadership is not just a concept – it is about the actions we take to support regional economic growth and local business, build on our competitive advantage and financial strength, and ensure the safety and security of our customers. As much as business leadership is about thinking, it is about doing. It is in our actions and in our results that we demonstrate our accountability – and our leadership – to the people we serve.



“My first flight was as a student pilot when I was in Grade 10. It is the roar of the engines and feeling of speed that I remember most.”

**Dennis Billey,
Airside Electrician**

Job One: Safety and Security Regulatory Environment

The regulatory environment within our industry continued to be extremely dynamic in 2002. Evolving regulatory expectations directed us to be very responsive in order to remain compliant without sacrificing service excellence.

Among our accomplishments related to safety and security compliance was the timely implementation of enhanced regulatory standards.

Our ETeam's Facilities, Service and Security Committee, in co-operation with Transport Canada, the Canadian Air Transport Security Authority (CATSA) and the local airlines, was instrumental in ensuring that all Transport Canada enhanced security measures were implemented and communicated.

As work on the Air Terminal Redevelopment Project continued in 2002, regulatory changes required that enhancements to safety and security measures in Central Hall be made. Central Hall was successfully integrated into the airport's existing security system. As well, the number of screening points in the central security area was increased from four to six, with the ability to expand to eight.

In terms of customers' confidence with safety and security, we maintained a strong 4.1 out of 5 rating throughout the first three quarters of 2002. This rating rose in the fourth quarter to 4.2.

Also, additional screening equipment and improved training and recruiting for security screening and personnel is significantly improving the time it takes for passengers to be processed through security. New technology and improved processes will continue to mitigate delays associated with security screening.

Federal Security Fee

After significant lobbying efforts by airports, airlines and passengers, the federal government announced a reduction in the round trip security fee from \$24 to \$14 for domestic flights effective March 1, 2003.

Special Events

Three high profile events required Edmonton Airports' participation in the co-ordination of security:

- Deployment of Canadian Armed Forces troops to Afghanistan
- G8 Summit in Kananaskis
- Edmonton International Air Show

Support to the Canadian Armed Forces

As part of Canada's participation in the international war on terrorism, Canadian Armed Forces troops were deployed to Afghanistan in January and February, returning in July and August. Edmonton Airports ETeam facilitated the departure and arrival of troops to and from Edmonton International Airport by providing airside access, escort vehicles and personnel, and additional security to the airfield.

We are able to offer military support because of the physical infrastructure available at Edmonton International Airport, such as the length of our runways and heavy-lift capacity, which is crucial to military cargo movements.

G8 Summit

The G8 Summit required that we provide access for military personnel and equipment involved in security activities, and accommodate flights diverted to Edmonton as a result of restricted airspace in the Kananaskis region.



The Snowbirds fly in formation at the 2002 Edmonton International Air Show.

Edmonton International Air Show

The Edmonton International Air Show required additional management to ensure the site was compliant with Transport Canada operational and safety regulations, which included enhanced access control, escort duties and crowd control. In addition, Edmonton Airports ran a series of tabletop exercises prior to the Air Show to test Edmonton International Airport's emergency response procedures.

In each case, there were no incidents or injuries thanks in large part to the commitment of our staff, the effectiveness of the co-ordination and the high level of preparedness.

Bicycle Patrol Program

In order to improve the effectiveness of security patrols as well as response times on both the airside and groundside areas of Edmonton International Airport, an Airport Bicycle Patrol Program was introduced. In co-operation with the RCMP, Initial Security and the airport's Security Operations and Control Centre, the patrols enhance service for our customers as well as increase visibility and enforcement.

Emergency Response Services

With 3,500 employees, four million passengers and thousands of flights every year, Edmonton Airports' Emergency Response Services Department plays a significant role in keeping people and property safe.

Emergency Response staff were involved in a number of training preparedness and operational activities throughout 2002. These activities included almost 575 emergency response calls. These calls required a response to diverse incidents including fires and medical emergencies.

In recognition of our regional role and our emergency response agreement with Leduc County, Edmonton Airports employees participated in various joint training initiatives with Leduc County Fire Services and Associated Ambulance. We entered the second year of our three year emergency response agreement in 2002. Our Emergency Response Team responds within Leduc's jurisdiction for initial response

to all fire calls at Edmonton International Airport and within a three mile radius of the airport. Leduc County houses its structural pumper at the airport fire hall and is available for airport use as well.

Building a Future: Air Terminal Redevelopment (ATR) Project

Construction Overview

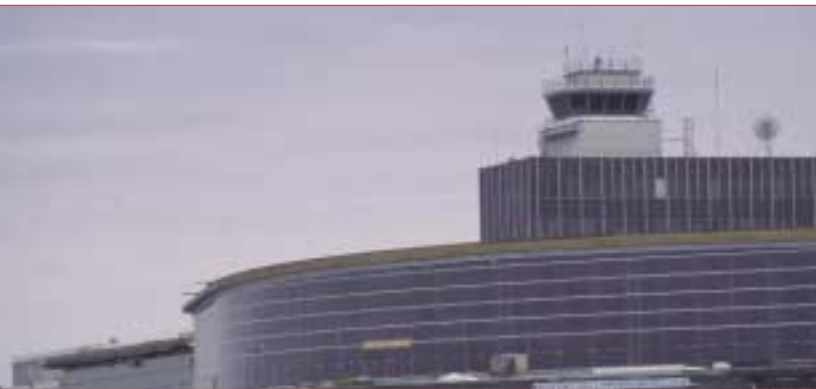
Phase 1 of the ATR Project, completed in December 1998, focused on building the four level parkade and making general airport improvements. Phase 2 involved the construction of the new South Terminal, which was completed in 2000. Phase 3 features Central Hall, linking the North and South Terminals.

Once approved, Phase 4 will focus on North Terminal redevelopment. Phase 4 pre-design work is underway. In addition to airside terminal expansion to alleviate congestion created by the growth of WestJet Airlines, this phase will include new passenger boarding bridges and an expanded seating area. Phase 5 will feature a parkade expansion to meet increased customer demand.

The ATR Project is funded through the \$15 Airport Improvement Fee (AIF), collected from passengers departing from Edmonton International Airport. The process is transparent with all monies collected and accounted for separately.

Phase 3: Central Hall

In 2002, Phase 3 of the Air Terminal Redevelopment Project at Edmonton International Airport continued to focus on the construction of Central Hall. Central Hall will link the North and South Terminals and serve as the airport's focal point. The area will also feature enhanced passenger services and will house centralized security processing. The events of September 11, 2001 resulted in the need for major modifications to the central pre-board screening area during construction.



An airside view of the new Central Hall currently under construction

By the end of 2002, the project was approximately 60 per cent complete, with substantial completion and opening scheduled for November 2003.

The project includes a renovation phase that cannot start until Central Hall becomes operational. This phase, which will continue after the opening, includes the removal of the temporary provisions separating the South Terminal and the new Central Hall.

Central Hall will feature over 1,000 square metres of additional food and beverage, news, gift and specialty concessions. In anticipation of the completion of this phase in late 2003, Edmonton Airports invited local, national and international retail operators to submit proposals for the operation of one or more specialty and convenience retail concessions under the Central Hall Retail Program at Edmonton International Airport. The formal requests for proposal process began in late 2002 and will conclude in spring 2003.

Economic Impact

The Air Terminal Redevelopment Project continues to contribute to the region's economy. It has provided over 1,400 jobs, wages of \$89 million and is one of the largest construction projects in the area.

From the Ground Up: Real Estate and Land Development

Real estate development is a potentially significant driver of economic development, one of Edmonton Airports' mandated purposes.

We are exploring a number of exciting options for future real estate and land development, including a hotel at Edmonton International Airport, a full-sized hangar facility and large industrial complex, an office campus, a dedicated retail site and expansion of AirLINKS Cargo Park.

RedTail Landing Golf Club

In 2002, construction continued on the privately developed RedTail Landing Golf Club – a \$6 million championship 18-hole golf course located at the entrance of Edmonton International Airport's AirLINKS Business Park.

Although tailored for corporate tournaments, this world class golf course will be ideal for accommodating major events.

The golf course is scheduled to open in 2003, and will host the RedTail Landing Alberta Open Championship in June 2003, and the Western Canadian Junior Tour Championship in September 2003.



Artist's rendering of Sbarro Pizzeria – Central Hall

**Edmonton International Airport
AirLINKS Cargo Park**

Work on Edmonton International Airport's new AirLINKS Cargo Park continued throughout 2002. AirLINKS Cargo Park was developed to meet the growing needs of numerous domestic and international all-cargo airlines. When completed, it will cover over 52 hectares of airport land and include 145,000 square metres of apron and multiple development lots for cargo terminal facilities and freighter aircraft parking. FedEx is AirLINKS Cargo Park's anchor tenant.

AirLINKS Business Park

A number of projects engaged in 2001 came to fruition in 2002. March saw the grand opening of our AirLINKS Business Park, one of western Canada's premiere business park developments. Located directly East of the air terminal building on Edmonton International Airport land, AirLINKS Business Park is a prestigious industrial and commercial centre that provides developers and businesses access to more than 445 hectares of potential development space.



"I was 12. We were flying from the Philippines. I was amazed by the button that called the flight attendant. I pushed it a lot."

**Mary Rose Granado,
CADD Technologist**

The park's architecturally controlled development plan will include a number of sites with direct airside access and will be divided into several zones dedicated to specific land uses:

Prestige

Tenants will include corporate offices and research and development companies. Architectural and landscape guidelines will be of a higher standard in this area.

Light industrial

Tenants will include businesses involved in such diverse activities as manufacturing, distribution, warehousing and storage.

Office

AirLINKS' planned office campus will consist of a number of office buildings.

Retail

Potential tenants may include automobile service stations, convenience stores and other retail outlets.

FedEx Cargo Handling Facility

We joined FedEx Canada in celebrating the grand opening of its new 3,300 square metre integrated cargo handling facility in AirLINKS Cargo Park. The new facility more than doubles the size of the company's airport operation. FedEx is the first carrier to locate at AirLINKS Cargo Park, which is designed to accommodate additional cargo terminal facilities.

WestJet Hangar

WestJet Airlines also officially opened its new 3,200 square metre maintenance hangar facility in 2002. The hangar can accommodate two B737-700 aircraft.

7-Eleven Canada

In July, 7-Eleven Canada opened the company's first-ever combined convenience store and gas bar at an airport. The store serves 3,500 employees and four million travellers at Edmonton International Airport. The 280 square metre facility offers customers quick access into and out of the airport.

Highway 19



**Air Terminal
Redevelopment Project**

- Phase 1, Parkade
- Phase 2, South Terminal
- Phase 3, Central Hall
(completion November 2003)
- Phase 4, North Terminal
Renovation & Expansion (future)
- Phase 5, Parkade Expansion (future)

**AirLINKS
BUSINESS PARK@YEG**

- Existing Roads
- Existing Buildings
- Proposed Roads
- Land for Lease
- RedTail Landing Golf Club,
(completion June 2003)
- AirLINKS Cargo Park



**Air Terminal
Building**

Highway 2

Taking Flight: General Aviation Edmonton City Centre Airport

Edmonton City Centre Airport's (ECCA) role continues to be a restricted corporate and general aviation facility that supports small charters, private and corporate aircraft, training, military, industrial and medevac flights. There were over 97,000 aircraft movements at Edmonton City Centre Airport in 2002.

In 1995, Edmontonians voted overwhelmingly to consolidate scheduled passenger services at Edmonton International Airport. That vote resulted in the establishment of the Passenger Access Policy at Edmonton City Centre Airport, to regulate this restricted corporate and general aviation facility.

The purpose of the policy is to prevent major scheduled carrier operations from returning to ECCA by capping scheduled passenger services to a maximum of 10 passengers. The consolidation of scheduled service to Edmonton International Airport has more than doubled passenger traffic at that airport over the past eight years.

In 1999, small carriers at ECCA requested that Edmonton Airports modify the Passenger Access Policy to allow 19-seat aircraft to operate on scheduled services. The purpose of the modification was to allow carriers more flexibility in choosing aircraft. The modification was made, under the condition that no more than 10 passengers could be carried to or from the airport on any flight.

Unfortunately, the modification resulted in significant carrier non-compliance, undermining the scheduled services on the Edmonton-Calgary corridor and northern services at Edmonton International Airport.

As a result, Edmonton Airports announced that all 19-seat aircraft providing scheduled service would be required to move their operations to Edmonton International

Airport, effective January 1, 2004.

10-passenger aircraft will continue to be permitted at ECCA. This move will ensure that Edmonton Airports continues to focus commercial scheduled passenger activity to Edmonton International Airport, consistent with the referendum decision made by the people of Edmonton. We will work closely with carriers throughout 2003 to facilitate this transition.



Refueling aircraft

Without public funding, Canadian airports have had to diversify their business to generate revenue from aviation-compatible businesses. These land development ventures are beneficial to the airport community by offsetting aeronautical fees such as landing fees, that are ultimately passed on to the end user.

A number of aviation-compatible real estate ventures came to fruition in 2002. In April, the Workers' Compensation Board opened the Millard Centre, a world class rehabilitation facility for injured workers. In June, Edmonton Public Schools opened Amiskwacyi Academy in the former City Centre Airport terminal building.

Amiskwacyi, a high school that approaches the curriculum from an Aboriginal perspective, is the only school of its kind in the country.

Edmonton Airports also opened a Business Development Office at the City Centre Airport in order to provide airport tenants with better accessibility to our General Aviation Department.



“I was eight years old and I was flying with my Dad to Vancouver. The flight crew invited me into the cockpit. I didn’t even look out the window. I just saw all the instruments and went ‘Wow!’”

**Wade Melnyk,
Carpenter**

Villeneuve Airport

Villeneuve has the potential for significant development over the next 10 years. Existing facilities are limited to a few hangars adjacent to the taxiways and two runways. The airport has a significant land base and fee simple title can be offered to purchasers.

Current plans for the land include the development of general aviation lots serviced by grass taxiways, gravel access roads, water and sanitary lines and utilities. This infrastructure could be expanded to include services such as paved taxiways if demand and development at the airport are sufficient.

A plan is being developed to sell general aviation lots to both recreational and commercial users. Land uses may include light, medium and heavy industrial classifications as well as some commercial classifications.

Cooking Lake Airport

Cooking Lake Airport is a mature general aviation facility serving primarily recreational flyers and float plane activities with some commercial and training operations. It is a bare land condominium with a condominium association made up of the existing land owners.

Edmonton Airports retains title to the balance of the lands and will make additional lots available as demand dictates. Expansion of services will be prioritized in a similar manner as Villeneuve Airport services.

Edmonton International Airport

The principal focus of Edmonton International Airport is scheduled, commercial passenger and cargo aviation. However, the International also supports a great deal of general and corporate aviation activity. There are two fixed base operators providing aircraft handling and refueling services, as well as executive flight lounges. Additional ramp space with a focus on cargo development, was completed during the fall of 2001 (Apron 3), relieving congestion on Apron 2.

General and corporate aviation at Edmonton International Airport is the biggest generator of traffic in terms of aircraft movements. This high traffic is due in large part to the booming oil and gas sector in northern Alberta, and military traffic.

**Our People:
Employment Equity Program**

Human Resources drives various proactive people strategies within the organization. For example, Edmonton Airports has had a successful, active Employment Equity program for many years.

This year, the Canadian Human Rights Commission conducted an audit of our Employment Equity program as part of our annual reporting requirements. The audit confirmed that we are an equal opportunity employer that values and promotes the principles outlined in our Employment Equity program.

**On the Money:
Financial Standing**

Part of our performance each year is determined by our standing in the financial community. In 2002, Edmonton Airports continued to hold its excellent A+ (or equivalent) rating with Moody's, Standard & Poor's, and Dominion Bond Rating Service. This is an important affirmation of our business and financial plans by the country's financial experts.

We monitor our competitiveness against other Canadian airports in terms of rates and fees charged to our airline customers. A review undertaken during 2002 showed charges for aircraft using Edmonton International to be among the lowest of the country's largest eight airports and the lowest among airports our size. Charges to airlines are minimized through the strict management of controllable expenses and the development of non-airline revenue sources such as real estate, parking and terminal concessions.

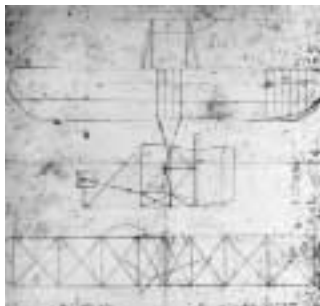
"My first commercial flight was in a prop plane to Bermuda. The view of the water as we descended was incredible – a gorgeous turquoise with coral reefs. It was beautiful."

**Beryl Rice,
Supervisor, Accounting**





1903



The plans for the 1903 Wright Flyer I that the Wright brothers drew on a piece of brown wrapping paper.

The 1902 glider, designed with the Wright's own wind tunnel data, was the first successful flying machine.

1903

Wilbur and Orville Wright – First successful trial flight of a powered, sustained, controlled flying machine.

1906

Germany – First flights of the Parseval airship and of the Zeppelin airship, which stay aloft for more than two hours.

1907

Paul Cornu – First piloted helicopter; built by Cornu, made free vertical flight.



1909

Wilbur Wright prepares to take his sister Katharine aloft for the first time in France, 1909.



1914

Tampa Bay, Florida – First recorded scheduled passenger air service.

1919

Captain John Alcock and Lieutenant Arthur Brown – First non-stop, transatlantic flight.

1919

Air transport industry born with launch of scheduled sustained air service in many countries.

First International Convention regulating air navigation signed.

1921

First transcontinental airmail flight in United States.

1914

1909

Louis Blériot – First flight across the English Channel.

1909

John A.D. McCurdy – Silver Dart makes first flight of a powered heavier-than-air machine in Canada.

1910

Sheepshead Bay, New York – First successful radio communication between an airplane in flight and a ground station.



The Boeing Model 80 Transport was America's first airliner designed specifically for passenger comfort and convenience. (above)

1921



The Vickers Vimy Biplane that John Alcock and Arthur Brown flew in 1919.

Gaining Altitude: Customer Satisfaction

Introduced in 1937, the Lockheed 10A Electra was the first modern airliner in Canada, heralding a new era of customer service. It carried a crew of two, and up to 10 passengers.



KSD2

Customer Satisfaction:

To ensure that all airport services are provided efficiently and effectively by a skilled and motivated ETeam workforce that continuously improves customer value and satisfaction.

There is nowhere that accountability is better measured than in customer satisfaction. Ensuring our customers are completely satisfied is central to our operation and our attitude. To this end, Edmonton Airports leads ETeam, a multidisciplinary partnership among 65 companies and 3,500 employees at Edmonton International Airport. ETeam's sole mandate is to deliver outstanding airport and aviation services to our customers. Together, ETeam works toward our goal that every customer is completely satisfied with their airport experience, whether they are with us just a few minutes or several hours, whether we see them once or weekly.



"My first flight was in a two-seater airplane. I was working with forest firefighters and we were up looking for hotspots. I remember the land looked like a patchwork quilt."

**Judy Steinhauer,
Maintenance Administrative
Assistant**

Strength in Numbers: Air Service

One of our key objectives in 2002 was to recover air service to the levels achieved prior to September 11, 2001. Over 3.7 million passengers passed through Edmonton International Airport during 2002, down slightly from the 3.9 million passengers the airport served in 2001.

This level of recovery was greater than most other major airports in the country and is a considerable achievement considering the extraordinary 2001 numbers.

The high 2001 passenger volumes were due in part to the IAAF World Championships in Athletics (The World's) and the ITU Triathlon World Championships. The day The World's came to a close stands as our airport's busiest day on record, with 16,000 passengers travelling through the airport.

During the last quarter of 2002, we returned to positive growth with a 6.5 per cent increase in the number of passengers that we served during the same period in 2001. Our focus in 2003 will continue to be on recovering passenger numbers to pre-September 11 levels.

Up and Away: Air Service Development

There were a number of significant air service developments in 2002. Northwest Airlines added a third daily, year-round, non-stop service to Minneapolis on its modern A319 aircraft. United Express introduced a twice daily non-stop service to Denver, which was expanded to three in February of 2003.

Central Mountain Air returned to Edmonton to offer new services to Lethbridge with Air Canada and serve new northern destinations including Prince George, Fort St. John and Peace River. Yukon's own Air North introduced new air service to Whitehorse, strengthening our position as Gateway to the North. As well, WestJet continued to show growth with new non-stop service to Toronto and Comox. As Air Canada continued to streamline its operations, the International Airport received expanded services by Tango. In addition, Air Canada consolidated regional feeder services under the new brand Jazz and introduced Zip, a new low-cost domestic carrier.

Charters were also active, offering expanded service to Mexico, Cuba, Dominican Republic, Hawaii and Las Vegas. Air Canada began offering new non-stop winter service to Honolulu and Maui. A new carrier, HMY Airways, began service in November from Edmonton to Cancun. It began twice weekly service to Los Angeles in December.

With respect to domestic markets, the growth in destinations has led to near optimal service being provided to the Edmonton market. New services to Montreal and Halifax will be pursued in coming years.

In terms of U.S. bound services, seat capacity is currently insufficient to serve the needs of the Edmonton market. A study undertaken in 2002 showed that the Edmonton catchment area represents a market of nearly 750,000 annual U.S. bound passengers, however; Edmonton International Airport is currently underserved in terms of seat capacity for this market. Over 225,000 passengers are currently diverting to alternate airports in Canada. This presents opportunities for U.S. carriers to introduce services at Edmonton International Airport.

Our goal in the coming year will be to increase the number of new U.S. and international air services and seasonal service to Europe.

Be Our Guest: Tourism

Air service is achievable with sustained passenger numbers travelling in both directions. A segment of these passengers are travelling for leisure as tourists, rather than business. Tourism is a major component to sustaining air services, particularly from Europe. As part of our goal to achieve non-stop scheduled service to Europe, a major project was initiated in 2002 to stimulate inbound tourism.

Together with our partners, Economic Development Edmonton and Travel Alberta, a program called International Gateway Project commenced. This project focuses on the development of tour itineraries using Edmonton International Airport as the

gateway to Jasper and the western Canadian North. Tourism product in the North that includes soft adventure, rental recreation vehicles, camping and wilderness activities is a product segment expected to increase in popularity over the next five years as people seek active, adventure holidays and Europeans continue to visit Canada to enjoy the great outdoors.

Preliminary research, product development and product introduction was initiated in 2002 for the Klondike Trail. The Klondike Trail is a touring program starting the traveller in Edmonton and continuing northward to the Yukon, travelling the original land route of the famous Klondike Gold Rush. The sample itinerary was introduced to major tour operators, charter air carriers and scheduled air carriers in the United Kingdom, the Netherlands and Germany to solicit potential interest. The continuation of this project in 2003 will include a feasibility study, product packaging, introduction to tour operators and product training. The product will be available for purchase for the 2004 summer tourism season.

“My first flight was in an ultra light plane in 1982, which was basically a couple of wings with two lawn chairs hanging from them. We took off from a grass field, and I could feel the gravel flying up my pant leg.”

**Ron Swan,
Firefighter**



The Right Stuff: Cargo Development

2002 proved an excellent year for cargo development. Cargo volume at Edmonton International Airport increased 11 per cent over 2001 despite overall decreases in volume across the industry. Although FedEx has been the highest performing commercial carrier, military traffic contributed significantly to this increase. Cargo traffic to and from the North continues to enjoy a significant growth swell.

In May, Edmonton Airports took delivery of a heavy duty Main Deck Loader to support the growing freight operations at Edmonton International Airport. The loader will help ensure that Edmonton International Airport can accommodate all types of heavy freight, and wide-body freighter aircraft.

Throughout the year, Edmonton Airports continued to position Edmonton International Airport as the supply Gateway to the North. This message was used at major oil and gas shows and was further strengthened with new regional cargo services and by expanded handling services at the airport.

In December 2002, meetings were held with various airline courier services to highlight AirLINKS Business Park development opportunities. Carriers were informed of the new industrial and commercial centre that provides developers and businesses access to more than 445 hectares of potential development space. The park is also designed to accommodate additional cargo terminal facilities.

New promotional tools to attract cargo operations include new cargo apron and terminal building design concepts for Cargo Park, which are currently being developed. The original concept for Apron 3 has been revised to reflect a progressive, linear development along Taxiway B.

Courier companies were also advised of the revised access policy for Edmonton City Centre Airport, which prohibits dedicated cargo carrier operations as of January 1, 2004.

Putting Customers First: Customer Satisfaction Surveys

Once again, quarterly passenger customer satisfaction surveys were conducted. Our goal for 2002 was to achieve an overall satisfaction rating of 4 out of 5 with airport facilities and services. The focus and commitment of ETeam helped us meet our target of 4 for satisfaction with airport facilities and services, despite a great deal of construction in the terminal building. We believe a number of activities contributed to achieving our target:

- Increased number of and training for staff at passenger screening locations
- Increased number of washrooms in domestic holdroom in South Terminal
- Continued modification of building wayfinding signage (car rental agency logos have been added to directional signage)
- Opening of new eating establishments (Jasper Mountain Eatery and Brewworks and Tim Hortons)
- Increased number of televisions in the South Terminal and transborder area

Our goal for our semi-annual airside (pilot) customer satisfaction surveys was to achieve a rating of 4.2 for airside facilities and services. The overall satisfaction rating for airside services and facilities at Edmonton International Airport was 4.1 out of 5, just shy of our goal.

Survey results are incorporated directly into our 2003 business plan and will include initiatives to enhance runway/taxiway rideability and line markings.

A Clear Path: Barrier Free

Our customer service focus means we ensure all our customers are accommodated. Persons with disabilities make up a significant portion of our customer base. Consequently, Edmonton Airports hosts an active Barrier Free Committee at Edmonton International Airport.

The committee involves a cross section of organizations representing persons with disabilities and is mandated to ensure that the needs of persons with disabilities are met while they are in our facility. The committee provided valuable input into the Air Terminal Redevelopment Project component design as well as into existing facilities and services at the airport.

Another enhancement to our customer service is the Disability Awareness Training Program provided to staff. The program helps our frontline service providers gain the appropriate skills to serve persons with disabilities effectively and respectfully.

On the Move: Ground Transportation

The enhancement of ground transportation services for customers continued throughout 2002. Customers have a range of parking services from which to choose, including hourly, daily and long-term parking.

All of our parking facilities and lots are competitively priced, paved, well lit and patrolled by security. Much of our focus this year was on providing customers with value-added features to existing parking service.

To this end, we introduced 24-hour valet parking, free vehicle plug-ins, battery boosts and luggage assistance. Value Park (long-term surface parking) also provides a free shuttle service between the parking lot and the terminal building.

In 2003, we look forward to the opening of our new centralized Ground Transportation Office, which will improve ground transportation services for customers.

Surfing the Skies: Web Site Redevelopment

In the fall of 2002, we launched our revamped Web site, which features a more intuitive navigational structure.

The goal of the redevelopment was to streamline customer service and online support for our customers and stakeholders. The Web site boasts a number of new features, including real-time arrival and departure information, a complete listing of airlines, current weather conditions, and a parking section with a downloadable discount coupon.

Since the launch of the new site, Web traffic has increased by 30 per cent.



The splash page of Edmonton Airports' award-winning Web site.

1921

1927



Charles Lindbergh

1921

The first transcontinental airmail flight in the United States.

1924

Four Douglas World Cruiser aircraft are the first to fly around the world.

1926

J. Dalzell McKee and Albert Earl Godfrey – First transcontinental flight in Canada.

1927

Charles Lindbergh – First non-stop, transatlantic solo flight from New York to Paris.

1932

Amelia Earhart – First woman to make a transatlantic solo flight.

1933

The Boeing 247, a twin-engine monoplane with retractable landing gear; redefines modern aircraft.

1934

The Air Transport Association of Canada is established to provide safe and reliable air transportation.

1937

Commercial airlines throughout the world reach 2.5 million passenger milestone.

1939

Rolls Royce begins work in the area of jet propulsion.

1939

Trans-Canada Airlines is founded, and later becomes Air Canada.

1942

The Airacomet, powered by two jet engines, makes its first flight.

1932

1942



Amelia Earhart



The jet engine powered Bell P-59 Airacomet

Something in the Air: Stakeholder/Community Relations

The Boeing 707 revolutionized air travel when it entered service in 1958. Whisking airlines into the jet age, it combined the features and innovations needed for commercial success.



KSD3

Stakeholder/Community Relations:

To develop and maintain the relationships, partnerships networks and reputation necessary to succeed.

As a not-for-profit company, Edmonton Airports is charged with safeguarding and adding value to the region's airport assets on behalf of and in the best interest of the Capital Region. We are accountable to the community.

Part of our relationship with the community involves contributing to its success and growth. For this reason, Edmonton Airports plays an active role on numerous boards and committees focused on economic development, charitable causes, tourism initiatives and other activities.

All our stakeholder and community relations endeavours reflect not only our support of the economic growth of the region but,

more importantly, our unwavering commitment to the people to whom we are accountable.

Educational Outreach: Schools Receive Gateway to the North Book

In 2002, our tenth year of service to the region, Edmonton Airports donated *Gateway to the North*, a colourful story of the downtown airport to almost 400 school libraries in the region. Written by Edmonton historian and aviation enthusiast Tony Cashman, and sponsored by Edmonton Airports, this unique and illustrative book tells a story through the eyes of skilled pilots, engineers and adventurers as they transform Blatchford Field into the Gateway to the North. We are proud to share this informative and historical resource about Canada's oldest licensed airport with our regional schools.

Flying High: Airfest 2002

Airfest is an annual Father's Day aviation event held at Edmonton City Centre Airport, supported by Edmonton Airports, ATCO Frontec, Kingsway Business Association, Edmonton City Centre Airport tenants, Edmonton Aviation Heritage Society and the Alberta Aviation Museum. We provide an opportunity for the public, past and present military heroes and children to experience a view of the past with a taste of the future. This is a free event with a full day of entertaining aviation activities. This year, approximately 6,500 people enjoyed a static display of military and corporate aircraft, a replica of the World War II German Storch, children's entertainment, parachute jumpers and a free tour of the Alberta Aviation Museum.

The 2002 Airfest theme was "Remembering the Path to Peace." The annual event on June 16 held a special focus: honouring Canadians and Americans who were essential players in our history throughout World War II and the men and women fighting for freedom around the world today.

The spirit of strength and fortitude shared between the United States and Canada was the primary theme for Airfest 2002. During World War II, Edmonton was home to approximately 10,000 American troops



A student explores Alberta's early years of flight.

engaged in the construction of the Alaska Highway and implementation of the Northwest Staging Route. On September 23, 1943, Edmonton's downtown airport set a North American record when 860 planes passed through Blatchford Field.

This year, the Airfest organizing committee was proud to support and assist the crews of AIR-1, Edmonton Police Services helicopter rescue service in their ongoing efforts to provide Edmonton citizens with public safety and security.

Another integral part of Airfest 2002 was the tradeshow, which featured aviation companies, military and government agencies, educational and career information and fun activities for families to enjoy. Various airlines, Cadet Squadrons, and cities and towns along the Alaska Highway and Northwest Staging Route were also present.

Runway to Success: Our Involvement in Councils and Committees

Edmonton Airports employees sit on numerous boards and committees that help support and sustain local and regional businesses and organizations:

- Airports Council International – North America
- Alberta Aviation Council
- Alberta Aviation Strategy Action Group
- Alberta Economic Development Authority Board
- City of Edmonton Emergency Preparedness Committee
- Edmonton and Area Corporate Challenge
- Edmonton Aviation Heritage Society
- Edmonton Capital Region Tourism Partnership Council
- Edmonton Chamber of Commerce – Labour Relations Committee
- Edmonton Chamber of Commerce – Transportation Committee
- Edmonton Salutes
- Leduc and District Chamber of Commerce

Up close and personal at an Airfest demonstration.



- Leduc/Nisku Economic Development Authority
- Project Germany Management Committee
- Tourism Industry Association of Canada
- University of Alberta Student Mentorship Program
- Western Transportation Advisory Council
- Youth Emergency Shelter Society
- Numerous Canadian Airports Council committees and task forces

Words to Live By: Stakeholder Survey

In 2002, we conducted a survey of our stakeholders to measure their perceptions of Edmonton Airports and evaluate our success in meeting our stakeholder and community relations goals over the year. The vast majority (91 per cent) of survey respondents felt that Edmonton Airports' reputation had been maintained or improved when compared to the previous year.

Good Neighbours: Airport Vicinity Protection Area (AVPA) Regulation

The purpose of this provincial planning regulation is to ensure that development around Edmonton International Airport is compatible with airport operations and aircraft generated noise. Work on the redevelopment of the regulation has been ongoing for several years.

Edmonton Airports has taken a lead role in the redevelopment process, which has included considerable consultation and input from the AVPA stakeholders: Leduc County, City of Leduc, City of Edmonton, and Parkland County. In 2002, new noise contours were developed for the airport based on projected operations to 2040 and the potential development of a new runway.

In 2002, Alberta Municipal Affairs formed the AVPA Advisory Committee, which was then given the task of gaining acceptance of the new contours. At the Committee's request, an impact analysis of the new noise contours was completed. To facilitate acceptance of the

new noise contours and expedite the redrafting of the regulation, Edmonton Airports met with all stakeholders to develop strategies to minimize the impact outlined in the analysis document and gained their support for including the new contours into the redrafted regulation. Implementation of the new AVPA will begin after the regulation text is modified and the required public consultation is complete, likely late in 2003.

A Celebration of Freedom: Edmonton International Air Show

On hiatus since 1996, the Edmonton International Air Show returned to Edmonton International Airport on July 13 and 14. Fans attending the Air Show were treated to flying performances from the Snowbirds and SkyHawks as well as CF-18 Hornet, F-117 Stealth, A-10 Thunderbolt Warthog, and Buffalo aircraft demonstrations.

The theme of the Air Show was "A Celebration of Freedom" and featured a number of static aircraft displays, a children's entertainment area, and a showcase of Canadian and foreign military aircraft. The Air Show attracted over 350 volunteers who raised money for charity through a percentage of concession revenues.

Air Shows are a positive economic stimulator for the areas in which they are held and the Edmonton Capital Region benefited from the increased number of tourists and visitors attending our Air Show.

Part of the Fun: Participation in Major Events

Edmonton Airports supported Edmonton's celebration of Grey Cup 2002 and the Grey Cup Parade. Edmonton International Airport staff provided media support, operational/transportation support and a considerable amount of enthusiasm.

ETeam companies across the airport wore "Wild 'n Woolly" Grey Cup shirts to welcome visitors to Edmonton.



A Celebration of Freedom

In Memoriam:

September 11 Commemoration

Edmonton Airports, together with airports across the continent, all levels of government and our own ETeam, developed a plan for marking the one year anniversary of the events of September 11, 2001. Our airport held a brief, dignified ceremony, including a moment of silence for those who lost their lives in the tragedy.

To thank the community for its support of Canadian Blood Services during the September 11 crisis, Canadian Blood Services participated in this event by holding an on-site "What's Your Type Clinic."

Play it Safe: Fire Prevention and Education Programs

Over 600 children were given fire hall tours in 2002. Each child received a digital picture of themselves in firefighting gear. The picture is placed in an Edmonton Airports "Firefighter for the Day" picture frame. This promotional piece provides children and their families with a unique souvenir.

In the Spotlight: Honours and Awards

Edmonton Airports President and CEO Scott Clements was appointed to the Airports Council International-North America (ACI-NA) Board of Directors and was part of the Canadian Airports Council Canada Airports Act, and Security Task Forces. Mr. Clements was also awarded the Queen's Jubilee Award for outstanding community service.

ETeam was awarded Economic Development Edmonton's Ambassador Award for Tourism and Events. The Ambassador Awards recognize individuals or organizations that make significant contributions to Edmonton's economy and quality of life. This is the second year in a row Edmonton Airports has been honoured with an Ambassador Award.

Edmonton Airports was honoured by the ACI-NA's Excellence in Marketing and Communications Contest. Edmonton Airports won first place in the Annual

Report category for our 2001 Annual Report and first place in the Black and White Newsletter category for the ETeam Newsletter. Communication is important to our accountability. These awards recognize the dedicated efforts put toward two important audiences, first to the employees of Edmonton International Airport through the ETeam Newsletter, and second to our community through responsible annual reporting.

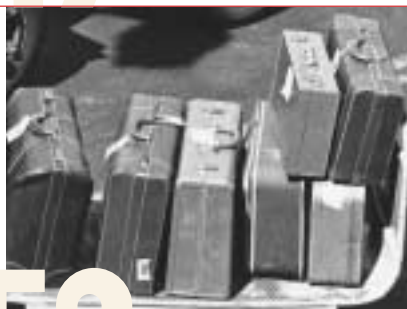
Edmonton Airports and UMA Engineering shared an Award of Merit at the 2002 Consulting Engineers of Alberta (CEA) Showcase Awards ceremony for Edmonton International Airport's Stormwater Management Plan. Since not all aircraft de-icing fluid (glycol) used at Edmonton International Airport is recovered, some of it is present in the airport's stormwater and is captured through the Stormwater Management Plan. The new system integrates the stormwater collection system serving the apron area by channeling the fluids into detention ponds. Stormwater containing glycol is passed through this well and system treatment facility prior to being discharged in Whitemud Creek, ensuring regulatory compliance with Alberta Environment.

Our newly redeveloped Web site won a 2002 ACE award of distinction from the Advertising Club of Edmonton (ACE).

1947



The Bell X-1 rockets into history.



Baggage ready for loading

1952

1947
Bell X-1 piloted by Chuck Yeager, becomes first aircraft to fly faster than the speed of sound.

1952
First pre-clearance of airline passengers and baggage entering the United States from Canada, a new concept to facilitate international air travel, inaugurated in Toronto.

1954
Boeing Dash 80, the prototype for the first commercial jetliner, completes its first flight.

1957
Boeing 707 jetliner makes its first flight.

1968
First flight of the Tupolev TU-144, the world's first supersonic jet aircraft.

1969
The Boeing 747 jumbo jet, the world's first wide-body airliner, makes its initial flight.

1969
The first prototype of the Concorde supersonic jet makes its first flight in France.

1969
American astronauts land on the moon.

1976
The Concorde launches scheduled supersonic passenger service from Paris to Rio de Janeiro. The flight takes seven hours and 25 minutes.

1977
The Boeing 747SP sets a speed record for round the world flight, covering a distance of 42,970 km in 54 hours and seven minutes.

1969



Liftoff of Apollo 11

1977



The Concorde in flight



On the Horizon: Looking to 2003

Boeing's dynamic new Sonic Cruiser, currently in design phase, will accommodate 250 passengers, fly between 6,000 and 9,000 nautical miles, and travel at a speed of Mach 0.95 at a cruising altitude in the mid-40,000-foot level.

2003

Looking to 2003:

Although it's important to look back on one's accomplishments, it is perhaps more important to look ahead to one's goals and challenges. At Edmonton Airports, we are continually planning and shaping our facilities, programs and services to ensure we respond to the region's economic growth, remain a leader in the air service industry and meet the needs of our customers and our community.



"I was a cadet and took my first flight in a glider when I was 12. It was thrilling, and so quiet – like a roller coaster. I felt free."

Stéphanie Dancause-Côté,
Corporate Communications
Co-ordinator

5-Year Strategic Plan

Edmonton Airports' guiding principles lay the foundation for the 5-Year Strategic Plan, which addresses 2003-2007. These principles further validate that our stated vision for the future is appropriate, relevant and well defined. The plan outlines and describes our desired goals and organizational state within the five-year horizon.

Our challenge will continue to be anticipating change and employing strategies that best enable us to respond to or take advantage of continued industry dynamics.

Highlights of the 2003 Business Plan

The air service industry continues to recover from the effects of September 11, 2001. Although Edmonton Airports enters the 2003 business planning year showing positive growth, many challenges still remain both for our organization and the global aviation industry.

Our efforts will be focused on the operational readiness and opening of Central Hall late in the year. Our focus will be on continuing to achieve this high standard and maintaining customer satisfaction levels throughout the year as we phase in the new facilities. ETeam will continue to play a significant role in maintaining customer satisfaction.

We will also continue efforts toward air service and cargo development with particular focus on increasing the number of new U.S. and international air services.

As a not-for-profit authority, Edmonton Airports does not receive public funding. Consequently, we must continue to diversify our sources of revenue so we are better able to offset the need for rates and fees charged to airlines and passengers. To that end, we will further develop our real estate initiatives with particular emphasis on securing new tenants for AirLINKS Business Park.

We will also participate in and respond to further regulatory changes in 2003, the most significant of which may be security protocols and the introduction of the Canada Airports Act.

2003 Key Success Indicators

Business Leadership

To achieve and sustain a financially strong, competitive business advantage by developing an entrepreneurial, innovative and best practices culture.

- To exceed the 2003 budget target
- To maintain an "A+" credit rating
- To implement the year 2003 phase of the Air Terminal Redevelopment Project
- To grow incremental annualized real estate rental revenue at Edmonton International and City Centre airports by \$380,000 through finalizing new, renewed or extended leases in 2003

Customer Satisfaction

To ensure that all airport services are provided efficiently and effectively by a skilled and motivated ETeam workforce that continuously improves customer value and satisfaction.

- To achieve an overall satisfaction rating of 4.0 (out of 5.0) with airport facilities and services and 4.1 (out of 5.0) for airside facilities and services during 2003
- To achieve and sustain optimal air service
- To execute the year 2003 plan of the ETeam project

Stakeholder/Community Relations

To develop and maintain the relationships, partnerships, networks and reputation necessary to succeed.

- To implement the 2003 phase of the Stakeholder/Community Relations Strategic plan including the community investment program
- Achieve a rating of 3.5 (out of 5.0) for each of our 7 reputation attributes

Reaching for the Sky

How many times did the Wright Brothers look to the sky and wonder if they could make their vision a reality? As much as their success was a feat of aerodynamics and engineering, it was also a testament to the drive to go farther and reach higher.

That attitude inspires Edmonton Airports. Everything we do is in support of our community and the achievement of our vision. We are more than a group of employees – we are a team. We are more than an organization – we are a community.

We go further because there is further to go. We reach higher because there is more to accomplish. We do more than work together – we fly.

"I was eight years old and flying from Calgary to Regina. I was scared to death. A man in our row gave me the window seat. I remember my stomach flipping as the plane took off. It was very cool."

**Dan Woodcock,
Help Desk/Technologist**



100 Years of Flight

1978

1978

The American airline industry is deregulated.

1980

One billion people travel by air in one year.



Passengers queue for boarding

1981

NASA launches first space shuttle, Columbia.

1986

Concorde completes around the world flight in 32 hours.

1990

Boeing begins production of the 777, the first aircraft designed entirely by computer.

1981



The Boeing 747-400; the largest commercial airliner ever built

1991

Airports Council International, a world organization of airports, is created in Geneva, Switzerland.

1992

First air-to-ground passenger telephone service is introduced.

1996

Bombardier unveils the Global Express, a long range, high speed business jet capable of flying non-stop for over 1,200 km at Mach 0.8.

1998

Boeing rolls out largest commercial airliner ever built, with a capacity to seat 550 passengers.

1999

First non-stop flight around the world by balloon.

2000 and beyond

Affordable, environmentally friendly supersonic flight.

1992



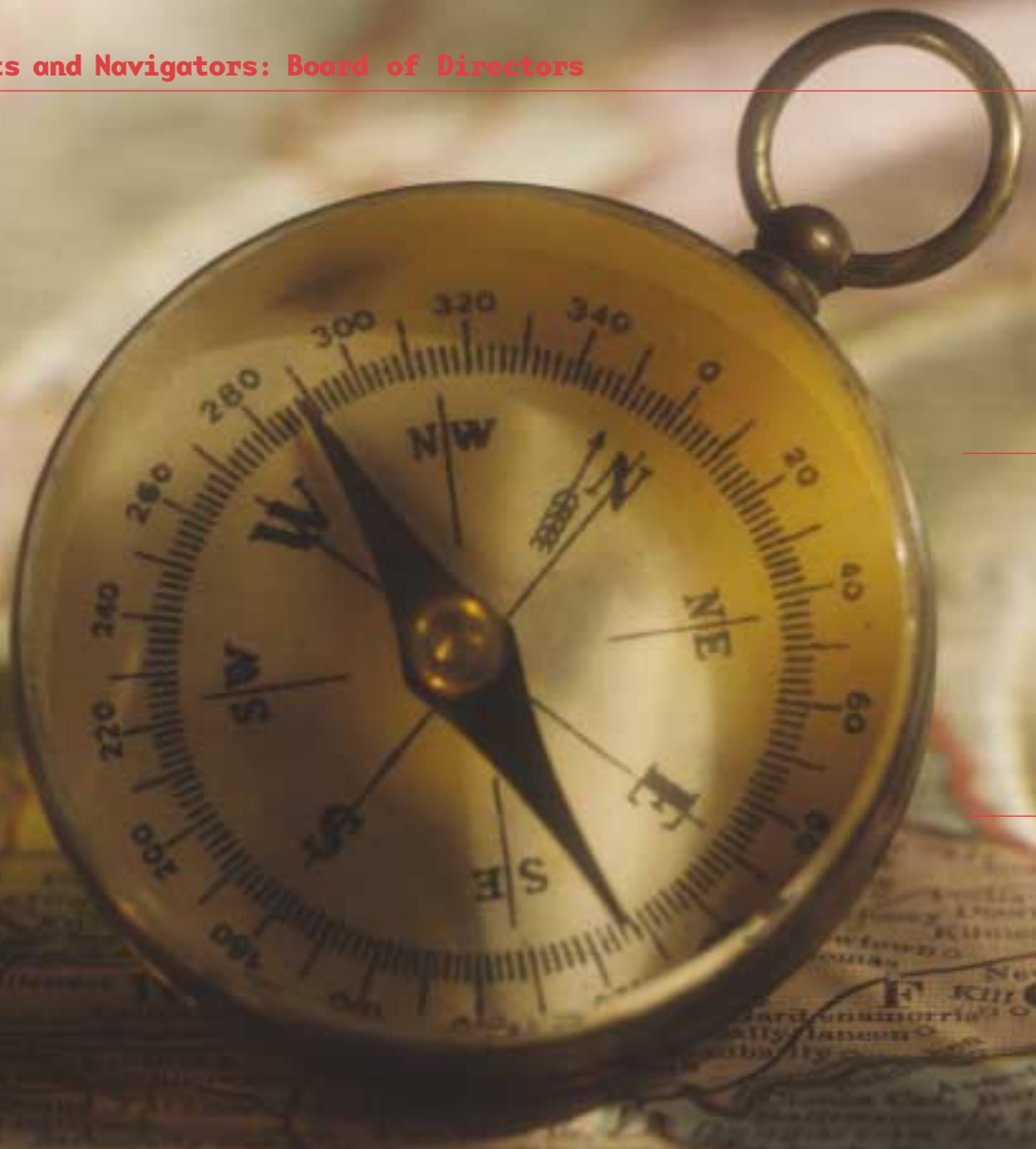
Air-to-ground passenger telephone

2000



The Bombardier Global Express business jet

Pilots and Navigators: Board of Directors



H. Glenn Rainbird, Chairman

Mr. Rainbird is the principal of RAINBIRD Consulting, a business management services practice assisting clients achieve their business goals. Prior to forming RAINBIRD Consulting, Mr. Rainbird spent nearly a decade as President and CEO of TRILabs. Under his leadership, TRILabs became Canada's leading research consortium in information and communications technology and recognized internationally as a leading model for industry-university-government collaboration. Prior to TRILabs, Mr. Rainbird's career included senior executive positions with Imperial Oil and Nortel Networks.

Mr. Rainbird has been an active member of a number of boards serving business, education, and community organizations. He holds a Bachelor of Science degree in Civil Engineering and an MBA, both from Queen's University. Mr. Rainbird is a resident of the City of Edmonton.

Margaret Bateman, Vice-Chairman

Ms. Bateman is a founding partner of Calder Bateman, an Alberta based, full service communications agency, serving a broad range of public and private sector clients throughout Alberta and Western Canada. A graduate of Loyola College with a Bachelor of Arts degree, her practice focuses on major public issues in such areas as health restructuring, education, municipal governance, the resource industry and economic development.

Ms. Bateman's career in communications and public affairs began at Imperial Oil, with subsequent service in senior executive positions with the Alberta Housing Corporation and the Alberta Public Affairs

Bureau, where she was responsible for the provincial government's advertising, public affairs and related functions across 25 provincial government departments. She has been a regular contributor to the Globe & Mail and CBC-TV news, commenting on public affairs in Alberta. Ms. Bateman also serves on several boards including the Edmonton Police Foundation, the Edmonton 2001 Athletics Legacy Foundation, and the Augustana University College in Camrose. Ms. Bateman is a resident of the City of Edmonton.

Peter Bidlock

Mr. Bidlock is Chairman and CEO of four Edmonton hotels: the Dover Hotel, the Mount Royal Hotel, the Jasper Place Hotel and the Grand Hotel. He has been actively involved in the hospitality and related industries for many years, having owned and operated various hotels and motor inns throughout Alberta. He is a director and past president of the Alberta Hotel & Lodging Association and currently provides consulting services to the hospitality industry. Mr. Bidlock is a past member of the Capital Health Authority, and a former member of the Capital Region Forum, and was an elected member of municipal government. He currently serves as a board member for Edmonton Northlands, as well as the Royal Alexandra Hospital Foundation. Mr. Bidlock is a resident of Strathcona County.

G. John Bowes

Mr. Bowes operates G. John Bowes, Chartered Accountant, a full service, professional public accounting firm. He holds a Bachelor of Commerce degree from the University of Alberta and an Honours Diploma in Administration Management from the Northern Alberta Institute of Technology (NAIT). Mr. Bowes has operated his accounting practice for more than 20 years, focusing on

H. Glenn Rainbird, appointed by the City of Edmonton

Margaret Bateman, appointed by the City of Edmonton

Peter Bidlock, appointed by Strathcona County



professional accounting engagements to the business community, corporate, personal, excise and estate tax and general business consulting services. Mr. Bowes also serves as a member of the Sturgeon County Economic Development Board and was a member of the former Sturgeon County Lottery Board. Mr. Bowes is a resident of Sturgeon County.

Frank Florkewich

Mr. Florkewich owns and operates three family businesses: Norcan Consulting Group Inc. (a professional project management, planning and engineering consulting company), The Sign Shop, and Quad-F Farms. He is a Civil Engineering Technologist and planning technician, and has held several technical, management, and marketing positions with Shell Canada, Franci & Associates, and Parkland County, and was a principal partner in TriTec Engineering Ltd., and Roma Florkewich & Associates Ltd.

Mr. Florkewich completed a nine-year term as Councillor for Parkland County, and has held several executive positions with provincial and federal political associations. He is also actively involved in many community activities. He is currently Vice Chairman of West Parkland Gas Co-op Ltd., President of St. Georges' Catholic Church Committee, past president of the Parkland Community Association, and has served on several community boards and committees. Mr. Florkewich is a resident of Parkland County.

Dennis Foley

Mr. Foley is President of 544882 Alberta Ltd., an Alberta company providing marketing and technical consulting services relating to transportation infrastructure, systems and materials, and is a Senior Advisor to the University of Calgary, Faculty of Engineering, Bituminous Materials Chair. He is the holder of three Canadian and three United States patents relating to the fields of petroleum

products and pavement systems. He is also the author of twelve technical papers respecting bituminous materials source, manufacturing, utilization and testing and holds a Bachelor of Science, Civil Engineering degree from the University of Saskatchewan. During his thirty-year career with Husky Oil Ltd., he held positions from a Sales Engineer to the Manager for Heavy Oil Marketing to Director of Product Research and Development.

Mr. Foley has served on the Boards of Directors of the Asphalt Institute, Canadian Technical Asphalt Association, Alberta Roadbuilders and Heavy Construction Association, and Roads and Transportation Association of Canada. He holds lifetime memberships in the Canadian Technical Asphalt Association, Alberta Roadbuilders & Heavy Construction Association, Road and Transportation Association of Canada, and Association of Professional Engineers of Saskatchewan, and a current membership in the Association of Professional Engineers, Geologists and Geophysicists of Alberta. Mr. Foley has been a licensed pilot since 1962 and is a resident of Leduc County.

David R. Foy

Mr. Foy is President and Chief Executive Officer of Sunbridge International, a major Trading Company of which Mr. Foy is a director and partner, and President of Mathew and Company, a textile and linens distribution and service company, a subsidiary of the Summit Group. Mr. Foy served for four years as President and Chief Executive Officer of EPCOR where he transformed a traditional utility company into a competitive



G. John Bowes, appointed by Sturgeon County

Frank Florkewich, appointed by Parkland County

Dennis Foley, appointed by Leduc County

business and market leader in Alberta. Prior to that, he served in a number of executive roles with multinational corporations including President and Chief Executive Officer of Phillips Cables Limited, President of Phillip's Communication Products Division, Vice President Human Resources of Dylex Limited and Vice President Human Resources and Administration of Monsanto Canada.

Mr. Foy holds Bachelor of Arts and Bachelor of Commerce degrees from Loyola University. Mr. Foy currently serves as a director of DSL Industries Inc., Mathew & Co. Limited and Sunbridge. He is also a past director of the Edmonton Eskimos and of the Board of Governors of the University of Alberta, Phillips Cables, Phillips-Fitel (Chairman) and BICC North America. Mr. Foy is a resident of the City of Edmonton.

Gary Hanson

Mr. Hanson is Chief Operating Officer and General Manager of West Edmonton Mall. He also holds the positions of Vice President, Development of 7 Crowns Corporation (Public Company) and Vice President, Development and Construction for the Triple Five Group of Companies (Parent Company).

Throughout his 28-year career with the Edmonton-based Triple Five Group of Companies, he has been involved with projects totaling over \$1.5 billion.

Mr. Hanson currently serves as a board member on the Technical Standards and Safety Authority (TSSA) for the Ontario Government, the Edmonton Chamber of Commerce, and the Alberta Economic Development Strategic Tourism Marketing

Council. He is past Chairman of Economic Development Edmonton and was founding Chairman of the Alberta IDRC Chapter, promoting economic development in the region. Mr. Hanson holds a Bachelor of Arts degree from the University of Alberta, specializing in Economics and Political Science. Mr. Hanson is a resident of the City of Edmonton.

Harold (Hal) D. Irwin

Mr. Irwin is a Chartered Accountant and a former senior partner and board member of Deloitte & Touche. He is currently Chairman of the Board, Philbrooks Boatyard Ltd., a major renovator and builder of custom yachts located in Sidney, B.C.

Mr. Irwin was elected to the Board and currently is Chairman of Nova Pole International Inc., a manufacturer of steel lighting and highway poles in Vancouver. Mr. Irwin's community involvement includes terms as Secretary-Treasurer; Edmonton Downtown Development Corporation; Vice Chairman, Edmonton Concert Hall Foundation; board member; Edmonton General and Grey Nuns Hospital; and President, Variety Club of Northern Alberta. Mr. Irwin is a resident of the City of Edmonton.

Allister McPherson

Mr. McPherson serves as Executive Vice President of Canadian Western Bank. Prior to joining CWB, Mr. McPherson was Senior Vice President and Chief Financial Officer of Viridian Inc., one of Canada's leading fertilizer companies, until the takeover by Agrium in December 1996. A graduate of the Universities of Alberta and British Columbia with a B.Sc. and M.Sc., Mr. McPherson held several positions over 25 years with Alberta Treasury, including nearly 12 years as Deputy Provincial Treasurer - Finance and Revenue, before joining Viridian.

David R. Foy, appointed by
the City of Edmonton

Gary Hanson, appointed by
the City of Edmonton

Harold (Hal) D. Irwin, appointed
by the federal government



He has served on the boards of Credit Union Deposit Guarantee Corporation and Alberta Social Housing Corporation, and was a member of the Selection Panel for Alberta Treasury Branches' initial Board of Directors and served as its first Secretary. He is a member of the Board of Alberta Municipal Financing Corporation, the Board of Governors of the Northern Alberta Institute of Technology (NAIT), and an external member of the University of Alberta Investment Committee. Mr. McPherson is a resident of the City of Edmonton.

Albert (Al) R. Pasini

Mr. Pasini forged a distinguished 36-year career with The UMA Group before retiring from the position of Chairman, President and Chief Executive Officer in June 1995. The UMA Group is an international engineering and contracting firm involved in a number of subsidiary and joint venture companies.

Mr. Pasini was a member of the Board of Directors of all UMA subsidiary companies, acting as Chairman in most cases. Prior to his appointment as Chief Executive Officer, he served as President and Chief Operating Officer for several years. Mr. Pasini holds a degree in civil engineering from the University of Alberta. His experience includes exposure to major industrial and civil engineering projects including the pre-design phase of the new Vancouver airport terminal. Mr. Pasini is a resident of the City of Edmonton.

Larry Prokop

Mr. Prokop completed a 42-year career in the aerospace defense industry in 1998 as President of CAE Aviation Ltd. Under his 20-year leadership, the Edmonton-based company achieved worldwide recognition for its capabilities in the repair, overhaul, maintenance, modification, service life extension and systems upgrades of military

and commercial aircraft. In 1992, CAE became the sole Canadian company, and one of only ten worldwide sites, manufacturer-approved as service centres for the Lockheed C130 Hercules transport aircraft. Mr. Prokop was a member of the Executive Management Committee of the parent company, CAE Industries Ltd. of Toronto, the world leader in commercial aircraft flight simulators. He holds the designation of Certified Management Accountant (CMA) and is a Director and Treasurer of the Alberta Aerospace Association. Mr. Prokop is a resident of Parkland County.

Gordon J. Riddell

Mr. Riddell is a senior partner in Global Energy Solutions Inc., a company providing integrated energy solutions. During his 30-year career with TransAlta Utilities, he led business teams, developed a steel light maintenance process and most recently retired as Regional Account Manager. He is the owner/operator of three small businesses and is actively involved in community organizations. He served as Chairman of the Board of the Leduc/Nisku Economic Development Authority. Mr. Riddell is a past director of the Leduc & District Chamber of Commerce, past chairman and director of the Parkland Simmental Association and a past director of the Leduc Black Gold Rodeo Association. He is currently Marketing Chairman for the Leduc/Nisku Economic Development Authority. Mr. Riddell is a resident of the City of Leduc.

Allister McPherson, appointed by the City of Edmonton

Albert (Al) R. Pasini, appointed by the City of Edmonton

Larry Prokop, appointed by the federal government

Gordon J. Riddell, appointed by the City of Leduc



Appointers and Officers

Appointer Representatives

City of Edmonton

Mayor Bill Smith
Al Maurer, City Manager

City of Leduc

Mayor George Rogers
Kevin Robins, City Manager

Leduc County

Reeve Ed Chubocha
Larry Majeski, County Manager

Parkland County

Mayor Elsie Kinsey
Jim Simpson, County Commissioner

Strathcona County

Mayor Vern Hartwell
Bill Sutherland, Chief Commissioner

Sturgeon County

Mayor Lawrence Kluthe
Larry Kirkpatrick, County Commissioner

Transport Canada

D.W. (Dave) Murray
Regional Director General,
Prairie & Northern Region

Sandra Jackson
Regional Director, Programs,
Prairie & Northern Region

Officers

G. Scott Clements

President and CEO

Angela E. Fong

Vice President, Human Resources
and Corporate Performance

Jim Meyer

Vice President,
Marketing and Communications

Raymond J. Off

Vice President,
Airport Operations and Services

Ralph W. Peterson CA

Vice President, Finance,
Chief Financial Officer &
Corporate Secretary



2002 Financial Review

Edmonton Airports

Management Discussion and Analysis

The following comments should be read in conjunction with the financial statements included in this report which have been prepared in accordance with generally accepted accounting principles in Canada.

In 2002, Edmonton Airports' second Five-Year Performance Review was completed pursuant to the requirements in the Edmonton International Airport Ground Lease and the Regional Airport Authorities Act (Alberta). Deloitte & Touche, who were selected through a competitive process as independent reviewers, concluded that Edmonton Airports has met its statutory purposes by operating the airports for which it is responsible in a safe, secure and efficient manner and by advancing economic and community development.

In their report, the independent reviewers specifically recognized Edmonton Airports' effective management of operational and financial issues related to the events of September 11, 2001. Other observations included the efficient and effective planning, co-ordination and execution of the Air Terminal Redevelopment Project, the excellent relationship with Transport Canada in their role as monitors of public accountability and regulatory compliance, and the high level of due diligence exercised in environmental matters. The quality of Edmonton Airports' asset stewardship and diligence with respect to public accountability, including development of performance measurement goals and customer-service focus, were also recognized in this review.

In 2002, Edmonton Airports, and the global aviation industry, continued to experience the effects of September 11, 2001. While overall passenger activity at Edmonton International Airport was down by 4.2% overall in 2002, that slight decline still compared favourably to 2002 business plan projections as well as to the aggregate decline at Canada's eight largest airports.

During 2002, Edmonton Airports managed Edmonton International Airport in a manner reflecting short-term reductions in activity, the financial sensitivities of the aviation industry, the need for safety and security enhancements and the need to continue progress against the organization's longer term vision. Rate increases for airlines were minimized through expense containment and increased revenue from other non-aviation sources.

2002 Financial Performance

In 2002, Edmonton Airports incurred a net loss of \$3.1 million compared to a net loss of \$4.6 million in 2001. These net losses, which were anticipated in our long-term financial outlook, resulted largely from costs associated with new capital investment and related financing. Positive operating cash flows remained strong during the year and all debt covenants were comfortably maintained. In 2003, a return to positive net earnings on a combined basis is projected.

Revenue

Despite decreases in activity in 2002, Edmonton Airports revenue increased by \$5.7 million (9%) for the year, bringing total revenue to \$67.8 million.

Revenue from airline activity (airside and general terminal revenue) increased by \$1.2 million (7%) over the previous year, primarily driven by aeronautical rate increases. Without increased activity levels, rate increases are required to recover increases in costs. Through strict management of controllable expenses, enhanced revenue from other sources, and lowered earnings expectations, Edmonton Airports worked diligently to minimize increases to airlines. An annualized rate increase of 5.0% was implemented on February 1, 2002 and a further temporary increase of 6.9% was implemented on October 16, 2002 and then rolled back on January 1, 2003. The temporary rate increase was implemented to compensate for shortfalls in forecasted air service activity.

In addition to revenue from airline activity, Edmonton Airports earns revenue from commercial operations that include parking, concession and real estate activities. Growth in these areas

contributes to a low-cost operating environment for airlines. At \$14.7 million, concession revenue was \$0.1 million (1%) below that earned in 2001. The decrease is a result of lower passenger volumes, which affect revenue from parking operations, food and beverage outlets as well as other terminal concessions. Real estate revenue increased by \$0.3 million (17%) in 2002 as a result of an increase in lease rates and land lease revenue from recent developments at the Edmonton International Airport.

To fund the redevelopment and expansion of the Edmonton International Airport terminal and related facilities, passengers departing Edmonton International Airport are charged an Airport Improvement Fee (AIF). Revenue from this fee in 2002 was \$19.4 million, an increase of \$2.9 million (17%) over the previous year. A rate increase from \$10 to \$15 was implemented on July 1, 2002 to provide for continued investment in the Air Terminal Redevelopment Project.

Edmonton Airports recovers certain police and security expenses through a per passenger charge to airlines. Police and security fee revenue increased by \$0.6 million (18%) to \$4.1 million in 2002. This increase represents the recovery of increases in police and security expenses required to meet enhanced security regulations.

As part of its current lease agreement with the Government of Canada, Edmonton Airports receives a contribution to infrastructure maintenance at the Edmonton International Airport. This contribution, called the Canada Lease Capital Credit, increased by \$0.2 million (3%) in 2002, reflecting the annual inflation adjustment prescribed under the lease agreement.

Expenses

In 2002, Edmonton Airports incurred expenses of \$71.0 million, an increase of \$6.6 million (10%) over 2001. The majority of this increase relates to items such as lease rent, interest costs, utility costs and insurance. Increase in controllable costs such as salaries and employee benefits and services, maintenance, supplies and administration were limited.

With no material changes to Edmonton Airports staffing levels in 2002, the increase of \$0.5 million (4%) in salaries and employee benefits for 2002 was the result of annual salary adjustments and other related costs.

Services, maintenance, supplies and administration expenses for 2002 totalled \$10.5 million, an increase of \$0.3 million (3%) over 2001. This is a reflection of programmed increments for contracted services and higher repair and maintenance costs on new and expanded facilities no longer under warranty.

Utilities, property taxes and insurance expenses for 2002 totalled \$4.8 million, an increase of \$1.2 million (32%) over 2001. The majority of this increase (\$0.9 million) relates to higher utility costs in the absence of the Alberta Government utility rebate program which expired in December 2001. Insurance costs increased by \$0.3 million in 2002 due to higher premiums resulting from the significant reduction in the amount of underwriting capacity in the global insurance market following the events of September 11, 2001. These increases in utilities and insurance were partially offset by a reduction in property taxes at Edmonton International Airport.

Following an increase of \$1.0 million in 2001, Canada Lease rent payable to the Government of Canada for 2002 increased by a further \$0.9 million (12%) in 2002. Edmonton Airports' lease agreement with the Government of Canada is based upon an amount per passenger up to a maximum annual volume (the passenger 'cap'). In 2002, this cap increased from 3,660,000 passengers to 3,730,000 passengers, resulting in approximately \$0.8 million paid in additional rent. In addition to the per passenger rent, Edmonton Airports pays to the Government of Canada participation rent on revenue over and above a threshold amount. Increases in total revenue above that threshold amount led to an increase in participation rent payable of \$0.1 million. These increases result in aeronautical and commercial rate increases that are ultimately passed on to travellers through higher costs for airfares and airport services.

Airport Improvement Fee (AIF) collection costs for 2002 totalled \$1.4 million, an increase of \$0.2 million (16%) over 2001. This expense category includes internal administration costs associated with the AIF, as well as the fees paid to the airlines for collecting the AIF on Edmonton Airports' behalf. The increase in collection costs is consistent with higher AIF revenue.

Police and security expenses for 2002 totalled \$3.9 million, an increase of \$0.7 million (20%) over 2001. This increase reflects the continued incremental police and security costs related to enhancements mandated by the federal government. This increase was offset by a corresponding increase in revenues from the police and security fee.

Edmonton Airports' interest costs represent the interest on the \$250 million revenue bond issued in October 2000 offset by any interest earned on cash balances and any capitalized interest associated with construction in progress. While interest on the bond issue remained the same as in 2001, interest earned was lower in 2002 as a result of lower interest rates and reduced cash balances as investments were redeemed to fund capital investment. As a result of the lower interest earned in 2002, interest expense increased by \$2.3 million (18%) over 2001 to \$15.6 million.

Amortization costs for 2002 increased by \$0.5 million (4%) as a result of the full-year impact of additional capital assets placed into service in 2001 and partial-year impacts of new assets placed into service during 2002.

Edmonton City Centre Airport

Included in the revenue and expenses reviewed above are revenues of \$2.2 million (2001 - \$2.0 million) and expenses of \$2.7 million (2001 - \$2.3 million) for Edmonton City Centre Airport. The revenue increase is primarily the result of a rate increase in the landed seat charge from \$4 to \$6 implemented on September 1, 2002. The expense increase results primarily from a programmed increase in contracted services and additional legal and accounting costs associated with the facility.

Capital Asset Management

In 2002, Edmonton Airports invested \$45.4 million in capital assets (2001 - \$40.7 million), of which \$45.1 million applies to Edmonton International Airport.

Edmonton Airports' redevelopment and expansion of the Edmonton International Airport terminal and related facilities was estimated to cost \$300 million. Of the \$300 million originally envisioned, Edmonton Airports Board of Directors has approved the implementation of projects totalling \$272 million. The major elements of the approved projects include the construction of the parkade (completed in 1998), expansion of terminal facilities to the southeast (completed in December 2000), construction of additional apron area (completed in 2000), and construction of the Central Hall, which will join the South Terminal expansion to the original North Terminal in 2003.

The 2002 investment in the ATR Project was \$36.6 million (2001 - \$29.0 million), all of which was related to the construction of the Central Hall component (Phase 3) of the program to be completed during 2003. In addition to the investment in the ATR Project in 2002, a further \$8.8 million (2001 - \$11.7 million) was invested in ongoing capital expenditures at all four airports.

The ATR Project is financed through the issue of a 30-year \$250 million revenue bond issued on October 31, 2000. Notwithstanding recent industry events, Edmonton Airports' credit ratings of A1 (Moody's), A High (Dominion Bond Rating Service) and A+ (Standard & Poor's) have been affirmed. Principal and interest on the revenue bond are paid through revenues from the Airport Improvement Fee that was implemented on April 12, 1997. To December 31, 2002 Edmonton Airports has incurred capital expenditures and related financing costs of \$285.1 million (2001 - \$238.9 million) compared to AIF revenue of \$84.2 million (2001 - \$66.2 million) as shown in the table below.

AIF Reconciliation

As at December 31, 2002

	000's of \$ CUMULATIVE
AIF revenue (net):	
AIF revenue	\$ 91,086
AIF collection costs	(6,886)
	84,200
Expenditures:	
Qualifying capital expenditures	250,602
Related financing costs	34,495
	285,097
Excess of expenditures over AIF revenue (net)	\$ (200,897)

Outlook

Economic growth in Edmonton and Alberta was very strong in 2002 and is predicted to increase in 2003, with Edmonton's output growth forecast by the Conference Board of Canada to be the third highest among Canadian municipalities. The positive economic situation in Edmonton and Alberta should continue to contribute to overall recovery of air traffic and mitigate the impact of external events.

In 1996, Edmonton Airports renegotiated the rent formula component of its Edmonton International Airport ground lease with the Government of Canada. That revised formula expires December 31, 2005. The absence of an agreement on a new formula would result in a reversion to the pre-1996 formula, which would increase the rent payable from an estimated \$3.9 million in 2005 to an estimated \$17.6 million in 2006.

Edmonton Airports is fully participating with the governing authorities of all the other major Canadian airports to continue discussions with the landlord, the purpose of which is to review and modify the rent formulas at all the airports.

Completion of Phase 3 of the Air Terminal Redevelopment Project will bring many operational and customer service improvements. In addition, the centralizing of security and expanding concession operations in the new facility should support additional concession revenues commencing in late 2003.

In 2002, Edmonton Airports' Board of Directors authorized initial design work for Phase 4 of the Air Terminal Redevelopment Project that will include the renovation and expansion of the original North Terminal. A decision on the timing and scope of Phase 4 has not been concluded.

Five-Year Financial Information

The following five-year outlook, provided per requirements under Edmonton Airports' lease with Transport Canada, is based on assumptions that are considered most likely, but which are nevertheless conservative. Critical supporting assumptions relate to passenger volumes, utilization by passengers of new Central Hall concession and retail, rent formula and new revenues from Edmonton International Airport land leases.

Cash flow in excess of that used to service debt is available for investment in infrastructure through Edmonton Airports' ongoing capital program.

2002 Financial Review

(Projected in millions of \$)	2003	2004	2005	2006	2007
Revenue (net of AIF collection costs)	75.4	78.9	83.1	86.4	89.5
Operating Expenses	43.4	44.5	46.5	48.3	49.7
Earnings Before Interest and Amortization (Free Cash Flow)	32.0	34.4	36.6	38.1	39.8
Divided by: Debt Service Amount	16.1	18.0	19.0	19.8	19.7
Debt Service Coverage Ratio (Req. 1.25)	1.98	1.90	1.92	1.93	2.02

Capital Expenditures

The following table summarizes the projected infrastructure investment for the next five years and includes all elements of our capital spending. The ATR element includes provision for Phase 4 at \$44 million which is the amount which has been approved in principle by the Board of Directors. No other ATR phases are included. The preliminary estimate for Phase 4 is subject to change.

(in millions of \$)	2003	2004	2005	2006	2007
Estimated aggregate capital	44.1	37.3	31.8	12.1	12.1

Accountability

Edmonton Airports' public accountability requirements with respect to planning, reporting, conduct and operational effectiveness are documented in its leases with the Government of Canada and the City of Edmonton, and the appropriate Provincial Legislation, including the Regional Airport Authorities Act. These agreements and legislation set out specific requirements with respect to such matters as business ethics, conflict of interest, audit, periodic performance reviews and disclosure. In addition to information included in the 2002 Management Discussion and Analysis above, the following items require disclosure.

Public Competitive Tendering

Edmonton Airports, in accordance with its lease with the Government of Canada, is required to report on all contracts in excess of \$91,425 (\$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. Edmonton Airports entered into 130 contracts during 2002 that had a cumulative value of approximately \$25.2 million. Of these contracts, 89% were awarded to local suppliers. Edmonton Airports entered into seven contracts in excess of \$91,425 (\$75,000 in 1992 dollars) that, for the reasons outlined below, were not awarded on the basis of a public competitive tendering process.

Sole Source Contracts Over \$91,425 (\$75,000 in 1992 dollars)

VENDOR NAME	DESCRIPTION	VALUE	BASIS FOR SELECTION
Buckwold Western	Central Hall Carpet	\$ 326,400	Edmonton Airports developed a standard technical design for carpet through research and testing. As a result of a competitive tender, this vendor was selected to install carpet as part of Phase 2 of the ATR. The carpet can be produced by three mills in North America, all of which are owned by the same parent company.
Cernium	Exit Lane Motion Detectors	\$ 509,569	These units comprise an exit lane motion detector system that replaced a previous system that was technologically inferior and no longer supported by the manufacturer. The new Cernium system was identified as clearly superior to other systems in terms of its design which minimizes space requirements within public areas and therefore results in the most efficient passenger flow.
G&S Airport Conveyor	Baggage Belts	\$ 218,454	This project to install an oversize baggage belt in the North Terminal had to be completed quickly in order to qualify for federal funding which became available on short notice. Due to their practice of having certain baggage belt components on hand, G&S Airport Conveyor was the only identified supplier that could meet the schedule required to enable Edmonton Airports to utilize the available funding.
Johnson Controls	Automated Mechanical System Planned Maintenance	\$ 154,440	This contract is a two-year agreement to provide planned maintenance on the building automation system used at Edmonton International Airport. As this work involves a proprietary system created by Johnson Controls, this vendor is uniquely qualified to perform the required maintenance.
Prism Environmental Consulting	Wildlife Management Services	\$ 120,000	This contract is for the provision of wildlife management services at the Edmonton International Airport over a two-year period. This vendor is the only provider of airport wildlife management services in the region.
Systems Union	Financial System Upgrade	\$ 348,298	As the provider of Edmonton Airports financial system, which was originally selected following a competitive process, Systems Union is uniquely qualified to provide upgrades to the system. This project included an upgrade to a newer software version and the purchase of new accounting system modules.
Terminal Systems International	Flight Information Display System Maintenance	\$ 179,943	As the Flight Information Display System is a proprietary system created by Terminal Services International, they are uniquely qualified to provide maintenance on the system. This contract includes an extension of hardware warranties.

Conflict of Interest

In accordance with the lease agreement with the Government of Canada and the Regional Airport Authorities Act, Edmonton Airports confirms that it has an appropriate Conflict of Interest Policy and that it is in compliance with that policy.

Conclusion

Edmonton Airports confirms its compliance, in all material respects, with the public accountability requirements documented in airport leases with the Government of Canada and the City of Edmonton as well as with Provincial Legislation, including the Regional Airports Authorities Act.

Financial Statements

Edmonton Regional Airports Authority
Years ended December 31, 2002 and 2001

Report of Management

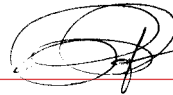
The financial statements of the Edmonton Regional Airports Authority (Edmonton Airports) are the responsibility of management and have been approved by the Board of Directors. These financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles, 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 that 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 financial records are reliable.

KPMG LLP, an independent firm of chartered accountants, has been appointed by the Board of Directors as external auditors of Edmonton Airports. The Auditors' 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 periodically 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.



G. Scott Clements
President and Chief Executive Officer



Ralph W. Peterson, CA
Vice President, Finance,
Chief Financial Officer &
Corporate Secretary

Edmonton, Canada
March 6, 2003

Auditor's Report to the Board of Directors

We have audited the statements of financial position of Edmonton Regional Airports Authority ("Edmonton Airports") as at December 31, 2002 and 2001 and the statements of operations and equity in capital assets and cash flows for the years then ended. These financial statements are the responsibility of the Edmonton Airports' management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Edmonton Airports as at December 31, 2002 and 2001 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.



Chartered Accountants

Edmonton, Canada
March 6, 2003

Statements of Financial Position

(000's of Dollars) • December 31, 2002 and 2001

	2002	2001
Assets		
Current assets:		
Cash in interest bearing accounts	\$ 6,124	\$ 7,075
Short-term investments	42,166	73,938
Accounts receivable [note 4]	9,283	9,280
Consumable inventory	686	702
Prepaid expenses and other	624	415
	58,883	91,410
Interest bearing deposits [note 7(a)]	9,727	10,074
Deferred financing costs [note 7(d)]	6,258	6,483
Capital assets (note 5)	259,266	227,515
	\$ 334,134	\$ 335,482
Liabilities and Equity in Capital Assets		
Current liabilities:		
Accounts payable and accrued liabilities [note 5(d)]	\$ 21,921	\$ 19,469
Current portion of obligations under capital leases	107	107
Current portion of long-term debt	649	394
	22,677	19,970
Tenants' security deposits	589	649
Deferred revenue [note 11(a)]	1,418	1,676
Long-term benefits payable (note 9)	1,475	1,337
Obligations under capital leases (note 6)	369	474
Long-term debt (note 7)	248,957	249,606
	252,808	253,742
Equity in capital assets:		
Contributed capital [note 3(b)]	3,805	3,805
Equity in capital assets	54,844	57,965
	58,649	61,770
Contingencies [note 13]		
Commitments [note 14]		
	\$ 334,134	\$ 335,482

See accompanying notes to financial statements.

On behalf of the Board:



Director
Glenn Rainbird



Director
Margaret Bateman

Statements of Operations and Equity in Capital Assets

(000's of Dollars) • Years ended December 31, 2002 and 2001

	2002	2001
Revenue:		
Airside and general terminal (note 12)	\$ 19,403	\$ 18,163
Airport improvement fee (note 8 and 12)	19,400	16,548
Concession	14,692	14,797
Canada Lease Capital Credit [note 3(a)(iv)]	7,311	7,101
Police and security	4,114	3,486
Real estate leases	2,292	1,961
Other revenue [note 11(b)]	581	—
	67,793	62,056
Expenses:		
Interest [note 7(c)]	15,605	13,271
Amortization	13,514	13,003
Salaries and employee benefits	12,221	11,735
Service, maintenance, supplies and administration	10,485	10,210
Canada Lease Rent [note 3(a)(iii)]	9,044	8,109
Utilities, insurance and property taxes	4,834	3,652
Police and security	3,936	3,274
Airport improvement fee collection costs	1,384	1,197
	71,023	64,451
Loss before the undernoted	(3,230)	(2,395)
Gain on sale of land	168	28
Loss on sale of other capital assets	(59)	—
Write-off of unamortized capital assets [note 5(f)]	—	(2,249)
Net loss	(3,121)	(4,616)
Equity in capital assets, beginning of year	57,965	62,581
Equity in capital assets, end of year	\$ 54,844	\$ 57,965

See accompanying notes to financial statements.

Statements of Cash Flows

(000's of Dollars) • Years ended December 31, 2002 and 2001

	2002	2001
Cash provided by (used in):		
Operations:		
Cash receipts from customers	\$ 60,238	\$ 54,925
Cash paid to employees and suppliers	(27,468)	(28,893)
Cash receipts paid to the Landlord	(1,790)	(1,123)
Interest received	2,013	4,981
Interest paid	(17,618)	(18,252)
	15,375	11,638
Financing:		
Repayments of long-term debt	(395)	—
Deferred financing costs	225	162
Obligations under capital lease	(105)	(156)
Increase (decrease) in tenants' security deposits	(61)	188
	(336)	194
Investments:		
Proceeds on disposal of interest bearing deposits	348	42,112
Proceeds on disposal (purchase) of short-term investments	31,771	(73,938)
Acquisition of capital assets	(48,346)	(49,259)
Proceeds on sale of capital assets	69	1,669
Proceeds on sale of land	168	28
	(15,990)	(79,388)
Decrease in cash	(951)	(67,556)
Cash, beginning of year	7,075	74,631
Cash, end of year	\$ 6,124	\$ 7,075

See accompanying notes to financial statements.

1. Nature of operations:

The 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. In accordance with the provisions of the Act, all of Edmonton Airports' surpluses shall be applied towards promoting its purposes and no dividends may be paid out of the surpluses. Surpluses in these financial statements are described as equity in capital assets.

Edmonton Airports' income is generated from airport-related operations and is exempt from income taxes.

Six Edmonton area municipalities are Appointers for Edmonton Airports. These Appointers have the right to appoint 11 of Edmonton Airports' 15 directors. Pursuant to the Amended Canada Lease described in note 3(a)(i), the Government of Canada has the right to appoint two of the directors. In addition, the Board of Directors has the right to appoint two directors.

Edmonton Airports operates the Edmonton International Airport ("International Airport"), Edmonton City Centre Airport ("City Centre Airport"), Cooking Lake Airport and Villeneuve Airport.

2. Significant accounting policies:

- (a) Basis of accounting:
The financial statements of Edmonton Airports are prepared in accordance with accounting principles generally accepted in Canada.
- (b) Use of estimates:
The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those reported. Amortization is the more significant expense item which reflect estimates.
- (c) Short-term investments:
Short-term investments, comprised of pooled money-market funds, are recorded at the lower of cost and market value.
- (d) Consumable inventory:
The inventory of consumable supplies is recorded at the lower of average cost and estimated net realizable value.
- (e) Lease of airport facilities:
The lease of the International Airport facilities from the Government of Canada (the "Landlord") and the lease of the City Centre Airport facilities from the City of Edmonton (the "City") are accounted for as operating leases.
- (f) Deferred financing costs:
Deferred financing costs represent the unamortized cost of the issue of the Revenue bond. Amortization is provided on a straight-line basis, over the term of the related debt and is included in interest expense for the year.

Notes to Financial Statements

(000's of Dollars unless otherwise stated) • Years ended December 31, 2002 and 2001

- (g) Capital assets:
Capital assets are recorded at cost less accumulated amortization. Amortization is provided using the straight-line method at the following annual rates:

Asset	Rate
Terminal and facilities (excluding leased facilities)	2.5% – 10.0%
Machinery and equipment:	
Vehicles and maintenance equipment	12.5% – 20.0%
Furniture and equipment	20.0%
Computer hardware and software	33.0% – 50.0%
Shop tools and equipment	20.0%
Office equipment under capital lease	Over term of lease

- (h) Revenue recognition:
Revenues are recorded when the services are performed, the facilities are utilized or the amounts are earned pursuant to the related agreements. Airport improvement fee ("AIF") revenue is recognized when departing passengers board their aircraft.
- (i) Employee future benefits:
Edmonton Airports accrues its obligations under employee benefit plans as the employees render the services necessary to earn the pension and other employee benefits and has adopted the following policies:
- The cost of pensions and other retirement benefits earned by employees is actuarially determined using the projected benefit method pro-rated on services and management's best estimate of expected plan investment performance, salary adjustments and retirement ages.
 - For the purpose of calculating expected returns on plan assets, those assets are valued at fair market value.
 - Transitional surplus is amortized on a straight-line basis over the average remaining service period of employees.
 - The excess of the net actuarial gain/loss over 10% of the greater of the benefit obligation and the fair value of plan assets is amortized over the average remaining service period of active employees.

3. Lease agreements:

- (a) International Airport:
- (i) Amended Canada Lease:
Effective December 31, 1997, Edmonton Airports and the Landlord agreed to amendments to some of the financial components of the original sixty-year lease agreement dated July 31, 1992 for the International Airport (the "Amended Canada Lease"). The new terms provided for the adjustment of rent due for the years 1992 to 1995, required the accelerated repayment of the deferred rent payable and revised the calculation of rent for the ten year period 1996 to 2005.
- (ii) Lease term:
The Amended Canada Lease provides that Edmonton Airports will lease the International Airport for an initial term of sixty years ending 2052. A twenty year renewal option may be exercised by Edmonton Airports. At the end of the term, unless otherwise extended, Edmonton Airports is obligated to return control of the International Airport to the Landlord.

Notes to Financial Statements

(000's of Dollars unless otherwise stated) • Years ended December 31, 2002 and 2001

- (iii) Payment of rent:
The Amended Canada Lease requires Edmonton Airports to calculate and pay rent annually ("Canada Lease Rent") to the Landlord utilizing formulas which take into account annual airport revenues, passenger volumes and operating costs.
- (iv) Canada Lease Capital Credit:
The calculation of rent pursuant to the Amended Canada Lease provides for a deduction of base capital costs ("Canada Lease Capital Credit") from rent otherwise payable to the Landlord. The Canada Lease Capital Credit is intended to contribute to the annual capital expenditures required to maintain the leased International Airport facilities.

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

Pursuant to the City Lease, Edmonton Airports also received an "airport reserve fund" of \$3,805 from the City to fund capital expenditures at the City Centre Airport. The receipt of these funds was recorded as contributed capital.

4. Accounts receivable:

	2002	2001
Receivable from:		
Airlines	\$ 7,122	\$ 6,008
Concession operators	324	337
Canadian Air Transportation Security Authority (CATSA)	757-	—
Landlord and other	1,680	3,535
Less:		
Provision for doubtful accounts	(600)	(600)
	<u>\$ 9,283</u>	<u>\$ 9,280</u>

- (a) Credit risk:
Edmonton Airports is subject to credit risk, primarily with respect to amounts due from airlines.
- (b) Dominant Customer Risk:
Edmonton Airports derives approximately 75% of its airside and general terminal and AIF revenue from two airlines.
- (c) Receivable from Landlord:
Accounts receivable include a net amount due from (to) the Landlord in connection with the Amended Canada Lease as follows:

	2002	2001
Canada Lease Rent	\$ (9,044)	\$ (8,109)
Canada Lease Capital Credit	7,311	7,101
Interest and other payables	(89)	(93)
Installments paid during the year	1,790	1,123
	<u>\$ (32)</u>	<u>\$ 22</u>

Notes to Financial Statements

(000's of Dollars unless otherwise stated) • Years ended December 31, 2002 and 2001

(d) Policing and Security:

On December 11, 2001, the Minister of Transport outlined the details concerning air security initiatives contained in the Government of Canada's December 2001 budget. Included in these details was an announcement that the Landlord would make one time payments for capital improvements and operating costs for heightened policing and security at airports resulting from the September 11th terrorist attacks in the United States. This program expired on March 31, 2002. During the period January 1, 2002 to March 31, 2002, Edmonton Airports received \$1,042 (2001 - \$Nil) for policing and security related capital improvements and \$89 (2001 - \$307) in related operating costs. These costs were recorded as reductions of capital asset and policing security costs respectively.

In 2002, Edmonton Airports entered into a policing contribution agreement with the Canadian Air Transport Security Authority (CATSA), an agent of the Government of Canada. Under the terms of this agreement, CATSA will contribute to the costs of policing incurred by Edmonton Airports in carrying out its policing responsibilities. Contributions are determined annually by CATSA and are not to exceed the related actual allowable costs incurred by Edmonton Airports that are not reimbursed by the airlines.

5. Capital assets:

2002	Cost	Accumulated amortization	Net book value
Terminal and facilities:			
Terminal building	\$ 191,300	\$ 20,521	\$ 170,779
Parking facilities and roadway systems	37,595	9,264	28,331
Runway and apron surfaces	32,346	6,601	25,745
Other terminal and facilities	34,667	6,651	28,016
	295,908	43,037	252,871
Machinery and equipment:			
Vehicles and maintenance equipment	10,016	5,910	4,106
Furniture and equipment	1,587	1,375	212
Computer hardware and software	2,419	1,671	748
Shop tools and equipment	2,311	1,313	998
	16,333	10,269	6,064
Office equipment under capital lease	794	463	331
	\$ 313,035	\$ 53,769	\$ 259,266

Notes to Financial Statements

(000's of Dollars unless otherwise stated) • Years ended December 31, 2002 and 2001

2001	Cost	Accumulated amortization	Net book value
Terminal and facilities:			
Terminal building	\$ 154,192	\$ 15,152	\$ 139,040
Parking facilities and roadway systems	36,683	7,005	29,678
Runway and apron surfaces	31,032	4,350	26,682
Other terminal and facilities	32,053	4,792	27,261
	253,960	31,299	222,661
Machinery and equipment:			
Vehicles and maintenance equipment	8,490	5,701	2,789
Furniture and equipment	1,547	1,318	229
Computer hardware and software	1,964	1,647	317
Shop tools and equipment	2,105	1,048	1,057
	14,106	9,714	4,392
Office equipment under capital lease	769	307	462
	\$ 268,835	\$ 41,320	\$ 227,515

- (a) The cost of capital assets in the tables above include only the amounts expended by Edmonton Airports on capital assets and do not include the cost of the facilities which are leased from the landlords.
- (b) Effective January 1, 2001, Edmonton Airports revised the estimated useful lives of certain terminal facilities. The impact of this change in estimate was to reduce 2001 amortization expense by \$1,552 over what would have been recorded utilizing the original estimates.
- (c) At December 31, 2002, \$37,632 (2001 – \$8,941) of capital assets were under construction and not yet subject to amortization.
- (d) Included in accounts payable and accrued liabilities at December 31, 2002 is \$13,246 (2001 – \$10,357) relating to unpaid capital expenditures.
- (e) Capital assets include \$861 (2001 – \$50) in interest capitalized during the year.
- (f) Existing facilities with a net book value of \$2,249 were demolished and written-off as of December 31, 2001.

6. Obligations under capital leases:

2003	\$ 163
2004	163
2005	163
2006	104
Total minimum lease payments	593
Less amount representing interest at approximately 8%	(117)
Present value of net minimum capital lease payments	476
Current portion of obligations under capital leases	(107)
	\$ 369

The obligations under capital leases are secured by specific items of office equipment with a net book value of \$331 at December 31, 2002.

Notes to Financial Statements

(000's of Dollars unless otherwise stated) • Years ended December 31, 2002 and 2001

7. Long-term debt:

	2002	2001
7.214% Revenue bond, Series A payable in semi-annual installments with interest payable on May 1 and November 1 in 2001 and semi-annual payments of principal and interest in each year commencing May 1, 2002 until November 1, 2030	\$ 249,606	\$ 250,000
Current portion of long-term debt	(649)	(394)
	<u>\$ 248,957</u>	<u>\$ 249,606</u>

(a) Bond issue:

Edmonton Airports completed a \$250 million Revenue Bond issue effective October 2000. The net proceeds from the offering were used to retire the existing bank syndicate credit facility arranged by Edmonton Airports in connection with Phase 1 and 2 of the Air Terminal Redevelopment Project (ATR); to fund a \$9 million Debt Service Reserve Fund pursuant to the Master Trust Indenture ("Indenture"); and to fund the remaining construction of Phase 3 of the ATR project.

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

Pursuant to the terms of the Indenture, Edmonton Airports is required to maintain a \$9 million Debt Service Reserve Fund and an \$8 million Operating and Maintenance Contingency Fund. The Operating and Maintenance Contingency Fund can be satisfied by cash, Letter of Credit, or undrawn availability of the Royal Bank credit facilities described below. At December 31, 2002, Interest Bearing Deposits of \$9,727 (2001 – \$9,527) are funds restricted to debt service requirements.

In addition to the Revenue bond issuance, Edmonton Airports maintains, with the Royal Bank of Canada, a \$5 million revolving credit facility to support operations, and a \$40 million term revolving loan for general corporate purposes and to assist in the interim financing of construction projects. No drawdowns on the credit facility were made in 2002. As at December 31, 2002, \$8 million of the term revolving loan had been set aside for the Operating and Maintenance Contingency Fund.

(b) The future annual principal payments required to retire the Revenue bond are as follows:

2003	\$ 649
2004	924
2005	1,222
2006	1,545
2007	1,895
Total thereafter	<u>242,722</u>
	<u>\$ 248,957</u>

Notes to Financial Statements

(000's of Dollars unless otherwise stated) • Years ended December 31, 2002 and 2001

(c) Interest expense (income):

	2002	2001
Bond interest	\$ 18,248	\$ 18,305
Interest income and other	(1,782)	(4,984)
	16,466	13,321
Less capitalized interest	(861)	(50)
	\$ 15,605	\$ 13,271

(d) Deferred financing costs:

	2002	2001
Deferred financing costs	\$ 6,720	\$ 6,720
Less accumulated amortization	(462)	(237)
	\$ 6,258	\$ 6,483

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 planned redevelopment and expansion of the terminal facilities (see note 14) at the International Airport. To December 31, 2002, cumulative expenditures of \$285,097 (2001 – \$233,211) exceeded cumulative net AIF revenue collected of \$84,200 (2001 – \$66,183) by \$200,897 (2001 – \$167,028).

9. Employee future benefits:

(a) Plans overview:

Edmonton Airports has a defined benefit pension plan covering all of its eligible employees. The benefits are based on years of service and the employees' highest three years' earnings. Edmonton Airports also has a severance entitlement plan ("long-term benefit plan") for eligible employees under the terms of the labour agreement. The plan provides a severance payment upon retirement, termination or death to eligible employees or their beneficiaries, under certain conditions. Edmonton Airports records the cost of this obligation based on an actuarial valuation.

Notes to Financial Statements

(000's of Dollars unless otherwise stated) • Years ended December 31, 2002 and 2001

	Pension plan	Long-term benefit plan	Total
Accrued benefit obligation:			
Balance, beginning of year	\$ 9,571	\$ 773	\$ 10,344
Current service cost	754	106	860
Interest cost	686	61	747
Benefits paid	(482)	(13)	(495)
Employees' contribution	71	—	71
Actuarial gain	64	(31)	33
Balance, end of year	10,664	896	11,560
Plan assets:			
Fair market value, beginning of year	11,110	—	11,110
Annual return on plan assets	(470)	—	(470)
Employer contributions	469	—	469
Employees' contributions	71	—	71
Benefits paid	(482)	—	(482)
Fair market value, end of year	10,698	—	10,698
Funded status – surplus (deficit)	34	(896)	(862)
Unamortized net actuarial gain	1,218	(165)	1,053
Unamortized transitional surplus	(1,666)	—	(1,666)
Accrued benefit liability 2002	\$ (414)	\$ (1,061)	\$ (1,475)
Accrued benefit liability 2001	\$ (416)	\$ (921)	\$ (1,337)

The significant actuarial assumptions adopted in measuring Edmonton Airports accrued benefit liability are as follows (weighted-average assumptions as of December 31, 2002):

	Pension plan	Long-term benefit plan
Discount rate	6.75%	7.0%
Expected long-term rate of return on plan assets	7.25%	—
Rate of compensation increase	3.5%	3.5%

(b) Edmonton Airports net benefit plan expense is as follows:

	Pension plan	Long-term benefit plan	Total
Current service cost	\$ 754	\$ 106	\$ 860
Interest cost	686	61	747
Expected return on plan assets	(808)	—	(808)
Amortization of transitional surplus	(166)	—	(166)
Amortization of net actuarial gain	—	(5)	(5)
Net benefit plan expense included in salaries and benefits expense 2002	\$ 466	\$ 162	\$ 628
Net benefit plan expense included in salaries and benefits expense 2001	\$ 466	\$ 169	\$ 635

Notes to Financial Statements

(000's of Dollars unless otherwise stated) • Years ended December 31, 2002 and 2001

10. Directors' and officers' remuneration and expenses:

This information is provided pursuant to the Regulations of the Act.

(a) Directors Compensation:

Annual Retainer:	
Chair	\$ 19
Vice-Chair	11
Committee Chairs	9
Directors	7

Meeting Fees:

Board and Board Committee meeting fees range from \$300 to \$500 dollars per meeting depending on the meeting duration.

Total Compensation paid to each director in 2002 was:

Enzo Barichello	\$ 13	Harold D. Irwin	\$ 13
Margaret Bateman (Vice-Chair)	22	Allister McPherson	15
Peter Bidlock	13	Al Pasini	16
G. John Bowes	16	Larry Prokop	17
Frank Flokewich	12	Glenn Rainbird (Chair)	37
Dennis Foley	13	Gordon Riddell	13
David Foy	18		
John Friesen	1		
Sidney Hanson	1		

Changes to Edmonton Airports' Board of Directors during 2002 were as follows:

Re-appointed:	December 2002	Larry Prokop
	December 2002	Gordon Riddell
	December 2002	Peter Bidlock
Term Completed:	December 2002	Enzo Barichello
New Board Member:	January 1, 2003	Gary Hanson

(b) Officers Compensation

The base salary paid to each Officer in 2002 was as follows:

President and CEO	\$ 174
VP Finance and Corporate Services and Corporate Secretary	121
VP Airport Operations and Services	125
VP Marketing and Communications	114
VP Human Resources and Corporate Performance	96
	\$ 630

Notes to Financial Statements

(000's of Dollars unless otherwise stated) • Years ended December 31, 2002 and 2001

- (c) Total remuneration for officers and directors:

During the year ended December 31, 2002, Edmonton Airports provided its officers and directors remuneration (base salary, incentives, allowances and severance) and reimbursement of expenses in the following amounts:

2002	Remuneration	Expenses
To directors	\$ 219	\$ 37
To 5 officers who are not directors	1,133	221
	\$ 1,352	\$ 258

2001	Remuneration	Expenses
To directors	\$ 235	\$ 39
To 4 officers who are not directors	747	237
	\$ 982	\$ 276

11. Revenue:

- (a) Deferred revenue:
Deferred revenue consists of a prepayment of rent (\$1,500) for a long-term lease at the City Centre Airport and an operating subsidy (\$249) from the Landlord received when Edmonton Airports assumed the operation of the Villeneuve Airport. The deferred revenue relating to the long-term lease will be amortized to earnings using the straight-line method over the tenant's lease term of 52 years and the operating subsidy will be amortized into earnings to offset future losses from the operating activities at Villeneuve Airport. In 2002, \$230 of the operating subsidy was included in earnings.
- (b) Other revenue:
Included in other revenue is the Villeneuve Airport operating subsidy of \$230 and a one time rebate from Atco Gas of \$334 as Edmonton Airports' share of the proceeds from the sale of the Viking Kinsella gas fields.

12. Financial assets and liabilities:

The fair value of Edmonton Airports' cash in interest bearing accounts, interest bearing deposits, short-term investments, accounts receivable, accounts payable and accrued liabilities, and tenants' security deposits approximate their carrying amounts due to the immediate or short-term maturity of these financial instruments.

The fair value of long-term debt and obligations under capital leases approximates their carrying value. Fair value has been calculated using the future cash flows (principal and interest) of the actual outstanding debt instrument, discounted at current market rates available to Edmonton Airports for the same or similar instruments.

13. Contingencies:

In prior years, Edmonton Airports was named as a defendant in certain lawsuits. The outcomes of the actions are currently not determinable. In Edmonton Airports' opinion, these actions will not result in any significant expense to Edmonton Airports. Settlements, if any, will be accounted for in the period of settlement.

14. Commitments:

- (a) Capital commitments:
Edmonton Airports has planned a redevelopment and expansion of the International Airport terminal facilities (the ATR Project). The total cost of this project is estimated to be \$300 million. Of the \$300 million contemplated, Edmonton

Notes to Financial Statements

(000's of Dollars unless otherwise stated) • Years ended December 31, 2002 and 2001

Airports' Board of Directors has approved the implementation of projects totaling \$272 million. The major elements of the approved projects include:

Phase 1 - The construction of a parkade (completed in 1998),

Phase 2 - Expansion of the terminal facilities to the southeast and construction of additional apron area (completed in 2000),

Phase 3 - Construction of a Central Hall (to be completed in 2003),

To December 31, 2002, expenditures of \$231,955 (2001 – \$195,506) have been incurred on the approved projects, with approximately \$39,645 in costs remaining to complete Phase 3.

The Board of Directors has also approved design costs of \$2,626 for Phase 4 which will be the airside expansion of the North Terminal Building together with customer service level improvements. The design work will commence in 2003.

(b) Operating commitments:

Edmonton Airports has operating contracts for the provision of management, security, janitorial services and electricity. These contracts have annual commitments as follows:

2003	\$ 10,440
2004	9,044
2005	7,223
2006	5,908
2007	4,062

Edmonton Airports pays lease payments to Landlord and are calculated under a formula that includes annual airport revenue, passenger volumes and operating costs. The maximum net annual lease payment obligation for each of the years 2003 through 2005, subject to a Consumer Price Index adjustment and after the deduction of the annual Canada Lease Capital Credit, is estimated as follows:

2003	\$ 2,498
2004	3,138
2005	3,871

Edmonton Airports and other Canadian Airports are currently engaged in negotiations with the Landlord to revise the rent formula for 2006 and beyond. In the absence of an agreement, the rent formula will revert to the original lease agreement which would result in an estimated net annual lease payment of \$17,609 in 2006 and \$18,258 in 2007.



Edmonton Airports gratefully acknowledges the kind support of the following agencies and individuals:

W.J. Cottrell Collection, Alberta Aviation Museum;
Cooking Lake 1933, page 3.

Tony Cashman; *Wright Brothers on the Beach*, page 5.

Kirk Webber; *Air Canada 747*, page 2, *Snowbirds*, page 7,
Central Hall, page 8, *CF-18 Hornet*, page 36.

The Wright Brothers Aeroplane Company and Museum of Pioneer Aviation; *Wright Flyer original plans, 1902 glider, Katharine and Wilbur prepare to fly*, page 14.

The Boeing Company; *Model 80 Transport*, page 14, *Model 707*, page 21, *Apollo 11*, page 26, *Sonic Cruiser*, page 27,
Model 747-400, page 30.

Beverley Tallon, Western Canada Aviation Museum;
Lockheed 10A Electra, page 15.

Bombardier Inc.; *Bombardier Global Express business jet*, page 30.

Irma Sophia Coucill, artist, Canada's Aviation Hall of Fame;
Pioneers of Aviation portraits, inside back cover.

OUR HISTORY

From left:
Russell Bannock
"Matt" Berry
W. Leigh Brintnell,
"Moss" Burbidge



From left:
"Punch" Dickins
Maurice Fallow
"Tommy" Fox
"Harry" Hayter

From left:
"Wop" May
D.W. Grant McConachie
"Stan" McMillan
"Archie" McMullen



Below from left:
"Jack" Reilley
"Mickey" Sutherland
"Max" Ward





Edmonton International Airport
Edmonton City Centre Airport
Cooking Lake Airport
Villeneuve Airport

P.O. Box 9860
Edmonton, Alberta
Canada T5J 2T2

info@edmontonairports.com
www.edmontonairports.com

T. 780.890.8900
F. 780.890.8329