

EDMONTON INTERNATIONAL AIRPORT

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Edmonton Airports

Unaudited Quarterly Interim Financial Statements

For the Three and Nine Months Ended September 30th, 2009

1. INTRODUCTION

The following commentary and analysis of the operating results and financial position of the Edmonton Regional Airports Authority (Edmonton Airports) for the nine months ended September 30, 2009 should be read in conjunction with the unaudited consolidated financial statements and related notes contained in this interim report as well as the Management Discussion and Analysis and the audited financial statements and related notes contained in the 2008 Annual Report.

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

On January 1, 2009, Edmonton Airports adopted the new accounting standard for Section 3064 – Goodwill and Intangible Assets. As a result of this new standard, certain software costs previously recorded as property, plant and equipment are now recorded as intangible assets.

Edmonton Airports' recorded overall net earnings of \$5.1 million for the nine months ended September 30, 2009, a decrease of \$11.1 million over the 2008 net earnings of \$16.2 million. The decline in revenue and passengers continued during the third quarter with a decrease of 2.3% and 5.6%, respectively. Increases in interest expense, amortization expense, salaries and employee benefits expense also contribute to the overall decrease in net earnings. Cash flow before debt service for the nine months ended September 30, 2009 was \$45.7 million, a decrease of \$3.7 million (7.5%) over the same period in 2008. This decrease results from higher overall operating expenses and lower overall revenues.

2. EDMONTON INTERNATIONAL AIRPORT ACTIVITY

During the first nine months of 2009, a total of 4,591,184 enplaning and deplaning passengers used Edmonton International, compared to 4,864,371 passengers for the same period in 2008 representing a decrease of 5.6%. By sector, Domestic passengers for the nine months decreased by 8.7% when compared to 2008; while Transborder increased by 8.0%, and International passengers increased by 4.2%.

EDMONTON AIRPORTS Passenger Traffic by Sector

	Three Months Ended			Nine Months Ended		
	September 30		%	September 30		%
	2009	2008		2009	2008	
Domestic	1,311,513	1,436,614	-8.7%	3,559,663	3,898,969	-8.7%
Transborder	221,465	225,311	-1.7%	732,989	678,834	8.0%
International	49,490	58,315	-15.1%	298,532	286,568	4.2%
Total	1,582,468	1,720,240	-8.0%	4,591,184	4,864,371	-5.6%

3. EDMONTON CITY CENTRE AIRPORT

On July 10, 2009, Edmonton City Council passed a resolution in respect of the phased closure of the Edmonton City Centre Airport to be completed by a future date yet to be determined. In order to facilitate the phased closure, Edmonton Airports has agreed to enter into discussions to amend the current ground lease with the City of Edmonton. At this time the financial and future annual operational impacts are unknown.

4. INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

At the end of the third quarter 11 of 20 component evaluations have been completed. A new standard is expected to be issued for Financial Instruments late this year and therefore Edmonton Airports will not complete an evaluation on the existing Financial Instruments standard until after the new standard is issued. Of the remaining eight evaluations four contain minor issues to be resolved and the other four are not expected to present any major issues requiring resolution.

Activity is continuing on completing the remaining component evaluations and resolving any resulting issues and Edmonton Airports expects to complete Phase II by year end. Also during the fourth quarter, management will develop for Audit Committee approval the policy decisions and elections necessary for adopting IFRS and completing the changes necessary to make the financial statements IFRS compliant prior to January 1, 2011.

Currently Phase II is on target to be completed by year end. The project continues to be on budget.

5. RESULTS OF OPERATIONS

The table below shows Edmonton Airports combined operating earnings for the three and nine months ended September 30, 2009 with comparative figures for the same periods in 2008.

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

	Three Months Ended		Nine Months Ended	
	September 30		September 30	
	2009	2008	2009	2008
	\$	\$	\$	\$
Operating revenues				
Airside and general terminal	8,622	9,522	26,369	28,456
Parking and car rentals	7,458	7,692	22,045	22,840
Concession	2,180	2,218	6,235	6,074
Real estate leases	1,164	1,072	3,011	2,759
Other revenue	12	11	54	42
	19,436	20,515	57,714	60,171
Operating expenses				
Salaries and employee benefits	6,059	5,377	18,377	16,557
Service, maintenance, supplies and administration	4,557	3,601	13,647	14,525
Utilities, insurance and property taxes	1,693	1,382	5,326	5,415
Canada lease rent	1,226	1,225	3,677	3,677
	13,535	11,585	41,027	40,174
Operating earnings	5,901	8,930	16,687	19,997

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

5.1. Operating Revenues

Operating revenues for the nine months ended September 30, 2009 were \$57.7 million compared to \$60.2 million for the corresponding period in 2008, a decrease of \$2.5 million (4.2%). The decrease in operating revenues has been consistent with the 5.6% decrease in passenger activity for the period. Airlines continued switching to smaller aircraft however; they maintained the same frequency of flights.

5.2. Operating Expenses

Operating expenses for the nine months ended September 30, 2009 were \$41.0 million compared to \$40.2 million for the corresponding period in 2008, an increase of \$0.8 million (2.0%). Salaries and employee benefits were \$1.8 million (11.0%) higher than 2008. This increase is primarily due to the additional employees hired late in 2008 to assist with the increased activity of the capital expansion and the negotiated 4% wage increase for General Bargaining Unit personnel. Service, maintenance, supplies and administration expenses decreased by \$0.9 million (6.0%) in comparison to 2008. This decrease is due to cost savings in contracted services (\$0.3 million), expenditures relating to the branding project which occurred in 2008 with no similar expenses in 2009 (\$1.0 million) and an increase in capitalized expenditures (\$0.5 million). This is offset by an increase in bad debts provision (\$0.7 million).

5.3. Operating Earnings

Operating earnings for the nine months ended September 30, 2009 were \$16.7 million; a decrease of \$3.3 million over last year's operating earnings of \$20.0 million (16.5%). The decrease in operating earnings is primarily due to the decrease in operating revenues (4.2%) and the increase in operating expenses (2.0%).

5.4. Net Earnings

The net earnings of \$5.1 million for the nine months ended September 30, 2009 represent a decrease of \$11.1 million compared to net earnings of \$16.2 million (68.5%) for the same period in 2008. The net earnings decrease resulted from the decrease in operating earnings of \$3.3 million, \$0.3 million in foreign exchange losses and the expected increases in interest expense and amortization expense, \$2.9 and \$4.5 million, respectively. These increases were due to ongoing capital investment.

6. CAPITAL INVESTMENT

The approved 2009 General Capital Plan is approximately \$11.9 (June 30, 2009 – \$11.9) million in projects for all airports. To date \$9.9 million has been approved and \$4.9 million has been spent on all projects including multi-year projects approved in prior years. The major component in the third quarter expenditures was \$1.2 million on roadway and taxiway rehabilitation.

The approved Capital Expansion Plan expenditures for 2009 is approximately \$202.4 (June 30, 2009 - \$202.4) million for all airports. For the nine months ended September 30, 2009, \$62.9 million in projects have been approved and an additional \$77.9 million was spent on all projects. The major expenditures are \$56.7 million for terminal expansion and control office tower, \$18.7 million for taxiway, apron expansion and roadway rehabilitation, and \$2.5 million on long term park and ride. The forecasted total expenditures for 2009 are approximately \$102.0 million.

In the 4th quarter demolition work will commence as part of the terminal expansion project. Assets being demolished include sections of apron, passenger loading bridges and piers and portions of the terminal

building curtain wall. The scope and subsequent cost of the assets being demolished is currently being determined and will be reflected in the 2009 yearend financial statements.

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

As at September 30, 2009 with comparative figures at December 31, 2008

	Notes	September 30 2009 \$	December 31 2008 \$
Assets			
Current assets			
Cash in interest bearing accounts		10,502	20,832
Short-term investments		66,244	102,163
Accounts receivable	12	11,001	14,148
Prepaid expenses and other		3,355	3,726
		91,102	140,869
Interest bearing deposits		12,547	11,747
Deferred pension asset		6,310	5,597
Lessee receivable		273	368
Property, plant and equipment	5, 9	501,637	438,210
Intangible assets	2, 6	711	412
		612,580	597,203
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	5 (b)	46,898	29,834
Current portion of long-term debt		9,285	8,837
Current portion of deferred revenue		1,231	1,248
		57,414	39,919
Tenants' security deposits		921	998
Deferred revenue		12,352	13,183
Long-term benefits payable		3,338	2,896
Long-term debt		411,369	418,128
		485,394	475,124
Contingencies	11		
Equity in property, plant and equipment			
Contributed capital	4	3,805	3,805
Equity in property, plant and equipment	4	123,381	118,274
		127,186	122,079
		612,580	597,203

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

For the Three and Nine Months Ended September 30, 2009 with comparative figures for 2008

	Notes	Three Months Ended		Nine Months Ended	
		September 30		September 30	
		2009	2008	2009	2008
		\$	\$	\$	\$
Revenues					
Airport improvement fee	7, 12	10,744	10,591	30,010	30,275
Airside and general terminal	12	8,622	9,522	26,369	28,456
Parking and car rentals		7,458	7,692	22,045	22,840
Concession		2,180	2,218	6,235	6,074
Police and security		1,622	1,244	4,568	4,083
Real estate leases		1,164	1,072	3,011	2,759
Other revenue		281	285	863	851
		32,071	32,624	93,101	95,338
Expenses					
Amortization	5(c), 6(b)	8,195	6,222	23,304	18,825
Salaries and employee benefits	8	6,059	5,377	18,377	16,557
Interest	9	6,745	5,193	17,319	14,452
Service, maintenance, supplies and administration		4,557	3,601	13,647	14,525
Utilities, insurance and property taxes		1,693	1,382	5,326	5,415
Police and security		1,574	1,184	4,351	3,888
Canada lease rent		1,226	1,225	3,677	3,677
Airport improvement fee collection costs		699	675	1,857	1,862
		30,748	24,859	87,858	79,201
Earnings before the undernoted		1,323	7,765	5,243	16,137
Other gains (losses)		(465)	10	(136)	23
Net earnings and comprehensive income		858	7,775	5,107	16,160
Equity in property, plant and equipment, Beginning of period		122,523	106,800	118,274	98,415
Equity in property, plant and equipment, End of period		123,381	114,575	123,381	114,575

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

For the Three and Nine Months Ended September 30, 2009 with comparative figures for 2008

	Three Months Ended		Nine Months Ended	
	September 30		September 30	
	2009	2008	2009	2008
	\$	\$	\$	\$
Cash provided by (used in):				
Operating activities				
Cash receipts from customers	30,726	33,663	95,205	94,079
Cash paid to employees and suppliers	(10,763)	(8,049)	(42,548)	(39,217)
Cash paid to the landlord	(1,225)	(1,225)	(3,809)	(3,759)
Interest received	160	882	998	2,210
Interest paid	(6,905)	(6,075)	(18,317)	(16,662)
	11,993	19,196	31,529	36,651
Financing activities				
Deferred pension charge	(713)	-	(713)	(611)
Capital contributions	-	-	194	-
Increase in (repayment of) tenants' security deposits	(44)	4	(77)	(33)
Repayments of long-term debt	(1,951)	(645)	(6,311)	(2,877)
Proceeds of long-term debt	-	80,000	-	120,000
	(2,708)	79,359	(6,907)	116,479
Investing activities				
Net proceeds (purchase) of short-term investments	18,511	(70,509)	35,919	(106,199)
Net purchase of interest bearing deposits	(10)	(82)	(800)	(270)
Loan repayments	32	31	95	91
Purchase of intangible assets	(3)	(99)	(542)	(225)
Purchase of property, plant and equipment	(36,701)	(15,504)	(69,660)	(43,789)
Proceeds on disposal of capital assets	-	-	36	38
	(18,171)	(86,163)	(34,952)	(150,354)
Increase (Decrease) in cash	(8,886)	12,392	(10,330)	2,776
Cash in interest bearing accounts, beginning of period	19,388	7,639	20,832	17,255
Cash in interest bearing accounts, end of period	10,502	20,031	10,502	20,031

Notes to 3rd Quarter 2009 Interim Financial Statements

(000's of dollars unless otherwise stated)

1. INTERIM FINANCIAL STATEMENTS

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

2. SIGNIFICANT ACCOUNTING POLICIES

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

As disclosed in the December 31, 2008 annual audited Financial Statements, on January 1, 2009, the Company adopted the following Canadian Institute of Chartered Accountants ("CICA") Handbook Section:

"Goodwill and Intangible Assets", Section 3064. This section establishes standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets (see Note 5). As a result of this new standard, certain software costs previously recorded as property, plant and equipment are now recorded as intangible assets. These costs are subject to amortization at rates consistent with the policy disclosed in the December 31, 2008 financial statements. Edmonton Airports has restated prior periods' financial statements for this change. The impact of this change on prior periods is as follows:

	December 31 2008
Restatement of prior year results	\$
Decrease in property, plant and equipment	
Cost	(937)
Accumulated amortization	525
Property, plant and equipment	(412)
Increase in intangible assets	
Cost	937
Accumulated amortization	(525)
Intangible assets	412

3. LEASE AGREEMENTS

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

Notes to 3rd Quarter 2009 Interim Financial Statements
(000's of dollars unless otherwise stated)

4. CAPITAL MANAGEMENT

Edmonton Airports' strategy, which is unchanged from 2008, is to comply with the covenants for Debt Service Coverage Ratio, Gross Debt Service Coverage Ratio and Interest Coverage Ratio. Edmonton Airports credit rating allows it to secure access to financing at the lowest possible cost.

As at September 30, 2009, Edmonton Airports was in compliance with the restrictions imposed on capital.

5. PROPERTY, PLANT AND EQUIPMENT

	September 30 2009 \$	December 31 2008 \$
Terminal and facilities	653,703	572,726
Machinery and equipment	29,756	24,320
Office equipment under capital lease	535	535
	683,994	597,581
Less accumulated amortization	(182,357)	(159,371)
	501,637	438,210

- (a) At September 30, 2009, \$74,031 (December 31, 2008 - \$16,231) of property, plant, and equipment was under construction and not yet subject to amortization.
- (b) Included in accounts payable and accrued liabilities at September 30, 2009 is \$31,746 (December 31, 2008 - \$14,915) relating to unpaid capital expenditures.
- (c) For the period ended September 30, 2009, \$23,033 (September 30, 2008 - \$18,649) of the amortization expense is for property, plant and equipment.

Notes to 3rd Quarter 2009 Interim Financial Statements
(000's of dollars unless otherwise stated)

6. INTANGIBLE ASSETS

	September 30 2009 \$	December 31 2008 \$
Cost	1,479	937
Accumulated amortization	(768)	(525)
	711	412

- (a) Intangible assets are purchased software and software licenses.
- (b) For the period ended September 30, 2009, \$271 (September 30, 2008 - \$176) of the amortization expense is for intangible assets.

7. AIRPORT IMPROVEMENT FEE

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

	September 30 2009 \$	December 31 2008 \$
Cumulative AIF revenues	295,268	267,115
Cumulative expenditures	(689,896)	(594,711)
	(394,628)	(327,596)

Notes to 3rd Quarter 2009 Interim Financial Statements
(000's of dollars unless otherwise stated)

8. BENEFIT PLAN EXPENSE

	Three Months Ended September 30			Total \$
	Pension Plan \$	SERP \$	Long-term Benefit Plan \$	
	Current service cost	390	53	
Interest cost	318	11	25	354
Expected return on plan assets	(244)	-	-	(244)
Amortization of transitional surplus	(42)	-	-	(42)
Amortization of actuarial gain (loss)	69	4	(4)	69
Net benefit plan expense included in salaries and benefits expense 2009	491	68	100	659
Net benefit plan expense included in salaries and benefits expense 2008	391	62	55	508

	Nine Months Ended September 30			Total \$
	Pension Plan \$	SERP \$	Long-term Benefit Plan \$	
	Current service cost	1,170	160	
Interest cost	953	35	75	1,063
Expected return on plan assets	(815)	-	-	(815)
Amortization of transitional surplus	(125)	-	-	(125)
Amortization of actuarial gain (loss)	207	13	(11)	209
Net benefit plan expense included in salaries and benefits expense 2009	1,390	208	271	1,869
Net benefit plan expense included in salaries and benefits expense 2008	1,271	180	207	1,658

Notes to 3rd Quarter 2009 Interim Financial Statements
(000's of dollars unless otherwise stated)

9. INTEREST EXPENSE

	Three Months Ended		Nine Months Ended	
	September 30		September 30	
	2009	2008	2009	2008
	\$	\$	\$	\$
Bond interest	4,324	4,369	13,005	13,134
Debenture Interest	2,094	1,610	6,335	3,177
Other interest and financing costs	(6)	137	169	448
Interest income and other	(66)	(882)	(876)	(2,210)
	6,346	5,234	18,633	14,549
Less: capitalized interest	399	(41)	(1,314)	(97)
	6,745	5,193	17,319	14,452

10. PASSENGER VOLUME SEASONALITY

Passenger volume, comprised of the total number of enplaned and deplaned passengers, is the main driver of certain Edmonton Airport's revenue streams. These include Concession, AIF, and Police and Security revenues. The following table outlines the seasonality component of passenger traffic at the Edmonton International and compares 2009 actual for January through September to the same period last year.

Month	Actual 2009	Actual 2008	Variance	%
January	493,541	502,166	(8,625)	-1.7%
February	492,286	508,349	(16,063)	-3.2%
March	527,098	546,901	(19,803)	-3.6%
First Quarter	1,512,925	1,557,416	(44,491)	-2.9%
April	526,066	518,527	7,539	1.5%
May	488,472	533,766	(45,294)	-8.5%
June	481,253	534,422	(53,169)	-9.9%
Second Quarter	1,495,791	1,586,715	(90,924)	-5.7%
July	537,567	590,176	(52,609)	-8.9%
August	571,603	619,725	(48,122)	-7.8%
September	473,298	510,339	(37,041)	-7.3%
Third Quarter	1,582,468	1,720,240	(137,772)	-8.0%

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

Notes to 3rd Quarter 2009 Interim Financial Statements

(000's of dollars unless otherwise stated)

11. CONTINGENCIES

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

12. RISK MANAGEMENT

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

Credit risk

The maximum exposure to credit risk is the carrying value of loans and receivables on the balance sheet. Edmonton Airports has a concentration of credit risk with two airlines which comprise approximately 66% (62% - 2008) of its airside and general terminal and AIF revenue. In management's opinion Edmonton Airports' is not exposed to significant credit risk from these airlines.

Accounts receivable are non-interest bearing and are generally due in 30 to 90 days. At September 30, 2009, the provision for impairment of accounts receivable was \$0.8 million; this provision has increased by \$0.7 million from December 31, 2008.

At September 30, 2009, the aging analysis of trade receivables that are past due but not impaired is as follows:

	September 30 2009 \$	December 31 2008 \$
30 to 90 days	2,396	5,742
Greater than 90 days	548	1,841
	2,944	7,583

No other impairments have been identified within accounts receivable.