EDMONTON INTERNATIONAL AIRPORT

EIA
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Edmonton Airports

Unaudited Quarterly Interim Financial Statements

For the Three Months Ended March 31st, 2012

EDMONTON CITY CENTRE AIRPORT

COOKING LAKE AIRPORT

VILLENEUVE AIRPORT

1. INTRODUCTION

The following commentary and analysis of the operating results and financial position of the Edmonton Regional Airports Authority ("Edmonton Airports") for the three months ended March 31, 2012 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 2011 Annual Report.

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

Edmonton Airports' recorded overall net earnings of $3.8 million for the three months ended March 31, 2012, which is a $2.1 million (123.5%) increase from the 2011 net earnings of $1.7 million. During the period, Edmonton Airports experienced revenue growth of $6.7 million (19.5%) and increased expense growth of $4.5 million (13.7%).

2. ALBERTA CAPITAL FINANCE AUTHORITY (ACFA)

On March 12, 2012 Edmonton Airports completed a change to its credit agreement with ACFA (Amended and Restated Credit Agreement). The Amended and Restated Credit Agreement now consists of three Credit Facilities.

Credit Facility 1 for $1.0 billion, by way of fixed rate loans, is to be used solely for the purposes of airport infrastructure expenditures at Edmonton International Airport (EIA). Credit Facility 2, for $300 million, by way of fixed rate loans, is to be used firstly for the purposes of redeeming or purchasing for cancellation the Series A Bond and the Series B Bond. Once Series A and Series B Bonds are fully redeemed, any residual balance can be used for the same purposes as Credit Facility 1. Credit Facility 3, for $100 million, by way of fixed rate loans, is to be used solely for the purposes of funding capital expenditure projects, the general purpose of which projects are to construct or improve infrastructure in respect to buildings, airfield, land, roads, navigational aids and other assets required for the operation of EIA. The use of Credit Facility 3 reduces, dollar for dollar, the amount available to EIA under Credit Facility 1.

3. EDMONTON INTERNATIONAL AIRPORT ACTIVITY

Passenger volume, comprised of the total number of enplaned and deplaned passengers, is the main driver of certain Edmonton Airports revenue streams. These include Concession, parking and car rentals, AIF, and Police and Security revenues. The following table outlines the seasonality component of passenger traffic at the Edmonton International and compares 2012 actual for January through March to the same period last year.

EIA
Enplaned/Deplaned
Passenger Traffic by Sector

	Three Months Ended March 31		
	2012	2011	%
Domestic	1,150,597	1,069,430	7.6
Transborder	328,815	296,662	10.8
International	155,224	146,319	6.1
Total	1,634,636	1,512,411	8.1

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.

4. RESULTS OF OPERATIONS

The table below shows Edmonton Airports combined operating earnings for the three months ended March 31, 2012 with comparative figures for the same period in 2011.

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

	Three Months Ended March 31	
	2012 $	2011 $
Operating revenues		
Airside and general terminal	9,949	9,078
Parking and car rentals	8,869	8,185
Concession	2,495	2,143
Real estate leases	822	695
Other revenue	11	11
	22,146	20,112
Operating expenses		
Salaries and employee benefits	6,558	5,635
Service, maintenance, supplies and administration	5,129	4,966
Utilities, insurance and property taxes	2,811	2,586
Canada lease rent	3,367	2,802
	17,865	15,989
Operating earnings	**4,281**	**4,123**

The calculation of Operating earnings excludes Airport Improvement Fee and Police and Security revenues as well as Airport Improvement Fee collection costs, Police and Security, Interest and Amortization expenses.

4.1. Operating Revenues

Operating revenues for the three months ended March 31, 2012 were $22.1 million compared to $20.1 million for the corresponding period in 2011, an increase of $2.0 million (9.9%). The increase in operating revenues is primarily the result of increases in airside and general terminal rates of approximately 3.5%, increased aircraft movements, additional concession options in the Central Tower which opened in December of 2011, additional parking revenue from new parking lots and increased real estate revenue from new land leases signed in 2011.

4.2. Operating Expenses

Operating expenses for the three months ended March 31, 2012 were $17.8 million compared to $16.0 million for the corresponding period in 2011, an increase of $1.8 million (11.9%). The increase in operating expenses is primarily the result of increases in salaries and employee benefits due to the contractual increase in wages of 5%, an increase in the number of active employees and higher pension costs; an increase in property taxes due to an increase in assessed values from construction; and an increase in Canada lease rent resulting from the increase in revenues.

4.3. Operating Earnings

Operating earnings for the three months ended March 31, 2012 were $4.3 million, $0.2 million greater than last year's operating earnings of $4.1 million (4.9%).

4.4. Net Income

The net income of $3.8 million for the three months ended March 31, 2012 represents an increase of $2.1 million compared to net earnings of $1.7 million (123.5%) for the same period in 2011. The increase in net earnings results from higher operating earnings, higher Airport improvement fees (AIF) resulting from an increase in passenger traffic and the increase in the AIF rate per enplaned passenger to $25 from $20, and higher police and security revenue resulting from an increase in security contract costs. These were partially offset by increases in amortization due to the growth of property, plant, and equipment; interest expense from further borrowings; and AIF collection costs associated with higher AIF revenue.

5. CAPITAL INVESTMENT

The approved 2012 Expansion Capital Program is approximately $146.2 million for all airports. To date, $9.6 million has been approved and $24.9 million has been spent on all projects, including multi-year projects approved in prior years.

The approved Capital Sustaining Program for 2012 is approximately $12.5 million for all airports. For the three months ended March 31, 2012, $5.1 million in projects have been approved and an additional $1.7 million was spent on all projects including multi-year projects approved in prior years. The major expenditures are $0.5 million for fleet replacement, $0.4 million for network replacement, $0.4 million for domestic common use lounge, and $0.3 for vehicles replacement.

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

As at March 31, 2012 with comparative figures at December 31, 2011

	Notes	March 31 2012 $	December 31 2011 $
Assets			
Current assets			
Cash and cash equivalents		93,785	97,175
Accounts receivable	*5*	22,853	14,763
Prepaid expenses and other		2,143	3,050
		118,781	114,988
Restricted deposits	*6*	21,443	21,387
Prepaid expense and lessee receivable		538	549
Property, plant and equipment	*6, 7*	943,158	926,295
Intangible assets	*8*	944	954
		1,084,864	**1,064,173**
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	*7 (b)*	63,469	73,970
Current portion of obligation under finance lease		24	23
Current portion of long-term debt	*6*	16,518	16,386
Current portion of deferred revenue		104	59
		80,115	90,438
Tenants' security deposits		1,112	1,159
Obligation under finance lease		43	49
Post-employment benefit		15,722	15,567
Long-term debt	*6*	868,423	841,349
		965,415	948,562
Contingencies	*11*		
Net Assets		119,449	115,611
		1,084,864	**1,064,173**

See accompanying notes to interim financial statements

EDMONTON AIRPORTS
Statements of Comprehensive Income (000's of dollars)
Unaudited

For the Three Months Ended March 31, 2012 with comparative figures for 2011

	Notes	Three Months Ended March 31 2012 $	2011 $
Revenues			
Airport improvement fee	*9, 5*	17,212	12,862
Airside and general terminal	*5*	9,949	9,078
Parking and car rentals		8,869	8,185
Concession		2,495	2,143
Police and security		1,733	1,413
Real estate leases		822	695
Other revenue		11	11
		41,091	34,387
Expenses			
Amortization	*7 (c), 8 (a)*	10,099	8,945
Salaries and employee benefits	*10*	6,558	5,635
Interest	*6*	6,712	5,649
Service, maintenance, supplies and administration		5,129	4,966
Canada lease rent	3	3,367	2,802
Utilities, insurance and property taxes		2,811	2,586
Police and security		1,486	1,346
Airport improvement fee collection costs		1,046	787
		37,208	32,716
Earnings before the undernoted		3,883	1,671
Other (expenses) income		(45)	13
Net Income		3,838	1,684
Other Comprehensive income		-	-
Comprehensive income for the period		**3,838**	**1,684**

See accompanying notes to interim financial statements

EDMONTON AIRPORTS
Statements of Changes in Net Assets (000's of dollars)
Unaudited

As at March 31, 2012 with comparative figures at December 31, 2011

	March 31 2012 $	March 31 2011 $
Net Assets – Beginning of period	115,611	113,102
Net Income	3,838	1,684
Other comprehensive loss – Actuarial loss on post-employment benefits	-	-
Total comprehensive income – End of period	3,838	1,684
Net Assets – End of period	119,449	114,786

See accompanying notes to interim financial statements

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

For the Three Months Ended March 31, 2012 with comparative figures for 2011

	Three Months Ended March 31	
	2012	2011
	$	$
Cash provided by (used in):		
Operating activities		
Cash receipts from customers	33,045	33,401
Cash paid to employees and suppliers	(7,881)	(16,086)
Cash paid to the landlord	(3,885)	(8,879)
Interest received	339	359
Interest paid	(8,445)	(3,255)
(Decrease) increase in tenants' security deposits	(47)	2
Pension contributions	(592)	(188)
	12,534	5,354
Financing activities		
Principal payments under finance lease obligation	(5)	(4)
Repayments of long-term debt	(2,794)	(2,333)
Proceeds from long-term debt	30,000	50,000
	27,201	47,663
Investing activities		
Net purchase of restricted deposits	(56)	(60)
Loan repayments	11	20
Disposal of intangible assets	-	11
Interest paid capitalized to property plant and equipment	(4,046)	(3,133)
Purchase of property, plant and equipment	(39,037)	(51,251)
	(43,128)	(54,413)
Decrease in cash	(3,393)	(1,396)
Cash and cash equivalents – Beginning of period	97,178	105,206
Cash and cash equivalents – End of period	**93,785**	**103,810**

See accompanying notes to interim financial statements

1. BASIS OF PRESENTATION

These condensed interim financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) applicable to the preparation of interim financial statements, including IAS 34, Interim Financial Reporting. The condensed interim financial statements should be read in conjunction with the annual audited financial statements for the year ended December 31, 2011, which have been prepared in accordance with IFRS as issued by the IASB.

2. SIGNIFICANT ACCOUNTING POLICIES

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

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.

4. CAPITAL MANAGEMENT

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

As at March 31, 2012, Edmonton Airports was in compliance with the restrictions imposed on capital.

5. FINANCIAL INSTRUMENTS AND 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 72.3% (66.0% - 2011) of its airside and general terminal, and AIF revenue. In management's opinion, Edmonton Airports' is not exposed to significant credit risk from these airlines.

Accounts receivable are non-interest bearing and are generally due in 30 to 90 days. At March 31, 2012, the provision for impairment of accounts receivable was $0.3 million; this provision has not changed from December 31, 2011.

At March 31, 2012, the aging analysis of trade receivables that are past due, but not impaired, is as follows:

	March 31 2012 $	December 31 2011 $
30 to 90 days	4,038	5,444
Greater than 90 days	559	1,767
	4,597	**7,211**

No other impairments have been identified within accounts receivable.

6. LONG-TERM DEBT

(a) Series A Bond and restricted deposits

Interest Rate	Semi-annual Instalment $	Maturity Date	March 31 2012 $	December 31 2011 $
7.21%	Varying	November 1, 2030	231,692	231,692
Less unamortized transaction costs			4,481	4,544
			227,211	227,148
Less: Current Portion			4,115	4,115
			223,096	**223,033**

(b) Series C Bond

On March 12, 2012 the First Amending Agreement was amended (Amended and Restated Credit Agreement) in order for Edmonton Airports to finance the construction of non-expansion related infrastructure at EIA. The Amended and Restated Credit Agreement now contains three Credit Facilities.

Credit Facility 3, for $100 million, by way of fixed rate loans, is to be used solely for the purposes of funding capital expenditure projects, the general purpose of which are to construct or improve infrastructure in respect to buildings, airfield, land, roads, navigational aids and other assets required for the operation of the EIA. The use of Credit Facility 3 reduces, dollar for dollar, the amount available to EIA under Credit Facility 1.

Fixed Rate Debentures, Series C Bonds payable in semi-annual instalments of principal and interest:

Interest Rate	Semi-annual Instalment $	Maturity Date	March 31 2012 $	December 31 2011 $
4.37%	755	December 15, 2026	16,486	16,486
4.50%	1,145	March 15, 2027	24,791	25,366
5.00%	398	June 15, 2027	8,523	8,523
4.89%	395	September 17, 2027	8,509	8,691
4.68%	1,552	June 16, 2028	35,386	35,386
4.55%	3,068	September 17, 2028	70,651	72,078
4.67%	1,245	December 15, 2039	38,707	38,707
4.54%	920	March 15, 2040	29,009	29,265
4.56%	1,845	June 15, 2040	58,536	58,536
4.00%	1,439	October 1, 2040	49,115	49,115
4.40%	2,112	December 15, 2040	68,842	68,842
4.41%	1,511	March 15, 2041	49,175	49,592
Fixed Rate Debentures, Series C Bonds payable in semi-annual instalments of interest only:				
4.16%	1,041	June 15, 2014	50,000	50,000
3.70%	926	September 15, 2041	50,000	50,000
3.35%	1,174	December 15, 2041	70,000	70,000
3,41%	512	March 15, 2042	30,000	-
			657,730	630,587
Less: current portion			12,403	12,271
			645,327	**618,316**

Interest Expense (Income)	Three Months Ended March 31 2012 $	2011 $
Series A Bond interest	4,179	4,244
Series C Bond interest	6,753	4,803
Other interest and financing costs	32	84
Interest income and other	(206)	(349)
	10,758	8,782
Less: capitalized interest	4,046	3,133
	6,712	**5,649**

7. PROPERTY, PLANT AND EQUIPMENT

	March 31 2012 $	December 31 2011 $
Buildings	690,850	669,047
Runways, taxiways and apron surfaces	206,794	196,968
Other facilities	118,783	115,912
Parking facilities and lots	105,147	106,290
Roadway systems	45,593	49,508
Vehicles and maintenance equipment	17,839	17,528
Furniture and equipment	17,566	17,624
Computer hardware	9,527	12,419
Other equipment under finance lease	115	115
	1,212,214	1,185,411
Less: accumulated amortization	269,056	259,116
	943,158	**926,295**

(a) At March 31, 2012, $158,902 (December 31, 2011 - $467,808) of property, plant, and equipment was under construction and not yet subject to amortization.

(b) Included in accounts payable and accrued liabilities at March 31, 2012 is $39,275 (December 31, 2011 - $56,194) relating to unpaid capital expenditures.

(c) For the period ended March 31, 2012, $9,940 (March 31, 2011 - $8,786) of the amortization expense is for property, plant and equipment.

8. INTANGIBLE ASSETS

	March 31 2012 $	December 31 2011 $
Software and software licenses	2,868	3,002
Less: accumulated amortization	1,924	2,048
	944	**954**

(a) For the period ended March 31, 2012, $159 (March 31, 2011 - $159) of the amortization expense is for intangible assets.

9. AIRPORT IMPROVEMENT FEE

Effective April 12, 1997, Edmonton Airports implemented an Airport Improvement Fee ("AIF") to fund certain capital expenditures and the related financing costs, including the redevelopment and expansion of the terminal facilities at the Edmonton International. Effective January 1, 2012, the AIF increased from $20 to $25 per AIF eligible enplaning passenger departing from EIA.

	March 31 2012 $	December 31 2011 $
(cumulative from program inception)		
AIF revenue	453,247	436,035
AIF collection costs	(28,118)	(28,118)
	425,129	407,917
Less: cumulative capital expenditures and related financing costs	1,279,000	1,235,740
	(853,871)	(827,823)

10. POST-EMPLOYMENT BENEFIT

	Three Months Ended March 31			
	Pension Plan $	SERP $	Long-term Benefit Plan $	Total $
Current service cost (employer portion)	523	58	63	644
Interest cost	446	6	29	481
Expected return on plan assets	(461)	-	-	(461)
Net benefit plan expense included in salaries and employee benefits expense 2012	508	64	92	664
Net benefit plan expense included in salaries and employee benefits expense 2011	465	69	96	630

11. CONTINGENCIES

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