EDMONTON INTERNATIONAL AIRPORT

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Edmonton Airports

Unaudited Condensed Quarterly Interim Financial Statements

For the Three and Nine Months Ended September 30th, 2012

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, 2012 should be read in conjunction with the unaudited condensed interim 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 (EIA), Edmonton City Centre, Cooking Lake and Villeneuve Airports.

Edmonton Airports' recorded overall net losses of $0.5 million for the nine months ended September 30, 2012, which is a $12.3 million decrease from the 2011 net income of $11.8 million. During the nine month period, Edmonton Airports experienced revenue growth of $19.9 million (18.5%) and increased expenses of $31.7 million (33.0%).

2. GROUND LEASE TERM EXTENSION

Effective July 31, 1992, Edmonton Airports signed the Ground Lease Agreement (Canada Lease) with the Landlord, to lease the airport facilities for an initial period of sixty years ending in 2052. On August 13, 2012 the Landlord approved Edmonton Airports request to exercise the Canada Lease term extension provisions. As a result, the term of the Canada Lease has been extended for an additional 20 year term and will now expire on July 31, 2072. The parties agreed that the extension of term was on the same terms and conditions, except that there was no longer any option to renew the Canada Lease or further extend the term.

3. 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 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.

4. 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, Airport Improvement Fee (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 September to the same period last year.

EIA
Enplaned/Deplaned
Passenger Traffic by Sector

	Three Months Ended September 30			Nine Months Ended September 30		
	2012	2011	%	2012	2011	%
Domestic	1,452,940	1,357,231	7.1	3,873,208	3,631,964	6.6
Transborder	249,836	242,675	3.0	856,144	800,240	7.0
International	56,247	54,813	2.6	297,691	284,630	4.6
Total	**1,759,023**	**1,654,719**	**6.3**	**5,027,043**	**4,716,834**	**6.6**

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.

5. RESULTS OF OPERATIONS

The table below shows Edmonton Airports combined operating earnings for the three and nine months ended September 30, 2012 with comparative figures for the same periods in 2011.

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

	Three Months Ended September 30		Nine Months Ended September 30	
	2012 $	2011 $	2012 $	2011 $
Operating revenues				
Airside and general terminal	9,943	9,499	29,646	27,904
Parking and car rentals	9,679	8,727	27,448	25,532
Concession	2,947	2,381	8,046	6,643
Real estate leases	1,240	1,068	2,732	2,370
Other revenue	23	62	66	168
	23,832	21,737	67,938	62,617
Operating expenses				
Salaries and employee benefits	5,940	5,478	19,134	17,020
Services, maintenance, supplies and administration	5,727	4,043	15,694	14,043
Utilities, insurance and property taxes	2,812	2,374	8,671	7,541
Canada lease rent	3,367	2,802	10,100	8,406
	17,846	14,697	53,599	47,010
Operating earnings	5,986	7,040	14,339	15,607

The calculation of Operating earnings excludes AIF Fee and Police and Security 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, 2012 were $67.9 million compared to $62.6 million for the corresponding period in 2011, an increase of $5.3 million (8.5%). The increase in operating revenues is primarily the result of increases in airside and general terminal rates of approximately 6.2%, increased aircraft movements, additional concession options in the Central Tower and Transborder area which opened in December of 2011 and February 2012 respectively, additional parking revenue from new parking lots and increased real estate revenue from new land leases signed in 2011.

5.2. Operating Expenses

Operating expenses for the nine months ended September 30, 2012 were $53.6 million compared to $47.0 million for the corresponding period in 2011, an increase of $6.6 million (14.0%). 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 professional fees related to policy development and for the creation of a request for proposal to replace the current financial system; 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.

5.3. Operating Earnings

Operating earnings for the nine months ended September 30, 2012 were $14.3 million, which is $1.3 million lower than last year's operating earnings of $15.6 million (8.3%).

5.4. Net (Loss) Income

The net loss of $0.5 million for the nine months ended September 30, 2012 represents a decrease of $12.3 million compared to net income of $11.8 million for the same period in 2011. The decrease in net income results from increases in amortization due to the addition of property, plant, and equipment; higher interest expense from further borrowings; and increased AIF collection costs associated with higher AIF revenue. These were partially offset by higher operating earnings, higher AIF revenue 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.

6. CAPITAL INVESTMENT

The approved 2012 Expansion Capital Program is approximately $146.2 million for all airports. To date, $105.5 million has been spent on all projects, including multi-year projects approved in prior years. These projects included the terminal building expansion, central tower, central utilities plant and apron expansion ($80.3 million); land development and lot servicing ($6.7 million); capitalized interest ($6.4 million) and various other smaller expansionary projects ($12.3 million).

The approved Capital Sustaining Program for 2012 is approximately $12.5 million for all airports. For the nine months ended September 30, 2012, $6.0 million was spent on all projects including multi-year projects approved in prior years. These projects included fleet replacement ($0.6 million) and various facility maintenance projects ($5.4 million).

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

As at September 30, 2012 with comparative figures at December 31, 2011

	Notes	September 30 2012 $	December 31 2011 $
Assets			
Current assets			
Cash and cash equivalents		105,617	97,175
Accounts receivable	*5*	20,237	14,763
Prepaid expenses and other		4,071	3,050
		129,925	114,988
Restricted deposits	*6*	27,085	21,387
Prepaid expense and lessee receivable		514	549
Property, plant and equipment	*6, 7*	997,726	926,295
Intangible assets	*8*	1,437	954
		1,156,687	1,064,173
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	*7 (b)*	80,143	73,970
Current portion of obligation under finance lease		25	23
Current portion of long-term debt	*6*	17,070	16,386
Current portion of deferred revenue		31	59
		97,269	90,438
Tenants' security deposits		1,224	1,159
Obligation under finance lease		30	49
Post-employment benefits		13,183	15,567
Long-term debt	*6*	929,848	841,349
		1,041,554	948,562
Contingencies	*11*		
Net Assets		115,133	115,611
		1,156,687	1,064,173

See accompanying notes to condensed quarterly interim financial statements

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

For the Three and Nine months ended September 30, 2012 with comparative figures for 2011

	Notes	Three Months Ended September 30 2012 $	Three Months Ended September 30 2011 $	Nine Months Ended September 30 2012 $	Nine Months Ended September 30 2011 $
Revenues					
Airport improvement fee	9,5	19,026	14,568	53,885	40,694
Airside and general terminal	5	9,943	9,499	29,646	27,904
Parking and car rentals		9,679	8,727	27,448	25,532
Concession		2,947	2,381	8,046	6,643
Police and security		2,386	1,474	5,789	4,416
Real estate leases		1,240	1,068	2,732	2,370
Other revenue		23	62	66	168
		45,244	37,779	127,612	107,727
Expenses					
Amortization	7(c),(d) 8(a)	15,116	8,390	39,360	25,783
Salaries and employee benefits	10	5,940	5,478	19,134	17,020
Interest	6	10,083	5,431	26,484	16,538
Services, maintenance, supplies and administration		5,727	4,043	15,694	14,043
Canada lease rent	3	3,367	2,802	10,100	8,406
Utilities, insurance and property taxes		2,812	2,374	8,671	7,541
Police and security		2,044	1,403	4,962	4,205
Airport improvement fee collection costs		1,165	904	3,284	2,498
Earnings before the undernoted		46,254	30,825	127,689	96,034
Other (loss) income	7(d), 8(b)	(436)	45	(401)	59
Net (loss) income		(1,446)	6,999	(478)	11,752
Other comprehensive income		-	-	-	-
Comprehensive (loss) income for the period		(1,446)	6,999	(478)	11,752

See accompanying notes to condensed quarterly interim financial statements

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

For the nine months ended September 30, 2012 with comparative figures for 2011

	September 30 2012 $	September 30 2011 $
Net Assets – Beginning of period	115,611	113,102
Net (loss) income	(478)	11,752
Other comprehensive income	-	-
Total comprehensive (loss) income – End of period	(478)	11,752
Net Assets – End of period	**115,133**	**124,854**

See accompanying notes to condensed quarterly interim financial statements

EDMONTON AIRPORTS
Statements of Cash Flows (000's of dollars)
Unaudited
For the Three and Nine months ended September 30, 2012 with comparative figures for 2011

	Three Months Ended September 30		Nine Months Ended September 30	
	2012	2011	2012	2011
	$	$	$	$
Cash provided by (used in):				
Operating activities				
Cash receipts from customers	52,409	38,955	122,239	105,073
Cash paid to employees and suppliers	(16,386)	(7,635)	(48,342)	(35,818)
Cash paid to the landlord	(2,967)	(3,674)	(9,820)	(15,305)
Interest received	386	355	1,047	1,085
Interest paid	(5,187)	(4,432)	(25,931)	(22,325)
Decrease (increase) in tenants' security deposits	(52)	46	65	(37)
Pension contributions	(870)	(332)	(2,417)	(1,615)
	27,333	23,283	36,841	31,058
Financing activities				
Principal payments under finance lease obligation	(6)	(5)	(17)	(15)
Repayments of long-term debt	(2,857)	(2,794)	(10,945)	(9,965)
Proceeds from long-term debt	40,000	50,000	100,000	150,000
	37,137	47,201	89,038	140,020
Investing activities				
Net purchase of restricted deposits	(71)	(57)	(5,697)	(167)
Loan proceeds	11	64	34	104
Acquisitions of other long-term assets	-	(572)	-	(572)
Proceeds on sale of property, plant and equipment	8	20	34	20
Interest paid capitalized to property plant and equipment	(1,065)	(4,365)	(6,324)	(11,295)
Purchase of property, plant and equipment	(35,498)	(55,636)	(104,837)	(162,053)
Purchase of intangible assets	(638)	(126)	(647)	(460)
	(37,253)	(60,672)	(117,437)	(174,423)
Increase (decrease) in cash and cash equivalents	27,217	9,812	8,442	(3,345)
Cash and cash equivalents – Beginning of period	78,400	94,210	97,175	107,367
Cash and cash equivalents – End of period	105,617	104,022	105,617	104,022

See accompanying notes to condensed quarterly 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.

These condensed quarterly interim financial statements were approved for issue by the Audit Committee of the Board of Directors on November 8 2012.

2. ACCOUNTING POLICIES

These condensed 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 September 30, 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 account and lease receivables on the statement of financial position. Edmonton Airports has a concentration of credit risk with two airlines which comprise approximately 80% (69.0% at nine months ended 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.

(000's of dollars unless otherwise stated)

Accounts receivable are non-interest bearing and are generally due in 30 to 90 days. At September 30, 2012, the provision for impairment of accounts receivable was $0.2 million (December 31, 2011 -$0.3 million).

At September 30, 2012, the aging analysis of trade receivables that are past due, but not impaired, is as follows:

	September 30 2012 $	December 31 2011 $
30 to 90 days	3,110	5,444
Greater than 90 days	617	1,767
	3,727	**7,211**

No other impairments have been identified within accounts receivable.

6. LONG-TERM DEBT

(a) Series A Bond

Interest Rate	Semi-annual Instalment $	Maturity Date	September 30 2012 $	December 31 2011 $
7.21%	Varying	November 1, 2030	229,672	231,692
Less: unamortized transaction costs			4,351	4,544
			225,321	227,148
Less: current portion			4,388	4,115
			220,933	**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:

(000's of dollars unless otherwise stated)

Interest Rate	Semi-annual Instalment $	Maturity Date	September 30 2012 $	December 31 2011 $
4.37%	755	December 15, 2026	16,091	16,486
4.50%	1,145	March 15, 2027	24,204	25,366
5.00%	398	June 15, 2027	8,338	8,523
4.89%	395	September 17, 2027	8,322	8,691
4.68%	1,552	June 16, 2028	34,663	35,386
4.55%	3,068	September 17, 2028	69,191	72,078
4.67%	1,245	December 15, 2039	38,364	38,707
4.54%	920	March 15, 2040	28,747	29,265
4.56%	1,845	June 15, 2040	58,025	58,536
4.00%	1,439	October 1, 2040	48,659	49,115
4.40%	2,112	December 15, 2040	68,244	68,842
4.41%	1,511	March 15, 2041	48,749	49,592
Fixed Rate Debentures, Series C Bonds payable in semi-annual instalments of interest only:				
4.16%	1,041	June 15, 2041	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	-
3.25%	487	June 15, 2042	30,000	-
3.26%	651	September 17, 2042	40,000	-
			721,597	630,587
Less: current portion			12,682	12,271
			708,915	**618,316**

Interest expense (income)	Three Months Ended September 30 2012 $	Three Months Ended September 30 2011 $	Nine Months Ended September 30 2012 $	Nine Months Ended September 30 2011 $
Series A Bond interest	4,142	4,211	12,475	12,677
Series C Bond interest	7,201	6,117	20,879	15,953
Other interest and financing costs	97	17	294	101
Interest income and other	(292)	(549)	(840)	(898)
	11,148	9,796	32,808	27,833
Less: capitalized interest	1,065	4,365	6,324	11,295
	10,083	**5,431**	**26,484**	**16,538**

(000's of dollars unless otherwise stated)

7. PROPERTY, PLANT AND EQUIPMENT

	September 30 2012 $	December 31 2011 $
Buildings	791,130	669,047
Runways, taxiways and apron surfaces	206,803	196,968
Other facilities	73,212	115,912
Parking facilities and lots	131,214	106,290
Roadway systems	45,940	49,508
Vehicles and maintenance equipment	19,611	17,528
Furniture and equipment	17,222	17,624
Computer hardware	10,428	12,419
Other equipment under finance lease	115	115
	1,295,675	1,185,411
Less: accumulated amortization	297,949	259,116
	997,726	926,295

(a) At September 30, 2012, $91,801 (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 September 30, 2012 is $56,070 (December 31, 2011 - $56,194) relating to unpaid capital expenditures.

(c) For the nine month period ended September 30, 2012, $38,914 (September 30, 2011 - $25,385) of the amortization expense is for property, plant and equipment.

(d) Included in accumulated amortization at September 30, 2012 is $81 (December 31, 2011 – Nil) related to disposal of property, plant and equipment.

8. INTANGIBLE ASSETS

	September 30 2012 $	December 31 2011 $
Software and software licenses	3,648	3,002
Less: accumulated amortization	2,211	2,048
	1,437	954

(a) For the nine month period ended September 30, 2012, $446 (September 30, 2011 - $398) of the amortization expense is for intangible assets.

(b) Removed from accumulated amortization at September 30, 2012 is $283 (December 31, 2011 - Nil) relating to disposal of fully depreciated intangible assets.

(000's of dollars unless otherwise stated)

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.

	September 30 2012 $	December 31 2011 Restated $
(cumulative from program inception)		
AIF revenue	489,998	436,113
AIF collection costs	(30,949)	(27,665)
	459,049	408,448
Less: cumulative capital expenditures and related financing costs	1,388,500	1,256,135
	(929,451)	(847,687)

10. POST-EMPLOYMENT BENEFITS

	Three Months Ended September 30			
	Pension Plan $	SERP $	Long-term Benefit Plan $	Total $
Current service cost (employer portion)	522	57	83	662
Interest cost	446	23	27	496
Expected return on plan assets	(244)	-	-	(244)
Net benefit plan expense included in salaries and employee benefits expense 2012	724	80	110	914
Net benefit plan expense included in salaries and employee benefits expense 2011	602	69	68	739

(000's of dollars unless otherwise stated)

	Nine months Ended September 30			
	Pension Plan	SERP	Long-term Benefit Plan	Total
	$	$	$	$
Current service cost (employer portion)	1,568	173	207	1,948
Interest cost	1,338	70	81	1,489
Expected return on plan assets	(815)	-	-	(815)
Net benefit plan expense included in salaries and employee benefits expense 2012	2,091	243	288	2,622
Net benefit plan expense included in salaries and employee benefits expense 2011	1,723	207	200	2,130

11. CONTINGENCIES

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

12. SUBSEQUENT EVENT

Edmonton Airports has entered into an agreement that will result in the transfer of ownership of the Cooking Lake Airport to the Cooking Lake Condo Association on October 1, 2012. The financial impacts associated with this transaction will not have a material effect on the future financial position of Edmonton Airports.