EDMONTON AIRPORTS'

2014 SECOND QUARTER REPORT

FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2014

MANAGEMENT DISCUSSION AND ANALYSIS

The following Management Discussion and Analysis of Financial Results (MD&A) should be read in conjunction with the unaudited condensed interim financial statements and note disclosures of the Edmonton Regional Airports Authority (Edmonton Airports) for the three and six months ended June 30, 2014 and the audited financial statements, as well as the MD&A, for the year ended December 31, 2013. The Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS). All amounts in the following MD&A are in Canadian dollars unless otherwise stated.

Edmonton Airports' financial statements reflect the combined results of operations of the Edmonton International Airport (EIA) and Villeneuve Airports (VA).

1. OPERATIONS

Passenger volume, comprised of the total number of enplaned and deplaned passengers, is the main driver of certain Edmonton Airports revenue streams. These include airside and general terminal, airport improvement fees (AIF), and police and security revenues. The following table outlines the components of passenger traffic at the EIA and compares the 2014 actual results for the three and six months ended June 30, 2014 to the same period last year.

Enplaned and Deplaned Passenger Traffic by Sector*

	Three Months Ended June 30			Six Months Ended June 30		
	2014	2013	%	2014	2013	%
Domestic	1,377,365	1,322,237	4.2%	2,605,832	2,502,641	4.1%
Transborder	332,077	292,936	13.4%	714,217	645,388	10.7%
International	91,810	87,928	4.4%	266,761	243,218	9.7%
	1,801,252	1,703,101	5.8%	3,586,810	3,391,247	5.8%
General/Business aviation	224,734	169,762	32.4%	436,182	333,220	30.9%
Total	2,025,986	1,872,863	8.2%	4,022,992	3,724,467	8.0%

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

2. FINANCIAL PERFORMANCE

Net Operating Results

(in thousands)	Three Months Ended June 30		Six Months Ended June 30	
	2014	2013	2014	2013
	$	$	$	$
Revenue	48,707	44,796	96,619	89,395
Expenses	25,497	21,915	52,143	46,380
EBITDA*	23,210	22,881	44,476	43,015
EBITDA margin %	47.7%	51.1%	46.0%	48.1%
Depreciation and amortization	16,068	15,785	32,180	30,439
Interest	11,188	11,275	22,342	21,694
Other (gain) loss	3,644	(79)	3,519	(99)
Net loss	(7,690)	(4,100)	(13,565)	(9,019)

**EBITDA is defined as earnings before interest, taxes and depreciation. Edmonton Airports' earnings are exempt from federal and provincial income tax.*

For the three months ended June 30, 2014, we experienced a net loss of $7.7 million, which was $3.6 million higher than the comparative period for the prior year. For the six months ended June 30, 2014, we experienced a net loss of $13.6 million, which was an increase of $4.6 million over the comparative period for the prior year.

The table above illustrates that revenue generated by Edmonton Airports was sufficient to cover operating and interest expenses which are the cash expenses of operations. Consistent with many infrastructure developments, Edmonton Airports' revenue was not sufficient to cover the non-cash expense of depreciation and amortization and will not be for several years as focus shifts to utilizing the increased capacity.

Revenue

(in thousands)	Three Months Ended June 30			Six Months Ended June 30		
	2014	2013	Variance	2014	2013	Variance
	$	$	$	$	$	$
Airport improvement fee	19,208	18,480	728	38,412	36,541	1,871
Parking and concessions	14,871	13,677	1,194	28,679	26,458	2,221
Airside and general terminal	11,322	10,176	1,146	22,590	20,680	1,910
Police and security	2,118	1,836	282	4,574	3,803	771
Real estate leases	1,157	445	712	2,303	1,715	588
Other revenue	31	182	(151)	61	198	(137)
	48,707	44,796	3,911	96,619	89,395	7,224

For the three months ended June 30, 2014, we earned revenue of $48.7 million which was an increase of 9% over the prior year.

For the six months ended June 30, 2014, we earned revenue of $96.6 million which was an increase of 8% over the prior year.

The increase in revenue is driven mainly by passenger growth which is the main driver of revenues derived from the AIF, parking and concessions and airside and general terminal revenues.

AIF

For the three months ended June 30, 2014, AIF revenue was $19.2 million, an increase of $0.7 million (4%), year over year.

For the six months ended June 30, 2014, AIF revenue was $38.4 million, an increase of $1.9 million (5%), year over year.

The AIF is the primary source of funding Edmonton Airports uses to pay interest and principal on the bonds and debentures issued for Edmonton Airports' redevelopment and expansion. The increase in AIF revenue was the result of an 8% increase in the number of departing passengers at the Airport during the three and six months ended June 30, 2014 compared to the same periods in 2013.

Airside and general terminal (AGT)

For the three months ended June 30, 2014, AGT revenue was $11.3 million, an increase of $1.1 million (11%), year over year.

For the six months ended June 30, 2014, AGT revenue was $22.6 million, an increase of $1.9 million (9%), year over year.

Airside and general terminal (AGT) revenue is derived from airline activity. The increase was primarily driven by increased landing and terminal fees and increased general/business aviation activity.

Police and Security

For the three months ended June 30, 2014, police and security fee revenue was $2.1 million, an increase of $0.3 million (15%), year over year.

For the six months ended June 30, 2014, police and security fee revenue was $4.6 million, an increase of $0.8 million (20%), year over year.

Edmonton Airports recovers some police and security expenses through a per departing passenger charge to airlines.

Non-Aeronautical Commercial Operations

Edmonton Airports also earns revenue from non-aeronautical commercial operations, such as parking, concessions, ground transportation, and real estate.

For the three months ended June 30, 2014, non-aeronautical commercial operations revenue was $16.0 million, an increase of $1.9 million (13%), year over year.

For the six months ended June 30, 2014, non-aeronautical commercial operations revenue was $31.0 million, an increase of $2.8 million (10%), year over year.

Parking and Concessions
Revenues from parking and concessions totaled $14.9 million for the three months ended June 30, 2014. This was an increase of $1.2 million (9%), year over year.

For the six months ended June 30, 2014, revenues from parking and concessions totaled $28.7 million which was an increase of $2.2 million (8%), year over year. The change was primarily driven by increased revenues from car rentals and parking due to volume and rate increases and an increase in per passenger spend on concessions.

Real Estate
For the three months ended June 30, 2014, real estate revenue was $1.2 million, $0.7 million (160%) higher than the same period in 2013.

For the six months ended June 30, 2014, real estate revenue was $2.3 million, $0.6 million (34%) higher than the same period in 2013.

This increase was driven by higher industrial land lease revenue.

Expenses

(in thousands)	Three Months Ended June 30			Six Months Ended June 30		
	2014	2013	Variance	2014	2013	Variance
	$	$	$	$	$	$
Salaries and employee benefits	7,349	6,756	593	15,321	14,805	516
Services, maintenance, supplies and administration	7,845	5,633	2,212	15,655	12,171	3,484
Canada lease rent	4,091	3,842	249	8,236	7,630	606
Utilities, insurance and property taxes	3,186	2,986	200	6,675	6,291	384
Police and security	1,822	1,574	248	3,921	3,260	661
Airport improvement collection costs	1,204	1,124	80	2,335	2,223	112
	25,497	21,915	3,582	52,143	46,380	5,763

For the three months ended June 30, 2014, expenses were $25.5 million which was $3.6 million (16%) higher, year over year.

For the six months ended June 30, 2014, expenses were $52.1 million which was $5.8 million (12%) higher, year over year.

This increase was primarily driven by an increase in salaries and benefits, services, maintenance, supplies and administration expenses, utilities, police and security expenses and Canada lease rent.

Salaries and benefits
For the three months ended June 30, 2014, salaries and benefits expenses were $7.3 million, an increase of $0.6 million (9%), year over year.

For the six months ended June 30, 2014, salaries and benefits expenses were $15.3 million, an increase of $0.5 million (3%), year over year.

Salaries and benefits expenses increased mainly due to salary escalations over the previous year, completion of the expansion project which resulted in a decrease in the capitalization of salaries and benefits, net of lower variable pay in 2014 and pension expenses related to plans terminated in 2013.

Services, maintenance, supplies and administration
For the three months ended June 30, 2014, services, maintenance, supplies and administration expenses were $7.8 million which was $2.2 million (39%) higher, year over year.

For the six months ended June 30, 2014, expenses were $15.7 million which was $3.5 million (28%) higher, year over year.

Service, maintenance, supplies and administration expenses increased mainly due to increases in administration expenses. The increase in administrative costs was the result of air service development initiatives, increased contracted labour for parking operations and higher costs related to marketing consulting, printing, public relations, advertising and promotional materials.

Utilities, insurance and property taxes
For the three months ended June 30, 2014, utilities, insurance and property taxes expenses were $3.2 million which was $0.2 million (7%) higher, year over year.

For the six months ended June 30, 2014, expenses were $6.7 million which was $0.4 million (6%) higher, year over year.

This increase was driven by higher than expected consumption of electricity, water and natural gas. Property tax costs also increased in 2014.

Police and security
For the three months ended June 30, 2014, police and security expenses were $1.8 million which was $0.2 million (16%) higher, year over year.

For the six months ended June 30, 2014, expenses were $3.9 million which was $0.7 million (20%) higher, year over year.

The increase is primarily driven by a new security services provider in 2014 and increased security requirements.

Other Expenses

(in thousands)	Three Months Ended June 30			Six Months Ended June 30		
	2014	2013	Variance	2014	2013	Variance
	$	$	$	$	$	$
Depreciation and amortization	16,068	15,785	283	32,180	30,439	1,741
Interest	11,188	11,275	(87)	22,342	21,694	648
Loss on derecognition of property, plant and equipment	3,572	-	3,572	3,572	-	3,572
Other (gain) loss	72	(79)	151	(53)	(99)	46
	30,900	26,981	3,919	58,041	52,034	6,007

For the three months ended June 30, 2014, other expenses were $30.9 million which was $3.9 million (15%) higher, year over year.

For the six months ended June 30, 2014, other expenses were $58.0 million which was $6.0 million (12%) higher, year over year.

This was driven primarily by the one-time loss for the derecognition of the moving walkways. Replacement is required to restore operational capability of the walkways and therefore, the parts have no further economic benefit. It is probable that the reimbursement of the costs to replace the assets will be recovered from a third party. There was also an increase in depreciation expense as a result of capital projects becoming available for use during the period.

Interest expense was higher, year over year, for the six month period as a result of less capitalized interest for the six months ended June 30, 2014.

3. CAPITAL PROJECTS

Edmonton Airports' capital projects are identified by airport and are broken into three main categories as follows:

Commercial Real Estate
Projects in this category include those that build the revenue capacity for Edmonton Airports, the funding for which will be approved as operating earnings grow, and cash flow becomes available. During the second quarter of 2014, the highway commercial development project continued as Edmonton Airports continues to prepare land for commercial development including land that will be leased to Ivanhoé Cambridge for the retail outlet destination. The work performed included electrical work and road paving.

Growth
Projects in this category include those that expand capacity, create new services and/or improve the passenger experience. This includes terminal leasehold improvements for new concessions, expanded apron and taxiway to serve airside developments, parking lot expansions and projects related to enhancing the passenger experience. The most significant projects in this category included the following:

- The Cargo Facility Development project continued and the design for the fit out of the CBSA building for a cargo tenant and flight simulator was completed and rough grade for floor slabs began.
- Two projects to enhance passenger experience continued including the Revitalization of TB Check in Area (support Self Tagging) project and the Automated Tag Reader (ATR) Array for Inbound Baggage Racetracks project.

- A purchase order was issued to purchase a cargo main dock loader.
- The North General Aviation Taxilane project commenced as sub-grade preparation, culvert installation and backfill as well as the temporary electrical feed was completed. The granular base for the new access road has been constructed and the sub-grade is being reviewed by the contractor.
- Projects at Villeneuve Airport, including land servicing and the storm water management pond upgrade, are in the tender stage.
- Expansion of parking facilities was initiated and would include an additional gravel lot with projected completion by November 2014 and lighting completion by April 2015. Target opening date is Christmas 2014.
- Projects for the north terminal include the Airside Granite Panels Replacement project and the Interior Column Cladding project. Work performed has included installation of panels and completion of completion and deficiency work.

Maintenance
Projects in this category include the maintenance of existing airport facilities and infrastructure. This includes system lifecycle replacements, paving programs, fleet replacement and capital restoration. In line with the objective of improving airport infrastructure, the most significant projects in this category included the following:

- For the Runway 12/30 Rehabilitation project, milling of the runway, trail batch testing and test strip paving, and removal of concrete panels have been completed. Existing concrete panel conditions are being reviewed with Golder Associates as well as surveying and review of pricing for other pavement rehabilitation areas.

EDMONTON AIRPORTS

UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2014

Condensed Interim Statements of Financial Position
As at June 30, 2014 and December 31, 2013
(unaudited, in thousands of dollars)

	June 30, 2014 $	December 31, 2013 $
Assets		
Current Assets		
Cash and cash equivalents	36,056	28,259
Accounts Receivable	16,864	18,667
Prepaid expenses and other	7,217	3,886
	60,137	50,812
Non-current assets		
Restricted deposits	32,713	32,518
Prepaid expense and lessee receivable	423	457
Property, plant and equipment (note 3)	981,880	1,010,185
Intangible assets (note 4)	1,247	806
	1,076,400	1,094,778
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (note 3(b))	21,562	35,823
Deferred revenue	168	3
Deferred capital contributions	207	0
Obligation under finance lease	23	22
Current portion of post-employment benefits	-	2,407
Current portion of long-term debt (note 5)	19,308	18,688
	41,268	56,943
Non-current liabilites		
Tenants' security deposit	1,631	1,477
Post-employment benefit	3,966	3,553
Long-term debt (note 5)	956,025	945,730
	1,002,890	1,007,703
Contingencies (note 6)		
Commitments (note 6)		
Net Assets	73,510	87,075
	1,076,400	1,094,778

See accompanying notes to interim financial statements.

Condensed Interim Statements of Comprehensive Loss
For the three and six months ended June 30, 2014 and 2013
(unaudited, in thousands of dollars)

	Three Months Ended June 30		Six Months Ended June 30	
	2014	2013	2014	2013
	$	$	$	$
Revenues				
Airport improvement fee	19,208	18,480	38,412	36,541
Parking and concessions	14,871	13,677	44,077	26,458
Airside and general terminal	11,322	10,176	7,192	20,680
Police and security	2,118	1,836	4,574	3,803
Real estate leases	1,157	445	2,303	1,715
Other revenue	31	182	61	198
	48,707	44,796	96,619	89,395
Expenses				
Salaries and employee benefits	7,349	6,756	15,321	14,805
Services, maintenance, supplies and administration	7,845	5,633	15,655	12,171
Canada lease rent	4,091	3,842	8,236	7,630
Utilities, insurance and property taxes	3,186	2,986	6,675	6,291
Police and security	1,822	1,574	3,921	3,260
Airport improvement collection costs	1,204	1,124	2,335	2,223
	25,497	21,915	52,143	46,380
EBITDA	23,210	22,881	44,476	43,015
Other Expenses				
Depreciation and amortization	16,068	15,785	32,180	30,439
Interest (note 5 (c))	11,188	11,275	22,342	21,694
Loss on derecognition of property, plant and equipment (note 5(e))	3,572	-	3,572	-
Other (gain) loss	72	(79)	(53)	(99)
	30,900	26,981	58,041	52,034
Net loss and total comprehensive loss for the period	(7,690)	(4,100)	(13,565)	(9,019)

See accompanying notes to interim financial statements.

Condensed Interim Statements of Changes in Net Assets
As at June 30, 2014 and 2013
(unaudited, in thousands of dollars)

	Six Months Ended June 30	
	2014	2013
	$	$
Net assets - Beginning of period	87,075	100,498
Total comprehensive loss for the period	(13,565)	(9,019)
Net assets - End of period	73,510	91,479

See accompanying notes to interim financial statements.

Condensed Interim Statements of Cash Flows
For the three and six months ended June 30, 2014 and 2013
(unaudited, in thousands of dollars)

	Three Months Ended June 30		Six Months Ended June 30	
	2014	2013	2014	2013
	$	$	$	$
Operating activities				
Net loss for the period	(7,690)	(4,100)	(13,565)	(9,019)
Adjustments for:				
Depreciation and amortization	16,068	15,785	32,180	30,439
Amortization of borrowing costs	69	90	137	178
(Gain)/loss on foreign exchange	71	(77)	(24)	(119)
(Gain)/loss on disposal of property, plant and equipment and intangibles	3,571	(1)	3,541	21
Post employment benefit expense	741	1,079	1,721	1,778
Finance costs - net	10,949	11,398	21,903	21,462
Post employment benefit contributions	(2,096)	(4,030)	(3,716)	(5,763)
Changes in working capital:				
Accounts receivable	3,355	1,730	1,803	(1,282)
Prepaid expenses and other	(2,775)	(2,540)	(3,331)	(1,748)
Accounts payable and accrued liabilities	(153)	452	(3,187)	(1,627)
Deferred revenue	141	9,157	165	9,633
Tenants' security deposits	33	141	154	163
	22,284	29,084	37,781	44,116
Interest paid	(16,411)	(17,232)	(22,300)	(22,111)
Interest received	239	351	439	706
Net cash flows from operating activities	6,112	12,203	15,920	22,711
Cash flows from investing activities				
Lessee receivable	25	11	34	23
Purchase of restricted deposits	(98)	(84)	(195)	(168)
Purchase of property, plant and equipment	(9,164)	(9,832)	(17,450)	(36,073)
Purchase of intangible assets	(648)	(33)	(734)	(192)
Proceeds on disposal of property, plant and equipment	-	21	30	21
Interest paid capitalized to property, plant and equipment	(354)	(301)	(708)	(1,403)
Net cash flows used in investing activities	(10,239)	(10,218)	(19,023)	(37,792)
Cash flows from financing activities				
Repayment of finance lease	-	(6)	1	(13)
Repayment of long-term debt	(6,096)	(7,699)	(9,222)	(8,638)
Proceeds from long-term debt	-		20,000	20,000
Net cash (used in) from financing activities	(6,096)	(7,705)	10,779	11,349
Effect of exchange rate on cash and cash equivalents at the end of the period	(129)	88	121	119
Net increase in cash and cash equivalents	(10,352)	(5,632)	7,797	(3,613)
Cash and cash equivalents - beginning of period	46,408	78,020	28,259	75,998
Cash and cash equivalents - end of period	36,056	72,388	36,056	72,385

See accompanying notes to interim financial statements.

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. The Board of Directors of Edmonton Airports consists of a maximum of 15 members. Six Directors are appointed by the City of Edmonton, two by the Government of Canada (the Landlord) and one each by Leduc County, the City of Leduc, Parkland County, Strathcona County and Sturgeon County. The Board of Directors has the right to appoint two Directors which the Board of Directors has elected not to appoint. In accordance with the provisions of the Act, all of Edmonton Airports' surpluses are applied towards promoting its purposes and no dividends are paid out of the surpluses. Surpluses in these financial statements are described as net assets.

Edmonton Airports registered office and principal place of business is located at #1, 1000 Airport Road, Edmonton International Airport, T9E 0V3, Alberta, Canada.

Edmonton Airports' earnings are generated from airport-related operations and are exempt from federal and provincial income tax.

These unaudited condensed interim financial statements were authorized for issue by the Audit Committee of the Board of Directors on August 8, 2014.

4. BASIS OF PRESENTATION

These unaudited 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 unaudited condensed interim financial statements do not include all the information and disclosures required in the annual audited financial statements, and should be read in conjunction with Edmonton Airports' annual audited financial statements as at December 31, 2013. The accounting policies followed in these unaudited condensed interim financial statements are consistent with those of the previous year, except as described below.

5. SIGNIFICANT ACCOUNTING POLICIES ADOPTED JANUARY 1, 2014

Edmonton Airports has adopted the following new and revised standards, along with any consequential amendments, effective January 1, 2014. These changes were made in according with the applicable transitional provisions.

- *IFRIC 21 – Levies* was adopted by Edmonton Airports, effective January 1, 2014. The interpretation clarifies that the obligating event giving rise to a liability to pay a government levy is the activity described in the relevant legislation that triggers payment of the levy. There was no impact as a result of this adoption.

- *IAS 36 – Impairment of Assets* was amended to include the requirement to disclose additional information about the fair value measurement when the recoverable amount of impaired assets is based on fair value less cost of disposal. Edmonton Airports has applied this amendment, effective January 1, 2014 and it had no impact upon application.

(unaudited, in thousands of dollars)

6. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Roadway systems	Parking facilities and lots	Runway, taxiways and apron surfaces	Other facilities	Vehicles and maintenance equipment	Furniture and equipment	Computer hardware	Office equipment under finance lease	Construction work in progress	Total
	$	$	$	$	$	$	$	$	$	$	$
Cost											
Balance at January 1, 2013	711,389	40,893	117,883	206,019	81,875	20,127	16,349	10,283	115	114,738	1,319,671
Additions/ transfers	103,950	3,347	3,904	14,737	4,049	2,563	1,362	9,478	-	(73,112)	70,278
Disposals	(49)	-	-	(4,832)	(310)	(28)	(295)	(1,754)	-	-	(7,268)
Balance at December 31, 2013	815,290	44,240	121,787	215,924	85,614	22,662	17,416	18,007	115	41,626	1,382,681
Balance at January 1, 2014	815,290	44,240	121,787	215,924	85,614	22,662	17,416	18,007	115	41,626	1,382,681
Additions/transfers	1,462	161	292	483	653	520	184	813	-	2,513	7,081
Disposals	(4,063)	-	-	-	-	(397)	-	-	-	-	(4,460)
Balance at June 30, 2014	812,689	44,401	122,079	216,407	86,267	22,785	17,600	18,820	115	44,139	1,385,302

(unaudited, in thousands of dollars)

	Buildings	Roadway systems	Parking facilities and lots	Runway, taxiways and apron surfaces	Other facilities	Vehicles and maintenance equipment	Furniture and equipment	Computer hardware	Office equipment under finance lease	Construction work in progress	Total
	$	$	$	$	$	$	$	$	$	$	$
Depreciation											
Balance at January 1, 2013	147,762	11,289	33,528	60,298	30,870	13,986	8,989	6,187	71	-	312,980
Depreciation for the year	36,809	1,823	4,053	10,420	4,045	1,242	1,364	2,511	23	-	62,290
Disposals	(49)	-	-	(579)	(187)	(28)	(177)	(1,754)	-	-	(2,774)
Balance at December 31, 2013	184,522	13,112	37,581	70,139	34,728	15,200	10,176	6,944	94	-	372,496
Balance at January 1, 2014	184,522	13,112	37,581	70,139	34,728	15,200	10,176	6,944	94	-	372,496
Depreciation for the period	18,844	979	1,966	5,329	1,960	696	588	1,444	8	-	31,814
Disposals	(491)	-	-	-	-	(397)	-	-	-	-	(888)
Balance at June 30, 2014	202,875	14,091	39,547	75,468	36,688	15,499	10,764	8,388	102	-	403,422
Carrying amounts											
At December 31, 2013	630,768	31,128	84,206	145,785	50,886	7,462	7,240	11,063	21	41,626	1,010,185
At June 30, 2014	609,814	30,310	82,532	140,939	49,579	7,286	6,836	10,432	13	44,139	981,880

a) At June 30, 2014, $44,138 (December 31, 2013 - $41,626) of property, plant and equipment were under construction of which $43,393 (December 31, 2013 - $41,260) was for buildings, runways taxiways and aprons, and other facilities not yet subject to depreciation.

b) Included in accounts payable and accrued liabilities at June 30, 2014 is $3,842 (December 31, 2013 - $15,125) relating to unpaid capital expenditures.

c) At June 30, 2014, $31,814 (June 30, 2013 - $29,975) of property, plant and equipment depreciation was included in the statements of comprehensive loss.

d) Property, plant and equipment includes $708 (December 31, 2013 - $2,227) in borrowing costs capitalized during the period. Borrowing costs were capitalized at a weighted average rate of its general borrowing of 4.84% (December 31, 2013 – 4.86%).

e) Parts of moving walkways with a net book value of $3,571, categorized as buildings, were derecognized as they require replacement to restore operational capability of the walkways and it has been determined that the parts have no further future economic benefit. It is probable that the reimbursement of the costs to replace the assets will be recovered from a third party.

f) Assets with net book value of $3,571 (December 31, 2013 - $4,494) were disposed for proceeds of $30 (December 31, 2013 - $4,755).

g) The Province of Alberta has committed to funding up to $14,000 for the runway extension at the Villeneuve Airport. To June 30, 2014, $13,190 has been received from the Province and $12,983 in costs have been incurred.

(unaudited, in thousands of dollars)

7. INTANGIBLE ASSETS

	Computer Software	Construction work in progress	Total
	$	$	$
Cost			
Balance at January 1, 2013	2,935	-	2,935
Additions/transfers	615	44	659
Disposals	(570)	-	(570)
Balance at December 31, 2013	2,980	44	3,024
Balance at January 1, 2014	2,980	44	3,024
Additions/transfers	87	720	807
Disposals	-	-	-
Balance at June 30, 2014	3,067	764	3,831

	Computer Software	Construction work in progress	Total
	$	$	$
Amortization			
Balance at January 1, 2013	1,921	-	1,921
Amortization for the year	867	-	867
Disposals	(570)	-	(570)
Balance at December 31, 2013	2,218	-	2,218
Balance at January 1, 2014	2,218	-	2,218
Amortization for the period	366	-	366
Disposals	-	-	-
Balance at June 30, 2014	2,584	-	2,584
Carrying amounts			
At December 31, 2013	762	44	806
At June 30, 2014	483	764	1,247

a) At June 30, 2014, $764 (December 31, 2013 - $ 44) of intangible assets were under construction and not yet subject to amortization.

b) Intangible assets are purchased software and software licenses. During the period ended June 30, 2014, $366 (June 30, 2013 - $464) of intangible asset amortization was charged to the statements of comprehensive loss.

(unaudited, in thousands of dollars)

8. LONG-TERM DEBT

Total long-term outstanding

	2014	2013
	$	$
Series A Bond	220,318	222,907
Series C Bond	758,850	745,483
	979,168	968,390
Less current portion Series A Bond	5,588	5,271
Less current portion Series C Bond	13,720	13,417
Total current portion	19,308	18,688
Less unamortized transaction costs	3,835	3,972
	956,025	945,730

a) Series A Bond and restricted deposits

Interest Rate	Semi-annual Instalment	Maturity Date	2014 $	2013 $
7.21%	Varying	November 30, 2030	220,318	222,907
Less unamortized transaction costs			3,835	3,972
			216,483	218,935
Less current portion			5,588	5,271
			210,895	213,664

Throughout the term, when the bonds are outstanding, Edmonton Airports is required to maintain a Debt Service Coverage Ratio on a rolling 12 months basis of 1.00:1 and a Gross Debt Service coverage Ratio of not less than 1.25:1. All covenants have been met.

(unaudited, in thousands of dollars)

b) Series C Bond

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

Loan #	Interest Rate	Semi-annual Instalment	Maturity Date	2014	2013
		$		$	$
1	4.37%	755	December 15, 2026	14,425	14,854
2	4.50%	1,145	March 15, 2027	22,361	22,989
3	5.00%	398	June 15, 2027	7,549	7,754
4	4.89%	395	September 17, 2027	7,735	7,935
5	4.68%	1,552	June 16, 2028	31,600	32,393
6	4.55%	3,068	September 17, 2028	64,608	66,170
7	4.67%	1,245	December 15, 2039	36,913	37,289
8	4.54%	920	March 15, 20407	27,925	28,205
9	4.56%	1,845	June 15, 2040	55,863	56,422
10	4.00%	1,439	October 1, 2040	46,742	47,236
11	4.40%	2,112	December 15, 2040	65,717	66,369
12	4.41%	1,511	March 15, 20401	47,412	47,867
13	4.16%	1,041	June 15, 2041	50,000	50,000
14	3.70%	926	September 15, 2041	50,000	50,000
15	3.35%	1,174	December 15, 2041	70,000	70,000
16	3.41%	512	March 15, 2042	30,000	30,000
17	3.25%	488	June 15, 2042	30,000	30,000
18	3.26%	651	September 17, 2042	40,000	40,000
19	3.24%	324	December 17, 2042	20,000	20,000
20	3.42%	342	March 15, 2043	20,000	20,000
21	3.73%	557	March 17, 2044	20,000	-
				758,850	745,483
Less: Current Portion				13,720	13,417
				745,130	732,066

Edmonton Airports is required to maintain an Interest Coverage Ratio of not less than 1.25:1 and net cash flows greater than zero as of the end of any fiscal quarter on a rolling four fiscal quarter basis. All covenants have been met.

(unaudited, in thousands of dollars)

c) Interest Expense

	Three Months Ended June 30		Six Months Ended June 30	
	2014	2013	2014	2013
	$	$	$	$
Interest Expense (Income)				
Series A Bond interest	3,989	4,077	8,009	8,181
Series C Bond interest	7,692	7,665	15,282	15,241
Other interest and financing costs	100	117	198	237
Interest income and other	(239)	(282)	(439)	(562)
	11,542	11,577	23,050	23,097
Less: capitalized interest	354	302	708	1,403
	11,188	11,275	22,342	21,694

9. COMMITMENTS AND CONTINGENCIES

a) Commitments

At June 30, 2014, Edmonton Airports had outstanding capital commitments in the amount of $22,505. (December 31, 2013 - $6,674).

b) Contingencies

Edmonton Airports has been named as a defendant in certain lawsuits. The outcome of these actions is currently not determinable. In Edmonton Airports' opinion, these actions will not result in any material expense to Edmonton Airports. The cost of settlement, if any, will be accounted for in the period of settlement.

10. FAIR VALUE OF FINANCIAL INSTRUMENTS

Edmonton Airports does not record any assets at fair value in the statements of financial position. The only financial instrument that has a fair value that does not approximate the carrying value in the statements of financial position is long-term debt. The fair value of the long-term debt is categorized as Level 2 of the fair value hierarchy as it is calculated using the future cash flows (principal and interest) of the outstanding debt instruments, discounted at current market rates available to Edmonton Airports for the same or similar instruments. The fair value of long term debt is determined on an annual basis and the most recent valuation is disclosed in the December 31, 2013 financial statements.

11. COMPARATIVE INFORMATION

Certain comparative figures have been reclassified to conform to the current year's presentation.