



EDMONTON AIRPORTS'

2014 THIRD QUARTER REPORT

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 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 nine months ended September 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 nine months ended September 30, 2014 to the same period last year.

Enplaned and Deplaned Passenger Traffic by Sector*

	Three Months Ended September 30			Three Months Ended June 30			Three Months Ended March 31			Nine Months Ended September 30		
	2014	2013	%	2014	2013	%	2014	2013	%	2014	2013	%
Domestic	1,587,024	1,519,630	4.4%	1,377,365	1,322,237	4.2%	1,228,467	1,180,404	4.1%	4,192,856	4,022,238	4.2%
Transborder	302,891	274,782	10.2%	332,077	292,936	13.4%	382,140	352,452	8.4%	1,017,108	920,170	10.5%
International	76,991	55,908	37.7%	101,214	87,928	4.4%	165,547	155,290	6.6%	343,752	299,126	14.9%
	1,966,906	1,850,320	6.3%	1,810,656	1,703,101	5.8%	1,776,154	1,688,146	5.2%	5,553,716	5,241,534	6.0%
General/Business aviation	256,360	185,382	38.3%	224,950	169,762	32.4%	211,448	163,458	29.4%	692,758	518,602	33.6%
Total	2,223,266	2,035,702	9.2%	2,035,606	1,872,863	8.2%	1,987,602	1,851,604	7.3%	6,246,474	5,760,136	8.4%

*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 September 30		Nine Months Ended September 30	
	2014	2013	2014	2013
	\$	\$	\$	\$
Revenue	55,317	46,391	151,940	135,786
Expenses	26,814	24,703	78,959	71,083
EBITDA*	28,503	21,688	72,981	64,703
EBITDA margin %	51.5%	46.8%	48.0%	47.7%
Depreciation and amortization	16,039	16,120	48,219	46,559
Interest	11,241	11,201	33,583	32,895
Other (gain) loss	45	(289)	3,564	(388)
Net income (loss)	1,178	(5,344)	(12,385)	(14,363)

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

For the three months ended September 30, 2014, we experienced net income of \$1.2 million, which was \$6.5 million higher than the comparative period for the prior year. Edmonton Airports experienced a net income in the third quarter compared to a net loss in previous quarters and an expected net loss in the fourth quarter due to peak passengers in the third quarter and lowest operating expenses. For the nine months ended September 30, 2014, we experienced a net loss of \$12.4 million, which was an increase in net income of \$2.0 million over the comparative period for the prior year.

Revenue

(in thousands)	Three Months Ended September 30			Nine Months Ended September 30		
	2014	2013	Variance	2014	2013	Variance
	\$	\$	\$	\$	\$	\$
Airport improvement fee	24,374	19,144	5,230	62,786	55,685	7,101
Parking and concessions	15,373	13,329	2,044	44,055	39,787	4,268
Airside and general terminal	11,804	10,568	1,236	34,396	31,248	3,148
Police and security	2,519	2,201	318	7,092	6,004	1,088
Real estate leases	1,232	1,125	107	3,535	2,840	695
Other revenue	15	24	(9)	76	222	(146)
	55,317	46,391	8,926	151,940	135,786	16,154

For the three months ended September 30, 2014, we earned revenue of \$55.3 million which was an increase of 19% over the prior year.

For the nine months ended September 30, 2014, we earned revenue of \$151.9 million which was an increase of 12% 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 September 30, 2014, AIF revenue was \$24.4 million, an increase of \$5.2 million (27%), year over year.

For the nine months ended September 30, 2014, AIF revenue was \$62.8 million, an increase of \$7.1 million (13%), 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 increase in the number of departing passengers at the Airport during the period and an increase in the per passenger fee which occurred in the quarter.

Airside and general terminal (AGT)

For the three months ended September 30, 2014, AGT revenue was \$11.8 million, an increase of \$1.2 million (11%), year over year.

For the nine months ended September 30, 2014, AGT revenue was \$34.4 million, an increase of \$3.1 million (10%), 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 September 30, 2014, police and security fee revenue was \$2.5 million, an increase of \$0.3 million (14%), year over year.

For the nine months ended September 30, 2014, police and security fee revenue was \$7.1 million, an increase of \$1.1 million (18%), 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 September 30, 2014, non-aeronautical commercial operations revenue was \$16.6 million, an increase of \$2.1 million (14%), year over year.

For the nine months ended September 30, 2014, non-aeronautical commercial operations revenue was \$47.7 million, an increase of \$4.8 million (11%), year over year.

Parking and Concessions

Revenues from parking and concessions totaled \$15.4 million for the three months ended September 30, 2014. This was an increase of \$2.0 million (15%), year over year.

For the nine months ended September 30, 2014, revenues from parking and concessions totaled \$44.1 million which was an increase of \$4.3 million (11%), 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 September 30, 2014, real estate revenue was \$1.2 million, \$0.1 million (9%) higher than the same period in 2013.

For the nine months ended September 30, 2014, real estate revenue was \$3.5 million, \$0.7 million (24%) higher than the same period in 2013.

This increase was driven by higher industrial land lease revenue.

Expenses

(in thousands)	Three Months Ended			Nine Months Ended		
	September 30			September 30		
	2014	2013	Variance	2014	2013	Variance
	\$	\$	\$	\$	\$	\$
Salaries and employee benefits	7,411	7,546	(135)	22,734	22,351	383
Services, maintenance, supplies and administration	8,098	6,765	1,333	23,752	18,967	4,785
Canada lease rent	4,713	4,215	498	12,949	11,845	1,104
Utilities, insurance and property taxes	2,954	3,139	(185)	9,627	9,430	197
Police and security	2,157	1,889	268	6,080	5,149	931
Airport improvement collection costs	1,481	1,149	332	3,817	3,341	476
	26,814	24,703	2,111	78,959	71,083	7,876

For the three months ended September 30, 2014, expenses were \$26.8 million which was \$2.1 million (9%) higher, year over year.

For the nine months ended September 30, 2014, expenses were \$79.0 million which was \$7.9 million (11%) higher, year over year.

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

Salaries and benefits

For the three months ended September 30, 2014, salaries and benefits expenses were \$7.4 million, a decrease of \$0.1 million (2%), year over year.

For the nine months ended September 30, 2014, salaries and benefits expenses were \$22.7 million, an increase of \$0.4 million (2%), year over year.

Salaries and benefits expenses increased over the nine month period 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 past service cost recognized in 2013 for pension expenses related to plans terminated in 2013.

Services, maintenance, supplies and administration

For the three months ended September 30, 2014, services, maintenance, supplies and administration expenses were \$8.1 million which was \$1.3 million (19%) higher, year over year.

For the nine months ended September 30, 2014, expenses were \$23.8 million which was \$4.8 million (24%) higher, year over year.

Service, maintenance, supplies and administration expenses increased mainly due to increases in administration expenses which 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 September 30, 2014, utilities, insurance and property taxes expenses were \$3.0 million which was \$0.2 million (6%) lower, year over year.

For the nine months ended September 30, 2014, expenses were \$9.6 million which was \$0.2 million (2%) higher, year over year.

This increase in the nine month period was driven by higher insurance premiums and property taxes and higher than expected consumption of water. This increase was offset by a decrease in the consumption of electricity.

Police and security

For the three months ended September 30, 2014, police and security expenses were \$2.2 million which was \$0.3 million (16%) higher, year over year.

For the nine months ended September 30, 2014, expenses were \$6.1 million which was \$0.9 million (18%) 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			Nine Months Ended		
	September 30			September 30		
	2014	2013	Variance	2014	2013	Variance
	\$	\$	\$	\$	\$	\$
Depreciation and amortization	16,039	16,120	(81)	48,219	46,559	1,660
Interest	11,241	11,201	40	33,583	32,895	688
Loss on derecognition of property, plant and equipment	-	-	-	3,572	-	3,572
Other (gain) loss	45	(289)	334	(8)	(388)	380
	27,325	27,032	293	85,366	79,066	6,300

For the three months ended September 30, 2014, other expenses were \$27.3 million which was \$0.3 million (1%) higher, year over year.

For the nine months ended September 30, 2014, other expenses were \$85.4 million which was \$6.3 million (8%) higher, year over year.

This was driven primarily by the one-time loss for the derecognition of the moving walkways in the second quarter of 2014. 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 nine month period as a result of less capitalized interest for the nine months ended September 30, 2014. Interest expense was also higher due to new debt drawn in the period.

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, road paving and curbing installation, construction of storm water pond number two, testing of water mains, and completion of the mechanical and electrical fit out for a new sanitary lift station in the area.

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:

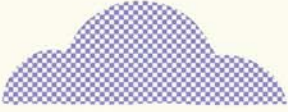
- The Cargo Facility Development project continued and the design for the fit out of the Canada Border Services Agency (CBSA) building for a cargo tenant and flight simulator was completed. Installation of the flight simulator is anticipated to be completed and certified in November.

- The Revitalization of Transborder Check in Area (support Self Tagging) project was completed and opened on April 1.
- The Automated Tag Reader (ATR) Array for Inbound Baggage Racetracks project was ongoing during this period. The installations were completed and the software integrator was testing and configuring the system prior to commissioning during this period.
- The Cargo Commander 60i Main Deck Loader and 20 foot dollies purchased this year were delivered in September and are supporting several cargo flights.
- Construction of the North General Aviation Taxilane Project (Taxilane K) was ongoing during this period. Work also commenced on the connection of Taxilane Kilo to Taxiway Bravo.
- Projects at Villeneuve Airport, including land servicing and the storm water management pond upgrade, were commenced and ongoing during this period. Construction of the water and communications services for new lots was ongoing during this period.
- Construction of the Jet Set parking facility expansion was ongoing this period. Completion of the civil works for the lot is expected in November. The installation of the lighting component for this project is being accelerated from 2015 to the end of 2014.
- The Non Passenger Screening project at Security Bypass #3 within the air terminal building was completed and is in operation. This project provides enhanced screening of non-passengers accessing the secure hold room using X-ray and metal detectors
- The construction of an extension to cargo apron IV was commenced during this period and is ongoing with completion of all civil works this year.
- The New Oversized Belt for CBSA Arrivals project commenced and was ongoing this period. The mechanical installations were completed and work is ongoing configuring the controls.

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:

- The 2014 Runway Rehabilitation project was completed during this period. Milling and repaving of selected section of asphalt on Runway 12/30 and Runway 02/20 were completed. Additional work including the replacement of several sections of poor condition asphalt on Taxiway Bravo was completed due to the risk of asphalt failure over the winter.
- An upgraded lightning detection system was installed to replace the existing Thorguard System. This new detection system as already resulted in less "false" alerts and downtime during to the improved detection algorithm.
- The Parkade (Old Section) Fire Protection Sprinkler Mains replacement project commenced this period and will be completed this year. The new sprinkler mains will provide increased service life and protection capability in the old section of the parkade.
- The Carpet and Flooring Replacement project commenced during this period. This project replaces sections of worn carpet in the passenger hold room with new carpet providing a more durable surface and enhanced ambience. This project will be completed this year.



EDMONTON AIRPORTS'

UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2014



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

	September 30, 2014	December 31, 2013
	\$	\$
Assets		
Current Assets		
Cash and cash equivalents	51,358	28,259
Accounts Receivable	19,742	18,667
Prepaid expenses and other	6,615	3,886
	77,715	50,812
Non-current assets		
Restricted deposits	32,811	32,518
Prepaid expense and lessee receivable	414	457
Property, plant and equipment (note 3)	990,316	1,010,185
Intangible assets (note 4)	1,076	806
	1,102,332	1,094,778
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (note 3(b))	39,789	35,823
Deferred revenue	84	3
Deferred capital contributions	79	-
Obligation under finance lease	22	22
Current portion of post-employment benefits	-	2,407
Current portion of long-term debt (note 5)	19,833	18,688
	59,807	56,943
Non-current liabilities		
Tenants' security deposit	1,631	1,477
Post-employment benefit	4,015	3,553
Long-term debt (note 5)	962,189	945,730
	1,027,642	1,007,703
Contingencies (note 6)		
Commitments (note 6)		
Net Assets	74,690	87,075
	1,102,332	1,094,778

See accompanying notes to interim financial statements.

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

	Three Months Ended		Nine Months Ended	
	September 30		September 30	
	2014	2013	2014	2013
	\$	\$	\$	\$
Revenues				
Airport improvement fee	24,374	19,144	62,786	55,685
Parking and concessions	15,373	13,329	44,055	39,787
Airside and general terminal	11,804	10,568	34,396	31,248
Police and security	2,519	2,201	7,092	6,004
Real estate leases	1,232	1,125	3,535	2,840
Other revenue	15	24	76	222
	55,317	46,391	151,940	135,786
Expenses				
Salaries and employee benefits	7,411	7,546	22,734	22,351
Services, maintenance, supplies and administration	8,098	6,765	23,752	18,967
Canada lease rent	4,713	4,215	12,949	11,845
Utilities, insurance and property taxes	2,954	3,139	9,627	9,430
Police and security	2,157	1,889	6,080	5,149
Airport improvement collection costs	1,481	1,149	3,817	3,341
	26,814	24,703	78,959	71,083
EBITDA	28,503	21,688	72,981	64,703
Other expenses				
Depreciation and amortization	16,039	16,120	48,219	46,559
Interest (note 5 (c))	11,241	11,201	33,583	32,895
Loss on derecognition of property, plant and equipment (note 5(e))	-	-	3,572	-
Other (gain) loss	45	(289)	(8)	(388)
	27,325	27,032	85,366	79,066
Net income (loss) and total comprehensive income (loss) for the period	1,178	(5,344)	(12,385)	(14,363)

See accompanying notes to interim financial statements.

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

	Nine Months Ended September 30	
	2014	2013
	\$	\$
Net assets - Beginning of period	87,075	99,941
Total comprehensive loss for the period	(12,385)	(14,363)
Net assets - End of period	74,690	85,578

See accompanying notes to interim financial statements.

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

	Three Months Ended		Nine Months Ended	
	September 30		September 30	
	2014	2013	2014	2013
	\$	\$	\$	\$
Operating activities				
Net income (loss) for the period	1,178	(5,344)	(12,385)	(14,363)
Adjustments for:				
Depreciation and amortization	16,039	16,120	48,219	46,559
Amortization of borrowing costs	69	67	206	245
(Gain)/loss on foreign exchange	(68)	58	(92)	(61)
(Gain)/loss on disposal of property, plant and equipment and intangibles	115	(347)	3,656	(326)
Post employment benefit expense	895	1,677	2,616	3,455
Finance costs - net	5,858	5,702	27,761	27,164
Post employment benefit contributions	(845)	(1,172)	(4,561)	(6,935)
Changes in working capital:				
Accounts receivable	(2,878)	3,199	(1,075)	1,917
Prepaid expenses and other	602	421	(2,729)	(1,327)
Accounts payable and accrued liabilities	4,001	503	811	(1,124)
Deferred revenue	(84)	(7,806)	81	1,827
Tenants' security deposits	-	41	154	204
	24,882	13,119	62,662	57,235
Interest paid	(1,003)	(621)	(23,303)	(22,732)
Interest received	243	263	682	969
Net cash flows from operating activities	24,122	12,761	40,041	35,472
Cash flows from investing activities				
Lessee receivable	10	12	44	35
Purchase of restricted deposits	(99)	(93)	(293)	(261)
Purchase of property, plant and equipment	(14,857)	(20,333)	(32,307)	(56,406)
Purchase of intangible assets	(139)	(283)	(873)	(475)
Proceeds on disposal of property, plant and equipment	16	4,733	46	4,754
Interest paid capitalized to property, plant and equipment	(357)	(354)	(1,065)	(1,757)
Net cash flows used in investing activities	(15,426)	(16,318)	(34,448)	(54,110)
Cash flows from financing activities				
Repayment of finance lease	(1)	(7)	-	(20)
Repayment of long-term debt	(3,381)	(3,077)	(12,603)	(11,715)
Proceeds from long-term debt	10,000	-	30,000	20,000
Net cash (used in) from financing activities	6,618	(3,084)	17,397	8,265
Effect of exchange rate on cash and cash equivalents at the end of the period	(12)	(42)	109	77
Net increase in cash and cash equivalents	15,302	(6,683)	23,099	(10,296)
Cash and cash equivalents - beginning of period	36,056	72,385	28,259	75,998
Cash and cash equivalents - end of period	51,358	65,702	51,358	65,702

See accompanying notes to interim financial statements.

Notes to the Condensed Interim Financial Statements For the nine months ended September 30, 2014 and 2013 (unaudited, in thousands of dollars)

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 November 6, 2014.

1. 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.

2. 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.

Notes to the Condensed Interim Financial Statements
For the nine months ended September 30, 2014 and 2013
(unaudited, in thousands of dollars)

3. 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	2,317	170	292	579	951	833	(414)	906	-	25,813	31,447
Disposals	(4,573)	-	-	-	(56)	(421)	(20)	(786)	(115)	-	(5,971)
Balance at September 30, 2014	813,034	44,410	122,079	216,503	86,509	23,074	16,982	18,127	-	67,439	1,408,157

Notes to the Condensed Interim Financial Statements
For the nine months ended September 30, 2014 and 2013
(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	28,245	1,422	2,949	7,995	2,907	1,051	873	2,165	8	-	47,615
Disposals	(923)	-	-	-	(56)	(400)	(20)	(769)	(102)	-	(2,270)
Balance at September 30, 2014	211,844	14,534	40,530	78,134	37,579	15,851	11,029	8,340	-	-	417,841
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 September 30, 2014	601,190	29,876	81,549	138,369	48,930	7,223	5,953	9,787	-	67,439	990,316

Notes to the Condensed Interim Financial Statements
For the nine months ended September 30, 2014 and 2013
(unaudited, in thousands of dollars)

- a) At September 30, 2014, \$67,439 (December 31, 2013 - \$41,626) of property, plant and equipment were under construction of which \$65,273 (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 September 30, 2014 is \$13,122 (December 31, 2013 - \$15,125) relating to unpaid capital expenditures.
- c) At September 30, 2014, \$47,615 (September 30, 2013 - \$45,938) of property, plant and equipment depreciation was included in the statements of comprehensive loss.
- d) Property, plant and equipment includes \$1,065 (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 4.82% (December 31, 2013 - 4.86%).
- e) Parts of moving walkways with a net book value of \$3,572, 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 \$3,572 (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 September 30, 2014, \$13,190 has been received from the Province and \$13,111 in costs have been incurred.

Notes to the Condensed Interim Financial Statements
For the nine months ended September 30, 2014 and 2013
(unaudited, in thousands of dollars)

4. 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)
	<hr/>	<hr/>	<hr/>
Balance at December 31, 2013	2,980	44	3,024
	<hr/>	<hr/>	<hr/>
Balance at January 1, 2014	2,980	44	3,024
Additions/transfers	809	65	874
Disposals	-	-	-
	<hr/>	<hr/>	<hr/>
Balance at September 30, 2014	3,789	109	3,898
	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)
	<hr/>	<hr/>	<hr/>
Balance at December 31, 2013	2,218	-	2,218
	<hr/>	<hr/>	<hr/>
Balance at January 1, 2014	2,218	-	2,218
Amortization for the period	604	-	604
Disposals	-	-	-
	<hr/>	<hr/>	<hr/>
Balance at September 30, 2014	2,822	-	2,822
Carrying amounts			
	<hr/>	<hr/>	<hr/>
At December 31, 2013	762	44	806
At September 30, 2014	967	109	1,076
	<hr/>	<hr/>	<hr/>

- a) At September 30, 2014, \$109 (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 September 30, 2014, \$603 (September 30, 2013 - \$621) of intangible asset amortization was charged to the statements of comprehensive loss.

Notes to the Condensed Interim Financial Statements
For the nine months ended September 30, 2014 and 2013
(unaudited, in thousands of dollars)

5. LONG-TERM DEBT

Total long-term outstanding

	2014	2013
	\$	\$
Series A Bond	220,318	222,907
Series C Bond	765,469	745,483
	<u>985,787</u>	<u>968,390</u>
Less: current portion Series A Bond	5,588	5,271
Less: current portion Series C Bond	14,245	13,417
Total current portion	<u>19,833</u>	<u>18,688</u>
Less unamortized transaction costs	3,765	3,972
	<u>962,189</u>	<u>945,730</u>

a) Series A Bond and restricted deposits

			2014	2013
Interest Rate	Semi-annual Instalment	Maturity Date	\$	\$
7.21%	Varying	November 30, 2030	220,318	222,907
			<u>3,765</u>	<u>3,972</u>
Less unamortized transaction costs			216,553	218,935
			<u>5,588</u>	<u>5,271</u>
Less current portion			<u>210,965</u>	<u>213,664</u>

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.

Notes to the Condensed Interim Financial Statements
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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	14,424	14,854
2	4.50%	1,145	March 15, 2027	21,720	22,989
3	5.00%	398	June 15, 2027	7,549	7,754
4	4.89%	395	September 17, 2027	7,529	7,935
5	4.68%	1,552	June 16, 2028	31,600	32,393
6	4.55%	3,068	September 17, 2028	63,011	66,170
7	4.67%	1,245	December 15, 2039	36,913	37,289
8	4.54%	920	March 15, 20407	27,638	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	46,947	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	19,816	-
22	3.36%	266	September 15, 2044	10,000	-
				<u>765,469</u>	<u>745,483</u>
	Less: Current Portion			14,245	13,417
				<u>751,224</u>	<u>732,066</u>

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.

Notes to the Condensed Interim Financial Statements
For the nine months ended September 30, 2014 and 2013
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c) Interest Expense

	Three Months		Nine Months	
	Ended September		Ended September	
	2014	2013	2014	2013
	\$	\$	\$	\$
Interest Expense (Income)				
Series A Bond interest	3,973	4,063	11,982	12,244
Series C Bond interest	7,772	7,696	23,054	22,937
Other interest and financing costs	96	100	294	337
Interest income and other	(243)	(304)	(682)	(866)
	11,598	11,555	34,648	34,652
Less: capitalized interest	357	354	1,065	1,757
	11,241	11,201	33,583	32,895

6. COMMITMENTS AND CONTINGENCIES

a) Commitments

At September 30, 2014, Edmonton Airports had outstanding capital commitments in the amount of \$24,143. (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.

7. 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.

Notes to the Condensed Interim Financial Statements
For the nine months ended September 30, 2014 and 2013
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8. COMPARATIVE INFORMATION

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