



*Edmonton Regional Airports Authority*

*Quarterly Financial Statements  
Unaudited*

*For the Three and Nine Months Ended*

*September 30, 2007*

## 2007 Third Quarter Financial Statements - unaudited



### Commentary

#### *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, 2007 should be read in conjunction with the unaudited consolidated financial statements and related notes contained in this interim report as well as the Management Discussion and Analysis and the audited consolidated financial statements and related notes contained in the 2006 Annual Report.

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

On January 1, 2007, Edmonton Airports changed its accounting policy for the treatment of deferred financing costs. Previously, the cost of the issue of the revenue bond and fixed rate debentures was deferred and amortized to interest expense on a straight-line basis, over the term of the related debt. These costs are now written off as expenses as incurred. This change is a result of the adoption of the accounting standards contained in Section 3855 – Financial Instruments.

Edmonton Airports recorded overall net earnings of \$19.3 million for the nine months ended September 30, 2007, an improvement of \$8.0 million over the 2006 net income of \$11.3 million. The increase in net earnings is primarily the result of increased passenger levels and aircraft movements which contributed to higher airside and general terminal revenues, parking, concession and Airport Improvement Fee (AIF) revenues.

#### *Edmonton International Airport Passenger Volumes*

During the first three quarters of 2007, a total of 4,570,028 enplaning and deplaning passengers used Edmonton International Airport, compared to 3,883,667 passengers for the same period in 2006 representing an increase of 17.7%. By sector, Domestic passengers for the three quarters increased by 14.5% when compared to 2006; while Transborder increased by 19.2%, and International passengers increased by 98.7%.

#### **EDMONTON REGIONAL AIRPORTS AUTHORITY** **Passenger Traffic by Sector**

	Three Months Ended			Nine Months Ended		
	September 30			September 30		
	2007	2006	%	2007	2006	%
Domestic	<b>1,378,934</b>	1,221,260	12.9%	<b>3,738,691</b>	3,266,009	14.5%
Transborder	<b>196,633</b>	170,574	15.3%	<b>594,096</b>	498,278	19.2%
International	<b>56,554</b>	16,458	243.6%	<b>237,241</b>	119,380	98.7%
Total	<b>1,632,121</b>	1,408,292	15.9%	<b>4,570,028</b>	3,883,667	17.7%

2007 Third Quarter Financial Statements - unaudited



Commentary (continued)

**Results of Operations**

The table below shows Edmonton Airports combined operating earnings for the three and nine months ended September 30, 2007 with comparative figures for the same periods in 2006.

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

	Three Months Ended September 30		Nine Months Ended September 30	
	2007	2006	2007	2006
<b>Operating Revenue:</b>				
Airside and general terminal	\$ 9,230	\$ 7,969	\$ 26,530	\$ 22,474
Parking and Car Rentals	6,368	4,953	17,501	14,063
Concession	1,975	1,658	5,626	4,795
Real estate leases	836	915	2,372	2,409
Other revenue	-	14	41	57
	<b>18,409</b>	<b>15,509</b>	<b>52,070</b>	<b>43,798</b>
<b>Operating Expenses:</b>				
Salaries and employee benefits	4,447	3,502	13,556	10,652
Service, maintenance, supplies and administration	3,630	3,507	11,746	10,627
Utilities, insurance and property taxes	1,407	1,372	4,727	4,181
Canada Lease Rent	1,226	1,226	3,677	3,677
	<b>10,710</b>	<b>9,607</b>	<b>33,706</b>	<b>29,137</b>
<b>Operating Earnings</b>	<b>\$ 7,699</b>	<b>\$ 5,902</b>	<b>\$ 18,364</b>	<b>\$ 14,661</b>

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

**Operating Revenue**

Operating revenue for the nine months ended September 30, 2007 was \$52.1 million compared to \$43.8 million for the corresponding period in 2006 (18.9%). The 2007 operating revenue was higher due to increased passenger and aircraft activity. The activity increase in passenger levels and aircraft movements contributed to higher airside and general terminal, parking, and concession revenues.

## 2007 Third Quarter Financial Statements - unaudited



### Commentary (continued)

#### ***Operating Expenses***

Operating expenses for the nine months ended September 30, 2007 were \$33.7 million compared to \$29.1 million for the corresponding period in 2006 (15.8%).

Personnel costs for the nine month period were \$2.9 million (27.3%) higher than 2006. This increase results from the addition of personnel in the third quarter as a result of a reorganization, an increase in wages for management and out-of-scope personnel implemented late in 2006 as a result of a compensation review, and the 3% wage increase for unionized personnel effective January 1, 2007.

Service, maintenance, supplies and administration expenses were \$1.1 million (10.5%) higher than 2006. The increase was due primarily to higher contracted service costs from changes in service scope due to increased passenger traffic and increases in contracted employee compensation levels in an effort to retain staff. There was an increase in material and supply expenses mainly in higher fuel costs. There was an increase in equipment rental costs for portable lighting in a remote parking lot and for the rental of a new runway sweeper which was being tested before acquisition. An increase in professional fees results from higher external marketing consulting support and higher audit and accounting fees. There was a recovery in the quarter of the Canada 3000 bad debt write-off from 2001 which resulted in lower bad debts expense in 2007. There were increased marketing incentives for new scheduled air service.

Utilities, insurance and property taxes were higher due to increased property taxes as a result of higher property market values and natural gas and electricity costs were higher in 2007 reflecting higher consumption during 2007.

#### ***Operating Earnings***

Operating earnings for the nine months ended September 30, 2007 was \$18.4 million, an increase of \$3.7 million over last year's operating earnings of \$14.7 million (25.2%). The increase is primarily the result of greater operating revenues from increased activity which was partially offset by higher wages, contracted services, maintenance and supplies, bad debt provisions, advertising and professional fees, property taxes and utilities.

#### ***Net Earnings***

There were net earnings of \$19.3 million for the nine months ended September 30, 2007 an increase of \$8.0 million (70.8%) compared to net earnings of \$11.3 million for the same period in 2006. This improvement is the result of the increase in Operating Earnings as noted above, increased Capital Contribution revenue (\$0.8 million) which is included in Other Revenue, lower net interest expense due to greater interest earned on higher cash balances, plus an increase in Net AIF revenues (AIF revenues less AIF collection costs) as a result of the increased passenger volumes.

#### ***Capital Plan Financing***

The approved 2007 Capital Plan originally identified approximately \$86.3 million in projects for all airports. The Board has subsequently identified an additional \$25.3 million in projects, bringing the total for 2007 to \$111.6 million. For the nine months ended September 30, 2007, Edmonton Airports has approved capital projects totaling approximately \$102.6 million. The major projects are \$42.0 million for parkade expansion, \$33.5 million for taxiway, apron expansion and roadway rehabilitation, \$11.1 million for land development including cargo area expansion, \$3.2 million for storm water system improvements, \$2.6 million for common use terminal equipment, \$1.1 million for terminal and baggage systems enhancements, \$1.0 million for hotel ground modifications, \$2.6 million for various pieces for equipment and \$5.1 million for various other minor works. During 2007 Edmonton

Airports has issued, as part of its credit agreement with the Alberta Capital Finance Authority, three debentures totaling \$50.0 million as part of its financing for these projects (see Note 8 to these Financial Statements).

***Long-term Capital Expansion***

Subsequent to the quarter end, the Board of Directors approved a long-term capital expansion program that would see the airport expand capacity from 6 million to 9 million passengers annually. Financing of this program is yet to be arranged and detailed design and costing is in progress.

**EDMONTON REGIONAL AIRPORTS AUTHORITY**  
**Statements of Financial Position (000's of Dollars)**  
**Unaudited**



*At September 30, 2007 with comparative figures at December 31, 2006*

	September 30 2007	December 31 2006
<b>Assets</b>		
Current assets:		
Cash in interest bearing accounts	\$ 32,501	\$ 31,822
Short-term investments [note 3]	53,611	16,647
Accounts receivable [note 5 and 6]	11,515	9,796
Consumable inventory	906	845
Prepaid expenses and other	1,858	1,078
	<b>100,391</b>	<b>60,188</b>
Interest bearing deposits	11,297	10,959
Deferred financing costs	-	5,470
Deferred pension asset	4,436	2,688
Loan receivable [note 6]	520	608
Property, plant and equipment [note 7]	340,269	302,614
	<b>\$ 456,913</b>	<b>\$ 382,527</b>
<b>Liabilities</b>		
Current liabilities:		
Accounts payable and accrued liabilities [note 7(b)]	\$ 27,770	\$ 15,033
Current portion of long-term debt [note 8]	2,845	2,538
Current portion of deferred revenue	1,132	1,162
Current portion of obligations under capital lease	27	45
	<b>31,774</b>	<b>18,778</b>
Tenants' security deposits	979	886
Deferred revenue	14,288	14,897
Long-term benefits payable	2,120	1,945
Long-term debt [note 8]	310,701	262,727
Obligations under capital lease	-	25
	<b>359,862</b>	<b>299,258</b>
<b>Equity in property, plant and equipment</b>		
Contributed capital	3,805	3,805
Equity in property, plant and equipment	93,246	79,464
	<b>97,051</b>	<b>83,269</b>
Contingencies [note 13]		
	<b>\$ 456,913</b>	<b>\$ 382,527</b>

**EDMONTON REGIONAL AIRPORTS AUTHORITY**  
**Statements of Net Earnings and**  
**Equity in Property, plant and equipment (000's of Dollars)**  
**Unaudited**



*For the Three and Nine Months Ended September 30, 2007 with comparative figures for 2006*

	Three Months Ended September 30		Nine Months Ended September 30	
	2007	2006	2007	2006
<b>Revenue:</b>				
Airport improvement fee [note 5 (b), 9]	\$ 11,053	\$ 8,911	\$ 29,124	\$ 24,672
Airside and general terminal [note 5 (b)]	9,230	7,969	26,530	22,474
Parking and Car Rentals	6,368	4,953	17,501	14,063
Concession	1,975	1,658	5,626	4,795
Police and security	1,390	1,149	3,962	3,801
Real estate leases	836	915	2,372	2,409
Other revenue	168	14	810	57
	<b>31,020</b>	<b>25,569</b>	<b>85,925</b>	<b>72,271</b>
<b>Expenses:</b>				
Amortization	5,069	4,754	14,854	13,997
Interest [note 2, 11]	4,251	4,201	12,423	12,847
Salaries and employee benefits [note 10]	4,447	3,502	13,556	10,652
Service, maintenance, supplies and administration	3,630	3,507	11,746	10,627
Utilities, insurance and property taxes	1,407	1,372	4,727	4,181
Police and security	1,379	1,100	3,791	3,639
Canada Lease Rent	1,226	1,226	3,677	3,677
Airport improvement fee collection costs	696	533	1,779	1,474
	<b>22,105</b>	<b>20,195</b>	<b>66,553</b>	<b>61,094</b>
<b>Earnings before the undernoted</b>	<b>8,915</b>	<b>\$ 5,374</b>	<b>19,372</b>	<b>\$ 11,177</b>
Other Gains (losses)	(57)	(13)	(120)	160
<b>Net earnings</b>	<b>8,858</b>	<b>5,361</b>	<b>19,252</b>	<b>11,337</b>
Equity in property, plant and equipment, beginning of period, as previously reported	84,388	71,931	79,464	65,955
Change in accounting policy for the amortization of deferred borrowing costs on long-term debt [note 2]	-	-	(5,470)	-
Equity in property, plant and equipment, beginning of period, as restated	84,388	71,931	73,994	65,955
<b>Equity in property, plant and equipment, end of period</b>	<b>\$ 93,246</b>	<b>\$ 77,292</b>	<b>\$ 93,246</b>	<b>\$ 77,292</b>

**EDMONTON REGIONAL AIRPORTS AUTHORITY**  
**Statements of Cash Flows (000's of Dollars)**  
**Unaudited**



*For the Three and Nine Months Ended September 30, 2007 with comparative figures for 2006*

	Three Months Ended September 30		Nine Months Ended September 30	
	2007	2006	2007	2006
<b>Cash provided by (used in):</b>				
Operations:				
Cash receipts from customers	\$ 29,748	\$ 25,575	\$ 83,565	\$ 73,642
Cash paid to employees and suppliers	(6,930)	(5,197)	(32,398)	(27,224)
Cash paid to the Landlord	(1,226)	(1,226)	(3,826)	(3,677)
Interest received	1,025	481	2,862	1,174
Interest paid	(5,277)	(4,682)	(15,286)	(14,021)
	<b>17,340</b>	<b>14,951</b>	<b>34,917</b>	<b>29,894</b>
Financing:				
Deferred pension charge	(1,402)	(692)	(1,748)	(692)
Increase (repayment of) in tenants' security deposits	80	(310)	93	(411)
Principal payment under capital lease obligation	-	(35)	(43)	(95)
Increase in (repayment of) long-term debt	9,530	-	48,281	(759)
	<b>8,208</b>	<b>(974)</b>	<b>46,583</b>	<b>(1,769)</b>
Investments:				
Sale (purchase) of short-term investments	9,073	-	(36,964)	-
Purchase of interest bearing deposits	(119)	(126)	(338)	(338)
Loan repayments	30	(51)	88	(22)
Purchase of property, plant and equipment	(26,374)	(5,084)	(43,607)	(11,661)
	<b>(17,390)</b>	<b>(5,261)</b>	<b>(80,821)</b>	<b>(11,845)</b>
Net increase (decrease) in cash	\$ 8,158	\$ 8,716	\$ 679	\$ 16,280
Cash in interest bearing accounts, beginning of period	24,343	19,249	31,822	19,249
Cash in interest bearing accounts, end of period	\$ 32,501	\$ 27,965	\$ 32,501	\$ 35,529

**Notes to Interim Financial Statements (000's of Dollars)**  
**Unaudited**  
For the Three and Nine Months ended September 30, 2007 and 2006



**1. Interim Financial Statements**

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

**2. Significant Accounting Policies**

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

On January 1, 2007 Edmonton Airports adopted new or amended CICA accounting standards in Section 3855 – Financial Instruments – Recognition and Measurement, Section 3861 – Financial Instruments – Disclosure and presentation, and Section 3865 – Hedging.

Edmonton Airports has changed its accounting policy for the treatment of deferred financing costs effective January 1, 2007. Previously, the cost of the issue of the revenue bond and fixed rate debentures was deferred and amortized to interest expense on a straight-line basis, over the term of the related debt. They are now written off as expenses as incurred. This change is a result of the adoption of the accounting standards contained in Section 3855 – Financial Instruments. This change in accounting policy has been applied retrospectively, and the comparative statements for 2006 have not been restated. The effects resulting from the change in accounting policy is indicated below. The opening balance of Equity in property, plant and equipment in 2007 has been reduced by \$5,470, which is the amount of the adjustment relating to periods prior to 2007.

**Effect on 2006**

(Decrease) in interest expense	\$ (188)
Increase in net earnings	\$ 188

There were no other changes to the statements of financial position, net earnings and equity in property, plant and equipment and cash flows from adopting the new standards.

**3. Short-term Investments**

During the nine months ended September 30, 2007, Edmonton Airports invested \$36,964 (2006 - \$Nil) of excess funds received from the issuance of additional debentures (see Note 8) that were not immediately required to pay for on-going capital infrastructure expenditures. These short-term investments will be redeemed within the next year to meet future infrastructure expenditure requirements.

**4. Lease Agreements**

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

**Notes to Interim Financial Statements (000's of Dollars)**  
**Unaudited**  
For the Three and Nine Months ended September 30, 2007 and 2006



**5. Accounts Receivable**

(a) Credit risk:

Edmonton Airports is subject to credit risk, primarily with respect to amounts due from airlines.

(b) Dominant customer risk:

Edmonton Airports derives approximately 64% of its airside and general terminal and AIF revenue from two airlines.

**6. Loan Receivable**

At September 30, 2007, Edmonton Airports had \$636 (December 31, 2006 – \$720) in leasehold improvement loans to three tenants. The current portion of \$116 (December 31, 2006 – \$112) is included in accounts receivable. The loans are unsecured and have the following terms:

<b>Loan Date</b>	<b>Loan Term (months)</b>	<b>Interest Rate</b>	<b>Outstanding Principal</b>
1-Jan-05	96	2.90%	\$ 364
30-Sep-06	120	7.50%	62
20-Oct-06	60	6.00%	210
			<b>\$ 636</b>

**7. Property, Plant and Equipment**

	<b>September 30 2007</b>	<b>December 31 2006</b>
Terminal and facilities	\$ 447,643	\$ 397,587
Machinery and equipment	23,562	21,162
Office equipment under capital lease	535	535
	<b>471,740</b>	419,284
Less accumulated amortization	<b>(131,471)</b>	(116,670)
	<b>\$ 340,269</b>	\$ 302,614

(a) At September 30, 2007, \$44,167 (December 31, 2006 - \$4,045) 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, 2007 is \$11,910 (December 31, 2006 - \$3,008) relating to unpaid capital expenditures.

(c) During the three months ended September 30, 2007 \$5,069 (2006 - \$4,754) and during the nine months ended September 30, 2007, \$14,854 (2006 - \$13,997) of amortization was charged to the Statements of Net Earnings and Equity in Property, plant and equipment.

## Notes to Interim Financial Statements (000's of Dollars)

### Unaudited

For the Three and Nine Months ended September 30, 2007 and 2006



#### 8. Long-term Debt

During the nine months ended September 30, 2007 Edmonton Airports received funds from an additional three fixed rate loans under its Credit Agreement with the Alberta Capital Finance Authority. The funds are to be used for on-going Airport Infrastructure Expenditures at the International Airport.

	<b>September 30 2007</b>
Long-term debt December 31, 2006	\$ 265,265
4.5010% Fixed Rate Debenture, Series C payable in semi-annual payments of principal and interest of \$1,145 commencing September 15, 2007 until March 15, 2027.	30,000
5.0000% Fixed Rate Debenture, Series C payable in semi-annual payments of principal and interest of \$398 commencing December 15, 2007 until June 15, 2027.	10,000
4.8935 % Fixed Rate Debenture, Series C payable in semi-annual payments of principal and interest of \$395 commencing March 17, 2008 until September 17, 2027.	10,000
	<b>315,265</b>
Less: Principal payments made in 2007	1,719
	<b>313,546</b>
Less: Current portion	2,845
	<b>\$ 310,701</b>

#### 9. Airport Improvement Fee ("AIF")

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

	<b>September 30 2007</b>	September 30 2006
Cumulative AIF revenues	\$ 219,560	\$ 175,617
Cumulative expenditures	<b>(456,561)</b>	(393,435)
	<b>\$ (237,001)</b>	\$ (217,818)

**Notes to Interim Financial Statements (000's of Dollars)**  
**Unaudited**  
For the Three and Nine Months ended September 30, 2007 and 2006



**10. Benefit Plan Expense**

	<b>Three Months Ended September 30</b>			
	<b>Pension Plan</b>	<b>SERP</b>	<b>Long-term Benefit Plan</b>	<b>Total</b>
Current service cost	\$ 273	\$ 27	\$ 10	\$ 310
Interest cost	248	3	18	269
Expected return on plan assets	(56)	-	-	(56)
Amortization of transitional surplus	(42)	-	-	(42)
Amortization of actuarial gain (loss)	46	-	-	46
<b>Net benefit plan expense included in salaries and employee benefits expense 2007</b>	<b>\$ 469</b>	<b>\$ 30</b>	<b>\$ 28</b>	<b>\$ 527</b>
<b>Net benefit plan expense included in salaries and employee benefits expense 2006</b>	<b>\$ 372</b>	<b>\$ 27</b>	<b>\$ 71</b>	<b>\$ 470</b>

  

	<b>Nine Months Ended September 30</b>			
	<b>Pension Plan</b>	<b>SERP</b>	<b>Long-term Benefit Plan</b>	<b>Total</b>
Current service cost	\$ 818	\$ 82	\$ 60	\$ 960
Interest cost	744	9	54	807
Expected return on plan assets	(921)	-	-	(921)
Amortization of transitional surplus	(125)	-	-	(125)
Amortization of actuarial gain (loss)	137	-	(19)	118
<b>Net benefit plan expense included in salaries and employee benefits expense 2007</b>	<b>\$ 653</b>	<b>\$ 91</b>	<b>\$ 95</b>	<b>\$ 839</b>
<b>Net benefit plan expense included in salaries and employee benefits expense 2006</b>	<b>\$ 520</b>	<b>\$ 53</b>	<b>\$ 131</b>	<b>\$ 704</b>

## Notes to Interim Financial Statements (000's of Dollars)

### Unaudited

For the Three and Nine Months ended September 30, 2007 and 2006



#### 11. Interest Expense

	Three Months Ended		Nine Months Ended	
	September 30		September 30	
	2007	2006	2007	2006
Interest on long-term debt	\$ 5,126	\$ 4,500	\$ 14,803	\$ 13,528
Other interest and financing costs	150	182	482	493
Interest income and other	(1,025)	(481)	(2,862)	(1,174)
	4,251	4,201	12,423	12,847
Less: capitalized interest	-	-	-	-
	\$ 4,251	\$ 4,201	\$ 12,423	\$ 12,847

Edmonton Airports is in compliance with all of its debt covenants.

#### 12. Passenger Volume Seasonality

Passenger volume, comprised of the total number of enplaned and deplaned passengers, is the main driver of certain of the Airport's revenue streams. These include Airside and General Terminal, Parking and Car Rental, Concession, AIF, and Police and Security revenues. The following table outlines the seasonality component of passenger traffic at the Edmonton International Airport and compares 2007 actual for January through September to the same period last year.

##### Edmonton International Airport Comparison of Actual Passenger Traffic for 2007 and 2006

Month	Actual 2007	Actual 2006	Variance	%
January (restated)	466,873	394,565	72,308	18.3%
February (restated)	461,090	389,702	71,388	18.3%
March (restated)	505,501	431,679	73,822	17.1%
<b>First Quarter</b>	<b>1,433,464</b>	<b>1,215,946</b>	<b>217,518</b>	<b>17.9%</b>
April	492,517	414,620	77,897	18.8%
May	503,977	428,987	74,990	17.5%
June	507,949	415,822	92,127	22.2%
<b>Second Quarter</b>	<b>1,504,443</b>	<b>1,259,429</b>	<b>245,014</b>	<b>19.5%</b>
<b>Year To Date</b>	<b>2,937,907</b>	<b>2,475,375</b>	<b>462,532</b>	<b>18.7%</b>
July	550,570	467,435	83,135	17.8%
August	595,045	508,207	86,838	17.1%
September	486,506	432,650	53,856	12.4%
<b>Third Quarter</b>	<b>1,632,121</b>	<b>1,408,292</b>	<b>223,829</b>	<b>15.9%</b>
<b>Year To Date</b>	<b>4,570,028</b>	<b>3,883,667</b>	<b>686,361</b>	<b>17.7%</b>
October		439,733		
November		419,695		
December		470,112		
<b>Fourth Quarter</b>		<b>1,329,540</b>		
<b>Total</b>		<b>5,213,207</b>		



**13. Contingencies**

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