



Edmonton Regional Airports Authority

*Quarterly Financial Statements
Unaudited*

For the Three Months Ended

March 31, 2007

2007 First 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 three months ended March 31, 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 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. They are now written off as expenses as incurred. This change is a requirement resulting from the adoption of the accounting standards contained in Section 3855 – Financial Instruments.

Edmonton Airports recorded overall net earnings of \$5.6 million for the three months ended March 31, 2007, an improvement of \$3.4 million over the 2006 net income of \$2.2 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. The increased revenues helped to offset the increases in operating expenses, AIF collection costs and amortization.

The approved 2007 Capital Plan identified approximately \$86.3 million in projects for all airports. For the three months ended March 31, 2007, Edmonton Airports has approved capital projects totaling approximately \$11.3 million, the most significant of which are \$2.6 million for common use terminal equipment, \$2.5 million for paving projects, \$1.1 million for terminal and baggage systems enhancements, \$1.1 million for the apron expansion and land development strategy, \$0.3 million for roadway rehabilitation, and \$0.3 million for a grader.

Edmonton International Airport Passenger Volumes

During the first quarter of 2007, a total of 1,441,643 enplaning and deplaning passengers used Edmonton International Airport, compared to 1,215,946 passengers for the same period in 2006 representing an increase of 18.6%. By sector, Domestic passengers for the quarter increased by 14.4% when compared to 2006; while Transborder increased by 27.3%, and International passengers increased by 55.2%.

EDMONTON REGIONAL AIRPORTS AUTHORITY Passenger Traffic by Sector

	Three Months Ended		
	31-Mar		
	2007	2006	%
Domestic	1,119,468	978,759	14.4%
Transborder	209,635	164,694	27.3%
International	112,540	72,493	55.2%
Total	1,441,643	1,215,946	18.6%

2007 First Quarter Financial Statements - unaudited



Commentary (continued)

Results of Operations

The table below shows Edmonton Airports combined operating earnings for the three months ended March 31, 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 March 31	
	2007	2006
Operating Revenue:		
Airside and general terminal	\$ 8,729	\$ 7,249
Parking and Car Rentals	5,458	4,454
Concession	1,745	1,526
Real estate leases	765	731
Other revenue	14	15
	16,711	13,975
Operating Expenses:		
Salaries and employee benefits	3,995	3,654
Service, maintenance, supplies and administration	3,780	3,564
Utilities, insurance and property taxes	1,510	1,549
Canada Lease Rent	1,226	1,188
	10,511	9,955
Operating Earnings	\$ 6,200	\$ 4,020

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 Revenues

Operating revenues for the three months ended March 31, 2007 were \$16.7 million compared to \$14.0 million for the corresponding period in 2006 (19.6%). 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 First Quarter Financial Statements - unaudited



Commentary (continued)

Operating Expenses

Operating expenses for the three months ended March 31, 2007 were \$10.5 million compared to \$10.0 million for the corresponding period in 2006 (5.0%). Personnel costs for the quarter were \$0.3 million (8.1%) higher than 2006. This increase results from a negotiated 3% wage increase for the General Bargaining Unit personnel effective January 1, 2007 and the increase in wages for Management and Out-of-scope personnel implemented late in 2006. Service, maintenance, supplies and administration expenses were \$0.2 million (5.5%) higher than 2006. The increase was due primarily to additional bad debt provisions related to two smaller air carriers who are experiencing cash flow difficulties. Canada Lease rent is slightly higher than 2006 due to the transition provisions of the revised rent agreement.

Operating Earnings

Operating earnings for the three months ended March 31, 2007 were \$6.2 million, an increase of \$2.2 million over last years' operating earnings of \$4.0 million (55.0%). The increase is primarily the result of increased operating revenues as a result of increase activity which was partially offset by higher wages and bad debt provisions.

Net Earnings

There were net earnings of \$5.6 million for the three months ended March 31, 2007 an increase of \$3.3 million (143.5%) compared to net earnings of \$2.3 million for the same period in 2006. This improvement is the result of the increase in Operating Earnings as noted above, 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.

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



At March 31, 2007 with comparative figures at December 31, 2006

	March 31 2007	December 31 2006
Assets		
Current assets:		
Cash in interest bearing accounts	\$ 44,320	\$ 31,822
Short-term investments	42,031	16,647
Accounts receivable [note 4 and 5]	11,053	9,796
Consumable inventory	878	845
Prepaid expenses and other	1,359	1,078
	99,641	60,188
Interest bearing deposits	11,067	10,959
Deferred financing costs	-	5,470
Deferred pension asset	3,034	2,688
Loan receivable [note 5]	579	608
Property, plant and equipment [note 6]	306,398	302,614
	\$ 420,719	\$ 382,527
Liabilities		
Current liabilities:		
Accounts payable and accrued liabilities [note 6 (b)]	\$ 23,178	\$ 15,033
Current portion of long-term debt	2,538	2,538
Current portion of deferred revenue	1,175	1,162
Current portion of obligations under capital lease	48	45
	26,939	18,778
Tenants' security deposits	892	886
Deferred revenue	14,748	14,897
Long-term benefits payable	1,970	1,945
Long-term debt	292,727	262,727
Obligations under capital lease	2	25
	337,278	299,258
Equity in property, plant and equipment		
Contributed capital	3,805	3,805
Equity in property, plant and equipment	79,636	79,464
	83,441	83,269
Contingencies [note 11]		
	\$ 420,719	\$ 382,527

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



For the Three Months Ended March 31, 2007 with comparative figures for 2006

	Three Months Ended March 31	
	2007	2006
Revenue:		
Airport improvement fee [note 4 (b), 7]	\$ 8,460	\$ 7,545
Airside and general terminal [note 4 (b)]	8,729	7,249
Parking and Car Rentals	5,458	4,454
Concession	1,745	1,526
Police and security	1,273	1,315
Real estate leases	765	731
Other revenue	339	15
	26,769	22,835
Expenses:		
Amortization	4,850	4,624
Interest [note 2, 9]	4,015	4,353
Salaries and employee benefits [note 8]	3,995	3,654
Service, maintenance, supplies and administration	3,780	3,564
Utilities, insurance and property taxes	1,510	1,549
Police and security	1,232	1,253
Canada Lease Rent	1,226	1,188
Airport improvement fee collection costs	509	430
	21,117	20,615
Earnings before the undernoted	5,652	2,220
Other Gains (losses)	(10)	6
Net earnings	5,642	2,226
Equity in property, plant and equipment, beginning of period, as previously reported	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	73,994	65,955
Equity in property, plant and equipment, end of period	\$ 79,636	\$ 68,181

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



For the Three Months Ended March 31, 2007 with comparative figures for 2006

	Three Months Ended March 31	
	2007	2006
Cash provided by (used in):		
Operations:		
Cash receipts from customers	\$ 25,376	\$ 24,176
Cash paid to employees and suppliers	(4,371)	(5,738)
Cash paid to the Landlord	(1,205)	(1,189)
Interest received	770	316
Interest paid	(4,785)	(4,669)
	15,785	12,896
Financing:		
Deferred financing costs	-	63
Deferred pension charge	(346)	-
Increase (repayment of) in tenants' security deposits	6	(111)
Principal payment under capital lease obligation	(20)	(33)
Increase in long-term debt	30,000	-
	29,640	(81)
Investments:		
Purchase of short-term investments	(25,384)	-
Purchase of interest bearing deposits	(108)	(97)
Loan repayments	29	14
Purchase of property, plant and equipment	(7,464)	(5,207)
	(32,927)	(5,290)
Net increase in cash	12,498	7,525
Cash in interest bearing accounts, beginning of period	31,822	11,685
Cash in interest bearing accounts, end of period	\$ 44,320	\$ 19,210

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

Unaudited

For the Three Months ended March 31, 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 requirement resulting from 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	\$	(63)
Increase in net earnings	\$	63

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

3. Lease Agreements

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

4. 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 58% of its airside and general terminal and AIF revenue from two airlines.

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

Unaudited

For the Three Months ended March 31, 2007 and 2006



5. Loan Receivable

At March 31, 2007, Edmonton Airports had \$692 (December 31, 2006 – \$720) in leasehold improvement loans to three tenants. The current portion of \$113 (December 31, 2006 – \$112) is included in accounts receivable. The loans are unsecured and have the following terms:

Loan Date	Loan Term (months)	Interest Rate	Outstanding Principal
1-Jan-05	96	2.90%	\$ 395
30-Sep-06	120	7.50%	65
20-Oct-06	60	6.00%	232
			\$ 692

6. Property, Plant and Equipment

	March 31 2007	December 31 2006
Terminal and facilities	\$ 405,842	\$ 397,587
Machinery and equipment	21,541	21,162
Office equipment under capital lease	535	535
	427,918	419,284
Less accumulated amortization	(121,520)	(116,670)
	\$ 306,398	\$ 302,614

- (a) At March 31, 2007, \$10,595 (December 31, 2006 - \$4,045) of property, plant, and equipment were under construction and not yet subject to amortization.
- (b) Included in accounts payable and accrued liabilities at March 31, 2006 is \$4,374 (December 31, 2006 - \$3,008) relating to unpaid capital expenditures.
- (c) During the three months ended March 31, 2007, \$4,850 (2006 - \$4,624) of capital asset 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 Months ended March 31, 2007 and 2006



7. Airport Improvement Fee ("AIF")

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

	March 31 2007	March 31 2006
Cumulative AIF revenues	\$ 200,166	\$ 167,912
Cumulative expenditures	(412,534)	(388,838)
	\$ (212,368)	\$ (220,926)

8. Benefit Plan Expense

	Three Months Ended March 31			
	Pension Plan	SERP	Long-term Benefit Plan	Total
Current service cost	\$ 273	\$ 27	\$ 42	\$ 342
Interest cost	248	3	18	269
Expected return on plan assets	(249)	-	-	(249)
Amortization of transitional surplus	(42)	-	-	(42)
Amortization of actuarial gain (loss)	46	-	-	46
Net benefit plan expense included in salaries and benefits expense 2007	\$ 276	\$ 30	\$ 60	\$ 366
Net benefit plan expense included in salaries and benefits expense 2006	\$ 222	\$ 27	\$ 60	\$ 309

9. Interest Expense

	Three Months Ended March 31	
	2007	2006
Bond interest	\$ 4,407	\$ 4,438
Debenture Interest	215	-
Other interest and financing costs	-	63
Interest income and other	(607)	(22)
	4,015	4,353
Less: capitalized interest	-	-
	\$ 4,015	\$ 4,353

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

Unaudited

For the Three Months ended March 31, 2007 and 2006



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

10. 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 Concession, AIF, and Police and Security revenues. Table 1 outlines the seasonality component of passenger traffic at the Edmonton International Airport and compares 2007 actual for January through March to the same period last year.

Month	Actual 2007	Actual 2006	Variance	%
January	466,783	394,565	72,218	18.3%
February	461,014	389,702	71,312	18.3%
March	513,846	431,679	82,167	19.0%
First Quarter	1,441,643	1,215,946	225,697	18.6%
April		414,620		
May		428,987		
June		415,822		
Second Quarter	-	1,259,429		
July		467,435		
August		508,207		
September		432,650		
Third Quarter	-	1,408,292		
October		439,733		
November		419,695		
December		470,112		
Fourth Quarter		1,329,540		
Total		5,213,207		

11. Contingencies

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