

EDMONTON INTERNATIONAL AIRPORT

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Edmonton Airports

Unaudited Quarterly Interim Financial Statements

For the Three and Six Months Ended June 30th, 2008

2008 Second Quarter Financial Statements - unaudited

Commentary

1. INTRODUCTION

The following commentary and analysis of the operating results and financial position of the Edmonton Regional Airports Authority (Edmonton Airports) for the six months ended June 30, 2008 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 2007 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, 2008, Edmonton Airports adopted the new or amended accounting standards for Section 1535 - Capital Disclosure, Section 3031 - Inventory and Section 3862 - Financial Instrument Disclosures and Section 3863 - Financial Instrument Presentation.

Edmonton Airports' recorded overall net earnings of \$8.4 million for the six months ended June 30, 2008, a decrease of \$2.0 million over the 2007 net earnings of \$10.4 million. Edmonton Airports continued the trend of positive revenue growth driven by an increase in parking revenues and passenger volumes. The increase in revenue is offset by the increase in salaries and benefits, interest, repairs and maintenance, utilities, administration and amortization expense.

2. EDMONTON INTERNATIONAL AIRPORT PASSENGER VOLUMES

During the first two quarters of 2008, a total of 3,144,369 enplaning and deplaning passengers used Edmonton International Airport, compared to 2,937,907 passengers for the same period in 2007 representing an increase of 7%. By sector, Domestic passengers for the two quarters increased by 4.4% when compared to 2007; while Transborder increased by 14%, and International passengers increased by 26.6%.

EDMONTON AIRPORTS Passenger Traffic by Sector

	Three Months Ended			Six Months Ended		
	June 30			June 30		
	2008	2007	%	2008	2007	%
Domestic	1,294,012	1,248,468	3.6%	2,462,593	2,359,757	4.4%
Transborder	221,104	187,721	17.8%	453,523	397,790	14.0%
International	71,837	68,254	5.2%	228,253	180,360	26.6%
Total	1,586,953	1,504,443	5.5%	3,144,369	2,937,907	7.0%

Comparable passenger traffic figures have been adjusted from the previous interim financial report.

2008 SECOND QUARTER FINANCIAL STATEMENTS - UNAUDITED

Commentary (continued)

3. RESULTS OF OPERATIONS

The table below shows Edmonton Airports combined operating earnings for the three and six months ended June 30, 2008 with comparative figures for the same periods in 2007.

EDMONTON AIRPORTS

Statement of Operating Earnings (000's of dollars)

Unaudited

	Three Months Ended June 30		Six Months Ended June 30	
	2008	2007	2008	2007
Operating revenue:				
Airside and general terminal	\$ 9,327	\$ 8,571	\$ 18,934	\$ 17,300
Parking and car rentals	7,615	5,675	15,148	11,133
Concession	1,873	1,906	3,856	3,651
Real estate leases	852	771	1,687	1,536
Other revenue	16	27	31	41
	19,683	16,950	39,656	33,661
Operating expenses:				
Salaries and employee benefits	6,306	5,114	11,180	9,109
Service, maintenance, supplies and administration	6,048	4,336	10,924	8,116
Utilities, insurance and property taxes	1,984	1,810	4,033	3,320
Canada lease rent	1,226	1,225	2,452	2,451
	15,564	12,485	28,589	22,996
Operating earnings	\$ 4,119	\$ 4,465	\$ 11,067	\$ 10,665

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.

3.1. Operating Revenues

Operating revenues for the six months ended June 30, 2008 were \$39.7 million compared to \$33.7 million for the corresponding period in 2007 (17.8%). The operating revenues continue to increase as a result of an increase in parking revenues. The increase in parking revenues is the result of the additional parking capacity and rate increases implemented in June (20%) and December (10%) of 2007. The remaining increase in operating revenue pertains to the increase in activity from passenger levels and aircraft movements.

2008 SECOND QUARTER FINANCIAL STATEMENTS - UNAUDITED

Commentary (continued)

3.2. Operating Expenses

Operating expenses for the six months ended June 30, 2008 were \$28.6 million compared to \$23.0 million for the corresponding period in 2007 (24.3%). Personnel costs increased by \$2.1 million (22.7%) higher than 2007. This increase is the result of the increase in the number of full time employees as well as a negotiated 4% wage increase for the General Bargaining Unit personnel effective January 1, 2008 and the similar increase in wages for Management and Out-of-scope personnel. Service, maintenance, supplies and administration expenses were \$2.8 million (34.6%) higher in comparison to 2007. The increase expenditures resulted from an increase in costs related to the new Brand roll-out for Edmonton Airports and the expected increases in materials and supplies, repairs and maintenance and professional fees of \$2.7 million. Utilities, property taxes and insurance increases of \$0.7 million are due to the expected increases in utility costs and the property tax assessment at the International Airport.

3.3. Operating Earnings

Operating earnings for the six months ended June 30, 2008 were \$11.1 million, an increase of \$0.4 million over last years' operating earnings of \$10.7 million (3.8%). The continued positive revenue growth was offset by increases in personnel costs, material and supplies, repairs and maintenance, branding costs, professional fees, utility and property taxes.

3.4. Net Earnings

The net earnings of \$8.4 million for the six months ended June 30, 2008 represent a decrease of \$2.0 million (-19.3%) compared to net earnings of \$10.4 million for the same period in 2007. The increases in operating earnings are offset by the increase in amortization expense due to the completion and commencement of amortization on capital projects and an increase in interest expense as capital expansion continues.

4. GENERAL CAPITAL PLAN

The approved 2008 Capital Plan is approximately \$13.3 million in projects for all airports. To date \$4.1 million has been spent on all projects. The major project expenditures include; \$0.2 million for the project development fund, \$0.2 million for Information Technology related upgrades.

5. FACILITY EXPANSION PLAN

The Board approved Facility Capital Expansion Plan for 2008 is approximately \$202.4 million for all airports. For the six months ended June 30, 2008 a total of \$28.3 million has been spent on all projects. The major projects are \$10.0 million for parking lot and parkade expansion, \$16.0 million for taxiway, apron expansion and roadway rehabilitation, and \$2.3 million for terminal expansion and improvement.

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

At June 30, 2008 with comparative figures at December 31, 2007

	June 30 2008	December 31 2007
Assets		
Current assets:		
Cash in interest bearing accounts	\$ 7,639	\$ 17,255
Short-term investments	69,808	34,118
Accounts receivable [note 6 and 7]	14,140	12,164
Consumable inventory	874	838
Prepaid expenses and other	2,833	1,438
	95,294	65,813
Interest bearing deposits	11,605	11,417
Deferred pension asset	4,807	4,196
Lessee receivable [note 7]	430	490
Property, plant and equipment [note 8]	391,669	373,173
	\$ 503,805	\$ 455,089
Liabilities		
Current liabilities:		
Accounts payable and accrued liabilities [note 8 (b)]	\$ 24,833	\$ 22,101
Current portion of long-term debt [note 11]	6,024	4,529
Current portion of deferred revenue	1,219	1,186
Current portion of obligations under capital leases	25	25
	32,101	27,841
Tenants' security deposits	959	996
Deferred revenue	13,754	14,108
Long-term benefits payable	2,534	2,345
Long-term debt [note 11]	343,852	307,579
	393,200	352,869
Equity in property, plant and equipment		
Contributed capital	3,805	3,805
Equity in property, plant and equipment	106,800	98,415
	110,605	102,220
Contingencies [note 14]		
	\$ 503,805	\$ 455,089

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

For the Six Months Ended June 30, 2008 with comparative figures for 2007

	Three Months Ended		Six Months Ended	
	June 30		June 30	
	2008	2007	2008	2007
Revenue:				
Airport improvement fee [note 6 (b), 9]	\$ 9,895	\$ 9,611	\$ 19,684	\$ 18,071
Airside and general terminal [note 6 (b)]	9,327	8,571	18,934	17,300
Parking and car rentals	7,615	5,675	15,148	11,133
Concession	1,873	1,906	3,856	3,651
Police and security	1,444	1,299	2,839	2,572
Real estate leases	852	771	1,687	1,536
Other revenue	283	303	566	642
	31,289	28,136	62,714	54,905
Expenses:				
Amortization	6,393	4,935	12,603	9,785
Interest [note 13]	4,676	4,157	9,259	8,172
Salaries and employee benefits [note 10]	6,306	5,114	11,180	9,109
Service, maintenance, supplies and administration	6,048	4,336	10,924	8,116
Utilities, insurance and property taxes	1,984	1,810	4,033	3,320
Police and security	1,375	1,180	2,704	2,412
Canada lease rent	1,226	1,225	2,452	2,451
Airport improvement fee collection costs	595	574	1,187	1,083
	28,603	23,331	54,342	44,448
Earnings before the undernoted	2,686	4,805	8,372	10,457
Other gains (losses)	(35)	(53)	13	(63)
Net earnings and comprehensive income	2,651	4,752	8,385	10,394
Equity in property, plant and equipment, beginning of period,	104,149	79,636	98,415	73,994
Equity in property, plant and equipment, end of period	\$106,800	\$ 84,388	\$106,800	\$ 84,388

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

For the Six Months Ended June 30, 2008 with comparative figures for 2007

	Three Months Ended		Six Months Ended	
	June 30		June 30	
	2008	2007	2008	2007
Cash provided by (used in):				
Operations:				
Cash receipts from customers	\$ 29,904	\$ 28,446	\$ 60,416	\$ 53,822
Cash paid to employees and suppliers	(24,130)	(20,982)	(31,168)	(25,353)
Cash paid to the landlord	(1,226)	(1,395)	(2,534)	(2,600)
Interest received	607	1,067	1,328	1,837
Interest paid	(5,283)	(5,224)	(10,587)	(10,009)
	(128)	1,912	17,455	17,697
Financing:				
Deferred pension charge	(611)	-	(611)	(346)
Increase (repayment of) in tenants' security deposits	(30)	7	(37)	13
Principal payment under capital lease obligation	-	(23)	-	(43)
Increase in long-term debt	38,399	8,751	37,768	38,751
	37,758	8,735	37,120	38,375
Investments:				
Net purchase of short-term investments	(32,304)	(20,652)	(35,690)	(46,036)
Net purchase of interest bearing deposits	(83)	(111)	(188)	(219)
Loan repayments	30	29	60	58
Purchase of property, plant and equipment	(11,320)	(9,890)	(28,411)	(17,354)
Proceeds on disposal of capital assets	38	-	38	-
	(43,639)	(30,624)	(64,191)	(63,551)
Net decrease in cash	(6,009)	(19,977)	(9,616)	(7,479)
Cash in interest bearing accounts, beginning of period	13,648	44,320	17,255	31,822
Cash in interest bearing accounts, end of period	\$ 7,639	\$ 24,343	\$ 7,639	\$ 24,343

Notes to 2nd Quarter 2008 Interim Financial Statements

(000's of dollars unless otherwise stated)

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.

As disclosed in the December 31, 2007 annual audited Financial Statements, on January 1, 2008, the Company adopted the following Canadian Institute of Chartered Accountants ("CICA") Handbook Sections:

"Capital Disclosures", Section 1535. The new standard requires Edmonton Airports to disclose its objectives, policies and processes for managing its capital structure (See Note 3).

"Financial Instruments – Presentation", Section 3863 and "Financial Instruments – Disclosures", Section 3862. The new disclosure standard increases disclosure requirements regarding the nature and extent of the risks associated with financial instruments and how those risks are managed. The new presentation standard carries forward the former presentation requirements.

"Inventories", Section 3031. The new standard replaces the previous inventories standard and requires inventory to be valued on a first-in, first-out or weighted average basis, which is consistent with Edmonton Airports' former accounting policy. The new standard allows the reversal of previous write-downs to net realizable value when there is a subsequent increase in the value of inventories. The adoption of this standard has had no material impact on Edmonton Airports' Financial Statements.

Future Accounting Changes

The following new accounting recommendations are in addition to those future accounting changes disclosed in the December 31, 2007 financial statements.

The CICA has issued new accounting recommendations for goodwill and intangible assets which establish standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets (including internally developed intangible assets). These recommendations are effective for Edmonton Airports beginning January 1, 2009. Goodwill and intangible assets that are not assets as defined by GAAP will be derecognized and charged to the equity of Edmonton Airports at that date. Edmonton Airports is presently evaluating the impact of the standard, but does not expect the adoption of these standards to have a material impact on its financial position and net earnings.

3. CAPITAL MANAGEMENT

Edmonton Airports is incorporated without share capital under provisions of the Regional Airport Airports Authority Act (Alberta) and, as such, all earnings are retained and reinvested in airport operations and development. Edmonton Airports manages contributed capital and equity in property, plant and equipment as capital. Edmonton Airports' objective when managing capital is to safeguard the entity's ability to operate and manage the airport in a safe and secure fashion.

Edmonton Airports sets the amount of capital in proportion to risk and its ability to operate the airport in conjunction with its stated purpose. Edmonton Airports manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, Edmonton Airports may adjust rates and fees related to airport operations or the airport improvement fee or by adjusting its capital project plans to what it can afford.

Notes to 2nd Quarter 2008 Interim Financial Statements

(000's of dollars unless otherwise stated)

3. CAPITAL MANAGEMENT (CONTINUED)

During the second quarter of 2008, the Edmonton Airports' strategy, which was unchanged from 2007, was to maintain the Debt Service Coverage Ratio, Gross Debt Service Coverage Ratio and Interest Coverage Ratio. Edmonton Airports maintained its credit rating in order to secure access to financing at a reasonable cost.

As at June 30th, 2008, Edmonton Airports' was in compliance with the restrictions imposed on capital.

4. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

Edmonton Airport's Board of Directors ("Board") is responsible for understanding the principal risks of the business in which the Edmonton Airports is engaged, achieving a proper balance between risks incurred and the purpose of the Edmonton Airports, and confirming that there are systems in place that effectively monitor and manage those risks with a view to the long-term viability of the Edmonton Airports. The Board has established the Audit Committee, which reviews significant financial risks associated with future performance, growth and lost opportunities identified by management that could materially affect Edmonton Airport's ability to achieve its strategic or operational targets. The Board is responsible for confirming that management has procedures in place to mitigate identified risks.

Credit risk

For cash, short term investments and accounts receivable, credit risk represents the carrying amount on the balance sheet. Cash and short term investments credit risk is reduced by investing in instruments issued by credit worthy financial institutions and in federal and provincial government issued short term instruments. Accounts receivable credit risk is reduced by requirement of letters of credit, customer credit evaluations and, the ability to recover an estimate for doubtful accounts through approved customer rates.

Derivative credit risk arises from the possibility that a counter party to a contract fails to perform according to the terms and conditions of that contract. Derivative credit risk is minimized by dealing with credit-worthy counterparties in accordance with established credit approval policies.

The maximum exposure to credit risk is the carrying value of loans and receivables on the balance sheet. Edmonton Airports has a concentration of credit risk with two airlines. In management's opinion the Canadian airlines are large and credit-worthy counterparties.

Accounts receivable are non-interest bearing and are generally due in 30 to 90 days. At March 31, 2008, the provision for impairment of accounts receivable was \$1.3 million; this provision has increased by \$0.2 million from March 31, 2007 (\$0.2 million from December 31, 2007).

At June 30, 2008, the aging analysis of trade receivables that are past due but not impaired is as follows:

	June 30	
		2008
30 to 90 days	\$	5,365
Greater than 90 days		1,560
	\$	6,925

No other impairments have been identified within accounts receivable.

Notes to 2nd Quarter 2008 Interim Financial Statements
(000's of dollars unless otherwise stated)

4. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (CONTINUED)

Liquidity risk

Liquidity risk is the risk that Edmonton Airports will not be able to meet its obligations associated with financial liabilities. Funds generated by operations provide a substantial portion of Edmonton Airport's cash requirements. Additional cash requirements are met externally through bank borrowings and debenture issuances. Bank loans and debenture issuances are used under available credit lines to provide flexibility in the timing and amounts of long term financing. Edmonton Airports has a policy not to invest any of its cash balances in asset backed securities; consequently, the recent turmoil in the asset-backed commercial paper market has had no impact on Edmonton Airports. Contractual obligations have not changed substantially from those disclosed in Edmonton Airport's December 31, 2007 financial statements.

5. 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.

6. 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 61% of its airside and general terminal and AIF revenue from two airlines.

7. LESSEE RECEIVABLE

At March 31, 2008, Edmonton Airports had \$550 (December 31, 2007 – \$607) in leasehold improvement loans to three tenants. The current portion of \$120 (December 31, 2007 – \$117) is included in accounts receivable. The loans are unsecured and have the following terms:

Loan Date	Loan Term (months)	Interest Rate	Outstanding Principal
January 1, 2005	96	2.90%	\$ 315
September 30, 2006	120	7.50%	59
October 20, 2006	60	6.00%	176
			\$ 550

Notes to 2nd Quarter 2008 Interim Financial Statements

(000's of dollars unless otherwise stated)

8. PROPERTY, PLANT AND EQUIPMENT

	June 30	December 31
	2008	2007
Terminal and facilities	\$ 515,436	\$ 485,338
Machinery and equipment	24,309	23,312
Office equipment under capital lease	535	535
	540,280	509,185
Less accumulated amortization	(148,611)	(136,012)
	\$ 391,669	\$ 373,173

- (a) At June 30, 2008, \$24,904 (December 31, 2007 - \$43,426) of property, plant, and equipment were under construction and not yet subject to amortization.
- (b) Included in accounts payable and accrued liabilities at June 30, 2008 is \$12,723 (December 31, 2007 - \$9,965) relating to unpaid capital expenditures.

9. 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.

	June 30	
	2008	2007
Cumulative AIF revenues	\$ 247,637	\$ 209,203
Cumulative expenditures	(527,061)	(427,630)
	\$ (279,424)	\$ (218,427)

Notes to 2nd Quarter 2008 Interim Financial Statements

(000's of dollars unless otherwise stated)

10. BENEFIT PLAN EXPENSE

	Three Months Ended June 30			
	Pension Plan	SERP	Long-term Benefit Plan	Total
Current service cost	\$ 345	\$ 47	\$ 44	\$ 436
Interest cost	280	11	15	306
Expected return on plan assets	(139)	-	-	(139)
Amortization of actuarial gain (loss)	55	4	(4)	55
Net benefit plan expense included in salaries and benefits expense 2008	\$ 541	\$ 62	\$ 55	\$ 658
Net benefit plan expense included in salaries and benefits expense 2007	\$ 469	\$ 30	\$ 72	\$ 572

	Six Months Ended June 30			
	Pension Plan	SERP	Long-term Benefit Plan	Total
Current service cost	\$ 690	\$ 94	\$ 88	\$ 872
Interest cost	560	18	35	613
Expected return on plan assets	(480)	-	-	(480)
Amortization of actuarial gain (loss)	110	8	(8)	110
Net benefit plan expense included in salaries and benefits expense 2008	\$ 880	\$ 120	\$ 115	\$ 1,115
Net benefit plan expense included in salaries and benefits expense 2007	\$ 653	\$ 61	\$ 145	\$ 859

Notes to 2nd Quarter 2008 Interim Financial Statements
(000's of dollars unless otherwise stated)

11. LONG TERM DEBT

During the six months ended June 30, 2008 Edmonton Airports received funds from an additional fixed rate loan 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.

	June 30 2008	December 31 2007
7.21% Revenue Bond, Series A payable in semi-annual instalments and maturing November 1, 2030	\$ 242,254	\$ 243,370
4.37% Fixed Rate Debenture, Series C payable in semi-annual payments of principal and interest of \$755 and maturing December 15, 2026	19,025	19,357
4.50% Fixed Rate Debenture, Series C payable in semi-annual payments of principal and interest of \$1,145 and maturing March 15, 2027	29,048	29,530
5.00% Fixed Rate Debenture, Series C payable in semi-annual payments of principal and interest of \$398 and maturing June 15, 2027	9,699	9,851
4.89% Fixed Rate Debenture, Series C payable in semi-annual payments of principal and interest of \$395 and maturing September 15, 2027	9,850	10,000
4.68% Fixed Rate Debenture, Series C payable in semi-annual payments of principal and interest of \$1,552 and maturing June 16, 2028	40,000	-
	349,876	312,108
Less: Current Portion	6,024	4,529
	\$ 343,852	\$ 307,579

Notes to 2nd Quarter 2008 Interim Financial Statements
(000's of dollars unless otherwise stated)

12. INTEREST EXPENSE

	Three Months Ended		Six Months Ended	
	June 30		June 30	
	2008	2007	2008	2007
Bond interest	\$ 4,376	\$ 4,440	\$ 8,765	\$ 8,847
Debenture Interest	780	615	1,567	830
Other interest and financing costs	145	169	311	332
Interest income and other	(607)	(1,067)	(1,328)	(1,837)
	4,694	4,157	9,315	8,172
Less: capitalized interest	(18)	-	(56)	-
	\$ 4,676	\$ 4,157	\$ 9,259	\$ 8,172

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

13. 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. The following table outlines the seasonality component of passenger traffic at the Edmonton International Airport and compares 2008 actual for January through June to the same period last year.

Month	Actual 2008	Actual 2007	Variance	%
January	502,166	466,873	35,293	7.6%
February	508,349	461,090	47,259	10.2%
March	546,901	505,501	41,400	8.2%
First Quarter	1,557,416	1,433,464	123,952	8.6%
April	518,527	492,517	26,010	5.3%
May	533,766	503,977	29,789	5.9%
June	534,660	507,949	26,711	5.3%
Second Quarter	1,586,953	1,504,443	82,510	5.5%
July		550,570		
August		595,047		
September		486,504		
Third Quarter	-	1,632,121		
October		500,821		
November		485,466		
December		508,802		
Fourth Quarter		1,495,089		
Total		6,065,117		

Notes to 2nd Quarter 2008 Interim Financial Statements

(000's of dollars unless otherwise stated)

14. CONTINGENCIES

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