



Edmonton Regional Airports Authority

*Quarterly Financial Statements
Unaudited*

For the Three and Six Months Ended

June 30, 2007

2007 Second 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 six months ended June 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 \$10.4 million for the six months ended June 30, 2007, an improvement of \$4.4 million over the 2006 net income of \$6.0 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 two quarters of 2007, a total of 2,937,907 enplaning and deplaning passengers used Edmonton International Airport, compared to 2,475,375 passengers for the same period in 2006 representing an increase of 18.7%. By sector, Domestic passengers for the two quarters increased by 15.4% when compared to 2006; while Transborder increased by 21.3%, and International passengers increased by 75.6%.

	Three Months Ended			Six Months Ended		
	June 30			June 30		
	2007	2006	%	2007	2006	%
Domestic	1,248,468	1,063,605	17.4%	2,359,757	2,044,749	15.4%
Transborder	187,721	163,010	15.2%	397,463	327,704	21.3%
International	68,254	30,429	124.3%	180,687	102,922	75.6%
Total	1,504,443	1,257,044	19.7%	2,937,907	2,475,375	18.7%

2007 Second Quarter Financial Statements - unaudited



Commentary (continued)

Results of Operations

The table below shows Edmonton Airports combined operating earnings for the three and six months ended June 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 June 30		Six Months Ended June 30	
	2007	2006	2007	2006
Operating Revenue:				
Airside and general terminal	\$ 8,571	\$ 7,256	\$ 17,300	\$ 14,505
Parking and Car Rentals	5,675	4,656	11,133	9,110
Concession	1,906	1,611	3,651	3,137
Real estate leases	771	764	1,536	1,494
Other revenue	27	28	41	43
	16,950	14,315	33,661	28,289
Operating Expenses:				
Salaries and employee benefits	5,114	3,496	9,109	7,150
Service, maintenance, supplies and administration	4,336	3,556	8,116	7,120
Utilities, insurance and property taxes	1,810	1,260	3,320	2,809
Canada Lease Rent	1,225	1,263	2,451	2,451
	12,485	9,575	22,996	19,530
Operating Earnings	\$ 4,465	\$ 4,740	\$ 10,665	\$ 8,759

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 six months ended June 30, 2007 were \$33.7 million compared to \$28.3 million for the corresponding period in 2006 (19.1%). 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 Second Quarter Financial Statements - unaudited



Commentary (continued)

Operating Expenses

Operating expenses for the six months ended June 30, 2007 were \$23.0 million compared to \$19.5 million for the corresponding period in 2006 (17.9%).

Personnel costs for the quarter were \$2.0 million (27.9%) higher than 2006. This increase results from an increase in wages for management and out-of-scope personnel implemented late in 2006 as a result of a compensation review (\$1.8 million) and the 3% wage increase for unionized personnel effective January 1, 2007 (\$0.2 million)..

Service, maintenance, supplies and administration expenses were \$1.0 million (14.0%) higher than 2006. The increase was due primarily to higher contracted service costs from increases in service scope due to increased passenger traffic and increases in salary levels in an effort to retain staff. There was an increase in material and supply costs mainly in higher fuel costs. There was additional bad debt provisions in 2007 related to two smaller air carriers one of whom is in receivership and the other which is experiencing cash flow difficulties. There were increased marketing consulting costs and increased advertising and 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 six months ended June 30, 2007 were \$10.7 million, an increase of \$1.9 million over last year's operating earnings of \$8.8 million (21.6%). The increase is primarily the result of greater operating revenues from increased activity which was partially offset by higher wages, maintenance and supplies, bad debt provisions, advertising and professional fees, property taxes and utilities.

Net Earnings

There were net earnings of \$10.4 million for the six months ended June 30, 2007 an increase of \$4.4 million (73.3%) compared to net earnings of \$6.0 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 (\$0.6 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 six months ended June 30, 2007, Edmonton Airports has approved capital projects totaling approximately \$98.2 million. The major projects are \$42.0 million for parkade expansion, \$33.5 million for taxiway, apron expansion and roadway rehabilitation, \$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 and \$1.2 million for various pieces for equipment. During 2007 Edmonton Airports has issued, as part of its credit agreement with the Alberta Capital Finance Authority, two debentures totaling \$40.0 million as part of its financing for these projects (see Note 7 to these Financial Statements).

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



At June 30, 2007 with comparative figures at December 31, 2006

	June 30 2007	December 31 2006
Assets		
Current assets:		
Cash in interest bearing accounts	\$ 24,343	\$ 31,822
Short-term investments	62,684	16,647
Accounts receivable [note 4 and 5]	10,368	9,796
Consumable inventory	910	845
Prepaid expenses and other	1,928	1,078
	100,233	60,188
Interest bearing deposits	11,178	10,959
Deferred financing costs	-	5,470
Deferred pension asset	3,034	2,688
Loan receivable [note 5]	550	608
Property, plant and equipment [note 6]	315,274	302,614
	\$ 430,269	\$ 382,527
Liabilities		
Current liabilities:		
Accounts payable and accrued liabilities [note 6 (b)]	\$ 19,462	\$ 15,033
Current portion of long-term debt [note 7]	2,060	2,538
Current portion of deferred revenue	1,175	1,162
Current portion of obligations under capital lease	27	45
	22,724	18,778
Tenants' security deposits	899	886
Deferred revenue	14,374	14,897
Long-term benefits payable	2,123	1,945
Long-term debt [note 7]	301,956	262,727
Obligations under capital lease	-	25
	342,076	299,258
Equity in property, plant and equipment		
Contributed capital	3,805	3,805
Equity in property, plant and equipment	84,388	79,464
	88,193	83,269
Contingencies [note 12]		
	\$ 430,269	\$ 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 and Six Months Ended June 30, 2007 with comparative figures for 2006

	Three Months Ended June 30		Six Months Ended June 30	
	2007	2006	2007	2006
Revenue:				
Airport improvement fee [note 4 (b), 8]	\$ 9,611	\$ 8,216	\$ 18,071	\$ 15,761
Airside and general terminal [note 4 (b)]	8,571	7,256	17,300	14,505
Parking and Car Rentals	5,675	4,656	11,133	9,110
Concession	1,906	1,611	3,651	3,137
Police and security	1,299	1,337	2,572	2,652
Real estate leases	771	763	1,536	1,494
Other revenue	303	28	642	43
	28,136	23,867	54,905	46,702
Expenses:				
Amortization	4,935	4,619	9,785	9,243
Interest [note 2, 10]	4,157	4,293	8,172	8,646
Salaries and employee benefits [note 9]	5,114	3,496	9,109	7,150
Service, maintenance, supplies and administration	4,336	3,556	8,116	7,120
Utilities, insurance and property taxes	1,810	1,260	3,320	2,809
Police and security	1,180	1,286	2,412	2,539
Canada Lease Rent	1,225	1,263	2,451	2,451
Airport improvement fee collection costs	574	511	1,083	941
	23,331	20,284	44,448	40,899
Earnings before the undernoted	4,805	\$ 3,583	\$ 10,457	\$ 5,803
Other Gains (losses)	(53)	167	(63)	173
Net earnings	4,752	3,750	10,394	5,976
Equity in property, plant and equipment, beginning of period, as previously reported	79,636	68,181	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	79,636	68,181	73,994	65,955
Equity in property, plant and equipment, end of period	\$ 84,388	\$ 71,931	\$ 84,388	\$ 71,931

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



For the Three and Six Months Ended June 30, 2007 with comparative figures for 2006

	Three Months Ended June 30		Six Months Ended June 30	
	2007	2006	2007	2006
Cash provided by (used in):				
Operations:				
Cash receipts from customers	\$ 28,446	\$ 23,891	\$ 53,822	\$ 48,067
Cash paid to employees and suppliers	(20,982)	(16,289)	(25,353)	(22,027)
Cash paid to the Landlord	(1,395)	(1,262)	(2,600)	(2,451)
Interest received	1,067	377	1,837	693
Interest paid	(5,224)	(4,670)	(10,009)	(9,339)
	1,912	2,047	17,697	14,943
Financing:				
Deferred pension charge	-	-	(346)	-
Increase (repayment of) in tenants' security deposits	7	10	13	(101)
Principal payment under capital lease obligation	(23)	(27)	(43)	(60)
Increase in (repayment of) long-term debt	8,751	(759)	38,751	(759)
	8,735	(714)	38,375	(795)
Investments:				
Purchase of short-term investments	(20,652)	-	(46,036)	-
Purchase of interest bearing deposits	(111)	(115)	(219)	(212)
Loan repayments	29	15	58	29
Purchase of property, plant and equipment	(9,890)	(1,370)	(17,354)	(6,577)
	(30,624)	(1,294)	(63,551)	(6,584)
Net increase in cash	(19,977)	39	(7,479)	7,564
Cash in interest bearing accounts, beginning of period	44,320	19,210	31,822	11,685
Cash in interest bearing accounts, end of period	24,343	19,249	24,343	\$ 19,249

Notes to Interim Financial Statements (000's of Dollars)
Unaudited
For the Three and Six Months ended June 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	\$ (125)
Increase in net earnings	\$ 125

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. 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 61% 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 and Six Months ended June 30, 2007 and 2006



5. Loan Receivable

At June 30, 2007, Edmonton Airports had \$664 (December 31, 2006 – \$720) in leasehold improvement loans to three tenants. The current portion of \$114 (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	
01-Jan-05	96	2.90%	\$	380
30-Sep-06	120	7.50%		63
20-Oct-06	60	6.00%		221
			\$	664

6. Property, Plant and Equipment

	June 30 2007	December 31 2006
Terminal and facilities	\$ 418,907	\$ 397,587
Machinery and equipment	22,287	21,162
Office equipment under capital lease	535	535
	441,729	419,284
Less accumulated amortization	(126,455)	(116,670)
	\$ 315,274	\$ 302,614

- (a) At June 30, 2007, \$22,279 (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 June 30, 2007 is \$8,220 (December 31, 2006 - \$3,008) relating to unpaid capital expenditures.
- (c) During the six months ended June 30, 2007, \$9,785 (2006 - \$9,243) 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 Six Months ended June 30, 2007 and 2006



7. Long-term Debt

During the six months ended June 30, 2007 Edmonton Airports received funds from an additional two 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.

	June 30 2007
Long-term debt December 31, 2006	\$ 265,265
4.501% 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
5.000% 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
	305,265
Less: Principal payments made in 2007	1,249
	304,016
Less: Current portion	2,060
	\$ 301,956

8. 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 2007	June 30 2006
Cumulative AIF revenues	\$ 209,203	\$ 175,617
Cumulative expenditures	(427,630)	(393,435)
	\$ (218,427)	\$ (217,818)

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



9. Benefit Plan Expense

	Three Months Ended June 30			
	Pension Plan	SERP	Long-term Benefit Plan	Total
Current service cost	\$ 273	\$ 27	\$ 55	\$ 355
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
Net benefit plan expense included in salaries and employee benefits expense 2007	\$ 469	\$ 30	\$ 73	\$ 572
Net benefit plan expense included in salaries and employee benefits expense 2006	\$ 372	\$ 27	\$ 71	\$ 470

	Six Months Ended June 30			
	Pension Plan	SERP	Long-term Benefit Plan	Total
Current service cost	\$ 546	\$ 55	\$ 104	\$ 732
Interest cost	496	6	36	807
Expected return on plan assets	(645)	(30)	-	(675)
Amortization of transitional surplus	(83)	-	-	(83)
Amortization of actuarial gain (loss)	91	-	(13)	78
Net benefit plan expense included in salaries and employee benefits expense 2007	\$ 653	\$ 61	\$ 145	\$ 859
Net benefit plan expense included in salaries and employee benefits expense 2006	\$ 520	\$ 53	\$ 131	\$ 704

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



10. Interest Expense

	Three Months Ended		Six Months Ended	
	June 30		June 30	
	2007	2006	2007	2006
Bond interest	\$ 4,440	\$ 4,590	\$ 8,847	\$ 9,028
Debenture Interest	615	-	830	-
Other interest and financing costs	332	248	332	311
Interest income and other	(1,230)	(545)	(1,837)	(693)
	4,157	4,293	8,172	8,646
Less: capitalized interest	-	-	-	-
	\$ 4,157	\$ 4,293	\$ 8,172	\$ 8,646

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

11. 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, 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 June to the same period last year.

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%
First Quarter	1,433,464	1,215,946	217,518	17.9%
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%
Second Quarter	1,504,443	1,259,429	245,014	19.5%
Year To Date	2,937,907	2,475,375	462,532	18.7%
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		

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

Unaudited

For the Three and Six Months ended June 30, 2007 and 2006



12. Contingencies

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