Edmonton AIRPORTS

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

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**
Operating Revenue:				
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
	18,409	15,509	52,070	43,798
Operating Expenses:				
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
	10,710	9,607	33,706	29,137
Operating Earnings	**$ 7,699**	$ 5,902	$ 18,364	$ 14,661

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.

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 parkling lot and for the rental of a new runway sweeper which was being tested before acquistion. 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
Assets				
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
		100,391		60,188
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
	$	**456,913**	$	382,527
Liabilities				
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
		31,774		18,778
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
		359,862		299,258
Equity in property, plant and equipment				
Contributed capital		**3,805**		3,805
Equity in property, plant and equipment		**93,246**		79,464
		97,051		83,269
Contingencies [note 13]				
	$	**456,913**	$	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 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**
Revenue:				
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
	31,020	25,569	**85,925**	72,271
Expenses:				
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
	22,105	20,195	**66,553**	61,094
Earnings before the undernoted	**8,915**	$ 5,374	**19,372**	$ 11,177
Other Gains (losses)	**(57)**	(13)	**(120)**	160
Net earnings	**8,858**	5,361	**19,252**	11,337
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
Equity in property, plant and equipment, end of period	**$ 93,246**	$ 77,292	**$ 93,246**	$ 77,292

See accompanying notes to interim financial statements

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**
Cash provided by (used in):				
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)
	17,340	14,951	**34,917**	29,894
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)
	8,208	(974)	**46,583**	(1,769)
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)
	(17,390)	(5,261)	**(80,821)**	(11,845)
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

See accompanying notes to interim financial statements

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.

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:

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

7. Property, Plant and Equipment

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

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.

			September 30 2007
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
			315,265
	Less: Principal payments made in 2007		1,719
			313,546
	Less: Current portion		2,845
		$	**310,701**

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.

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

10. Benefit Plan Expense

	Three Months Ended September 30			
	Pension Plan	SERP	Long-term Benefit Plan	Total
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
Net benefit plan expense included in salaries and employee benefits expense 2007	**$ 469**	**$ 30**	**$ 28**	**$ 527**
Net benefit plan expense included in salaries and employee benefits expense 2006	**$ 372**	**$ 27**	**$ 71**	**$ 470**

	Nine Months Ended September 30			
	Pension Plan	SERP	Long-term Benefit Plan	Total
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
Net benefit plan expense included in salaries and employee benefits expense 2007	**$ 653**	**$ 91**	**$ 95**	**$ 839**
Net benefit plan expense included in salaries and employee benefits expense 2006	**$ 520**	**$ 53**	**$ 131**	**$ 704**

11. Interest Expense

	Three Months Ended September 30		Nine Months Ended 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%
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	**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%
Third Quarter	**1,632,121**	**1,408,292**	**223,829**	**15.9%**
Year To Date	***4,570,028***	***3,883,667***	***686,361***	**17.7%**
October		439,733		
November		419,695		
December		470,112		
Fourth Quarter		**1,329,540**		
Total		**5,213,207**		

13. Contingencies

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