Edmonton Regional Airports Authority

Quarterly Financial Statements
Unaudited

For the Three Months Ended

March 31, 2008

2008 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, 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 $5.7 million for the three months ended March 31, 2008, an improvement of $0.1 million over the 2007 net earnings of $5.6 million. The overall change in net earnings is due to an increase in operating earnings of $0.7 million (11.3%) compared to 2007 which is offset by an increase in interest and amortization expense resulting in the overall $0.1 million increase in net earnings.

Edmonton International Airport Passenger Volumes

During the first quarter of 2008, a total of 1,557,416 enplaning and deplaning passengers used Edmonton International Airport, compared to 1,433,464 passengers for the same period in 2007 representing an increase of 8.6%. By sector, Domestic passengers for the quarter increased by 5.2% when compared to 2007; while Transborder increased by 10.6%, and International passengers increased by 39.5%.

EDMONTON REGIONAL AIRPORTS AUTHORITY
Passenger Traffic by Sector

	Three Months Ended March 31		
	2008	**2007**	**%**
Domestic	**1,168,581**	1,111,289	5.2%
Transborder	**232,419**	210,069	10.6%
International	**156,416**	112,106	39.5%
Total	**1,557,416**	1,433,464	8.6%

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

Results of Operations

The table below shows Edmonton Airports combined operating earnings for the three months ended March 31, 2008 with comparative figures for the same periods in 2007.

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

	Three Months Ended March 31	
	2008	**2007**
Operating Revenue:		
Airside and general terminal	**$ 9,607**	$ 8,729
Parking and Car Rentals	**7,533**	5,458
Concession	**1,983**	1,745
Real estate leases	**835**	765
Other revenue	**15**	14
	19,973	16,711
Operating Expenses:		
Salaries and employee benefits	**4,874**	3,995
Service, maintenance, supplies and administration	**4,876**	3,780
Utilities, insurance and property taxes	**2,049**	1,510
Canada Lease Rent	**1,226**	1,226
	13,025	10,511
Operating Earnings	**$ 6,948**	$ 6,200

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, 2008 were $20.0 million compared to $16.7 million for the corresponding period in 2007 (19.8%). The 2008 operating revenue increased largely due to the increase in parking revenues which 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.

Operating Expenses

Operating expenses for the three months ended March 31, 2008 were $13.0 million compared to $10.5 million for the corresponding period in 2007 (24.0%). Personnel costs for the quarter were $0.9 million (22.0%) 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 $1.1 million (29.0%) higher in comparison to 2007. The overall increase is due to the expected increases in materials and supplies, repairs and maintenance and professional fees. Utilities, property taxes and insurance increases are due to the expected increases in utility costs and the property tax assessment at the International Airport.

Operating Earnings

Operating earnings for the three months ended March 31, 2008 were $6.9 million, an increase of $0.7 million over last years' operating earnings of $6.2 million (11.3%). The continued positive revenue growth was offset by increases in personnel costs, material and supplies, repairs and maintenance, professional fees, utility and property taxes.

Net Earnings

The net earnings of $5.7 million for the three months ended March 31, 2008 was an increase of $0.1 million (1.8%) compared to net earnings of $5.6 million for the same period in 2007. The increases in operating net 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.

General Capital Plan

The approved 2008 Capital Plan is approximately $13.3 million in projects for all airports. To date $0.4 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.

Facility Expansion Plan

The Board approved Facility Capital Expansion Plan for 2008 is approximately $202.4 million for all airports. For the threee months ended March 31, 2008 a total of $20.1 million has been spent on all projects. The major projects are $4.3 million for parking lot and parkade expansion, $9.8 million for taxiway, apron expansion and roadway rehabilitation, and $6.0 million for terminal expansion and improvement.

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

At March 31, 2008 with comparative figures at December 31, 2007

		March 31 2008		December 31 2007
Assets				
Current assets:				
Cash in interest bearing accounts	**$**	**13,648**	$	17,255
Short-term investments		**37,504**		34,118
Accounts receivable [note 6 and 7]		**13,063**		12,164
Consumable inventory		**836**		838
Prepaid expenses and other		**1,402**		1,438
		66,453		65,813
Interest bearing deposits		**11,521**		11,417
Deferred pension asset		**4,196**		4,196
Lessee receivable [note 7]		**460**		490
Property, plant and equipment [note 8]		**389,416**		373,173
	$	**472,046**	$	455,089
Liabilities				
Current liabilities:				
Accounts payable and accrued liabilities [note 8 (b)]	**$**	**33,909**	$	22,101
Current portion of long-term debt		**4,558**		4,529
Current portion of deferred revenue		**1,256**		1,186
Current portion of obligations under capital leases		**25**		25
		39,748		27,841
Tenants' security deposits		**989**		996
Deferred revenue		**14,001**		14,108
Long-term benefits payable		**2,435**		2,345
Long-term debt		**306,919**		307,579
		364,092		352,869
Equity in property, plant and equipment				
Contributed capital		**3,805**		3,805
Equity in property, plant and equipment		**104,149**		98,415
		107,954		102,220
Contingencies [note 13]				
	$	**472,046**	$	455,089

See accompanying notes to interim financial statements

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, 2008 with comparative figures for 2007

	Three Months Ended March 31	
	2008	**2007**
Revenue:		
Airport improvement fee [note 6 (b), 9]	**$ 9,789**	$ 8,460
Airside and general terminal [note 6 (b)]	**9,607**	8,729
Parking and Car Rentals	**7,533**	5,458
Concession	**1,983**	1,745
Police and security	**1,395**	1,273
Real estate leases	**835**	765
Other revenue	**283**	339
	31,425	26,769
Expenses:		
Amortization	**6,210**	4,850
Interest [note 11]	**4,583**	4,015
Salaries and employee benefits [note 10]	**4,874**	3,995
Service, maintenance, supplies and administration	**4,876**	3,780
Utilities, insurance and property taxes	**2,049**	1,510
Police and security	**1,329**	1,232
Canada Lease Rent	**1,226**	1,226
Airport improvement fee collection costs	**592**	509
	25,739	21,117
Earnings before the undernoted	**5,686**	5,652
Other Gains (losses)	**48**	(10)
Net earnings and comprehensive income	**5,734**	5,642
Equity in property, plant and equipment, beginning of period	**98,415**	73,994
Equity in property, plant and equipment, end of period	**$ 104,149**	$ 79,636

See accompanying notes to interim financial statements

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

Edmonton AIRPORTS

For the Three Months Ended March 31, 2008 with comparative figures for 2007

	Three Months Ended March 31	
	2008	**2007**
Cash provided by (used in):		
Operations:		
Cash receipts from customers	**$ 30,513**	$ 25,376
Cash paid to employees and suppliers	**(7,038)**	(4,371)
Cash paid to the landlord	**(1,308)**	(1,205)
Interest received	**721**	770
Interest paid	**(5,304)**	(4,785)
	17,584	15,785
Financing:		
Deferred pension charge	**-**	(346)
Increase (repayment of) in tenants' security deposits	**(7)**	6
Principal payment under capital lease obligation	**-**	(20)
Increase in long-term debt	**(631)**	30,000
	(638)	29,640
Investments:		
Net purchase of short-term investments	**(3,386)**	(25,384)
Net purchase of interest bearing deposits	**(105)**	(108)
Loan repayments	**30**	29
Purchase of property, plant and equipment	**(17,091)**	(7,464)
	(20,552)	(32,927)
Net (decrease) increase in cash	**(3,606)**	12,498
Cash in interest bearing accounts, beginning of period	**17,254**	31,822
Cash in interest bearing accounts, end of period	**$ 13,648**	$ 44,320

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.

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 the 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 the 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 Interim Financial Statements (000's of Dollars)

3. Capital Management (continued)

During the first 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. By doing so Edmonton Airports maintained its credit rating in order to secure access to financing at a reasonable cost.

As at March 31, 2008, Edmonton Airports' was in compliance with the external 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 the Edmonton Airport's ability to achieve its strategic or operational targets. This Board is responsible for confirming that management has procedures in place to mitigate identified risks.

Credit risk

For cash and 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 counterparty 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 $1.1 million; this provision has increased by $0.2 million from December 31, 2007.

At March 31, 2008, the aging analysis of trade receivables that are past due but not impaired is as follows:

		March 31 2008
30 to 90 days	**$**	**3,426**
Greater than 90 days		**611**
	$	**4,037**

No other impairments have been identified within accounts receivable.

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

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

7. Lessee Receivable

At March 31, 2008, Edmonton Airports had $579 (December 31, 2007 – $607) in leasehold improvement loans to three tenants. The current portion of $119 (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%	$	331
September 30, 2006	120	7.50%		60
October 20, 2006	60	6.00%		188
			$	**579**

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

8. Property, Plant and Equipment

		March 31 2008		December 31 2007
Terminal and facilities	**$**	**507,049**	$	485,338
Machinery and equipment		**24,054**		23,312
Office equipment under capital lease		**535**		535
		531,638		509,185
Less accumulated amortization		**(142,222)**		(136,012)
	$	**389,416**	$	373,173

(a) At March 31, 2008, $14,705 (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 March 31, 2008 is $15,327 (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.

		March 31 2008		2007
Cumulative AIF revenues	**$**	**238,336**	$	200,166
Cumulative expenditures		**(520,299)**		(412,534)
	$	**(281,963)**	$	(212,368)

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

10. Benefit Plan Expense

	Three Months Ended March 31			
	Pension Plan	SERP	Long-term Benefit Plan	Total
Current service cost	$ 345	$ 47	$ 44	$ 436
Interest cost	280	7	20	307
Expected return on plan assets	(341)		-	(341)
Amortization of transitional surplus	-	-	-	-
Amortization of actuarial gain (loss)	55	4	(4)	55
Net benefit plan expense included in salaries and benefits expense 2008	**$ 339**	**$ 58**	**$ 60**	**$ 457**
Net benefit plan expense included in salaries and benefits expense 2007	**$ 276**	**$ 30**	**$ 60**	**$ 366**

11. Interest Expense

	Three Months Ended March 31	
	2008	**2007**
Bond interest	**$ 4,389**	$ 4,407
Debenture Interest	**787**	215
Other interest and financing costs	**166**	-
Interest income and other	**(721)**	(607)
	4,621	4,015
Less: capitalized interest	**(38)**	-
	$ 4,583	$ 4,015

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

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

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 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 March 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		492,517		
May		503,977		
June		507,949		
Second Quarter	**-**	**1,504,443**		
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**		

13. Contingencies

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