



Edmonton Regional Airports Authority

Quarterly Financial Statements
Unaudited

Three Months Ended

March 31, 2006

2006 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, 2006 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 2005 Annual Report.

Edmonton Airports' financial statements reflect the combined results of operations of the Edmonton International, Edmonton City Centre, Cooking Lake, and Villeneuve Airports.

Edmonton Airports recorded overall net earnings of \$2.2 million for the three months ended March 31, 2006, an improvement of \$1.2 million over the 2005 net income of \$1.0 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. The increased revenues helped to offset the increases in operating expenses (excluding rent expense) and amortization.

The approved 2006 Capital Plan identified approximately \$12.6 million in projects for all airports. For the three months ended March 31, 2006, Edmonton Airports has approved capital projects totaling approximately \$5.6 million, the most significant of which are \$2.1 million for paving projects, \$0.9 million for runway visual aid upgrades, \$0.4 million for area modifications for the new hotel development, and \$0.3 million for a runway sweeper.

Edmonton International Airport Passenger Volumes

During the first quarter of 2006, a total of 1,218,331 enplaning and deplaning passengers used Edmonton International Airport, compared to 1,089,810 passengers for the same period in 2005 representing an increase of 11.8%. By sector, Domestic passengers for the quarter increased by 12.5% when compared to 2005; while Transborder increased by 6.0%, and International passengers increased by 16.5%.

EDMONTON REGIONAL AIRPORTS AUTHORITY Passenger Traffic by Sector

	Three Months Ended		
	March 31		
	2006	2005	%
Domestic	981,144	872,221	12.5%
Transborder	164,694	155,386	6.0%
International	72,493	62,203	16.5%
Total	1,218,331	1,089,810	11.8%

2006 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, 2006 with comparative figures for the same periods in 2005.

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

	Three Months Ended	
	March 31	
	2006	2005
Operating Revenue:		
Airside and general terminal	\$ 7,249	\$ 6,576
Parking and Car Rentals	4,454	3,749
Concession	1,526	1,353
Real estate leases	730	737
Other revenue	15	7
	13,974	12,422
Operating Expenses:		
Salaries and employee benefits	3,654	3,427
Service, maintenance, supplies and administration	3,564	3,448
Utilities, insurance and property taxes	1,549	1,426
Canada Lease Rent	1,188	3,181
	9,955	11,482
Operating Earnings	\$ 4,019	\$ 940

The calculation of Operating Earnings excludes AIF, Police and Security and Canada Lease Capital Credit (in 2005) 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, 2006 were \$13.9 million compared to \$12.4 million for the corresponding period in 2005 (12.1% increase). The 2006 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.



Commentary (continued)

Operating Expenses

Operating expenses for the three months ended March 31, 2006 were \$10.0 million compared to \$11.5 million for the corresponding period in 2005. Canada Lease Rent expense is down by \$2.0 million as a result of the new ground lease agreement with the Crown. This agreement is to be phased in during the period 2006 to 2009. During this period, the actual rent amounts have been predetermined. While the rent expense amount has been reduced, this reduction has been offset, on a net earnings basis, by the elimination of the Canada Lease Capital Credit, a non-operating revenue item. The savings resulting from the rent expense reduction were partially offset by slightly higher personnel, administrative, property tax, and natural gas costs.

Operating Earnings (Loss)

Operating earnings for the three months ended March 31, 2006 were \$4.0 million, an increase of \$3.1 million over last years' operating earnings of \$0.9 million. The increase is primarily the result of increased operating revenues as a result of increase activity and lower lease rent expenses resulting from the new rent agreement effective this year.

Net Earnings (Loss)

There were net earnings of \$2.2 million for the three months ended March 31, 2006 compared to net earnings of \$1.0 million for the same period in 2005. This improvement is the result of the increase in Operating Earnings as noted above, lower interest expense, plus an increase in AIF revenues (5.6%) as a result of the increased passenger volumes. These increases were partially offset by the elimination of the Canada Lease Capital Credit revenue stream as a consequence of the new rent agreement, an increase in AIF collection costs and amortization expenses which increased as a result of ongoing capital investment.

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



At March 31, 2006
with comparative figures at December 31, 2005

	March 31 2006	December 31 2005
Assets		
Current assets:		
Cash in interest bearing accounts	\$ 19,210	\$ 11,685
Short term investments	1,500	1,487
Accounts receivable [note 5 and 6]	9,674	11,004
Consumable inventory	1,007	978
Prepaid expenses and other	1,082	1,163
	32,473	26,317
Interest bearing deposits	10,640	10,555
Deferred financing costs	5,542	5,605
Deferred pension asset	1,148	1,148
Loan receivable [note 6]	396	411
Capital assets [note 7]	289,554	291,917
	307,280	309,636
	\$ 339,753	\$ 335,953
Liability and Equity in Capital Assets		
Current liabilities:		
Accounts payable and accrued liabilities [note 7 (b)]	\$ 16,534	\$ 14,898
Current portion of long-term debt	1,545	1,545
Current portion of obligations under capital lease	62	95
	18,141	16,538
Tenants' security deposits	1,260	1,371
Deferred revenue	1,298	1,305
Long-term benefits payable	1,731	1,641
Long-term debt	245,265	245,266
Obligations under capital lease	72	72
	267,767	266,193
Equity in capital assets:		
Contributed capital	3,805	3,805
Equity in capital assets	68,181	65,955
	71,986	69,760
Contingencies [note 12]		
	\$ 339,753	\$ 335,953

EDMONTON REGIONAL AIRPORTS AUTHORITY
Statements of Net Earnings and Equity in Capital Assets (000's of Dollars)
Unaudited



*For the Three Months Ended March 31, 2006
with comparative figures for 2005*

	Three Months Ended	
	March 31	
	2006	2005
Revenue:		
Airport improvement fee [note 5 (b), 8]	\$ 7,545	\$ 7,079
Airside and general terminal [note 5 (b)]	7,249	6,576
Concession	1,526	1,352
Parking and Car Rentals	4,454	3,749
Canada Lease Capital Credit	-	2,102
Police and security	1,315	1,268
Real estate leases	731	737
Other revenue	15	7
	22,835	22,870
Expenses:		
Amortization	4,624	4,325
Interest [note 10]	4,353	4,430
Salaries and employee benefits [note 9]	3,654	3,427
Service, maintenance, supplies and administration	3,564	3,448
Utilities, insurance and property taxes	1,549	1,426
Police and security	1,253	1,208
Canada Lease Rent	1,188	3,181
Airport improvement fee collection costs [note 8]	430	422
	20,615	21,867
Earnings before the undernoted	2,220	1,003
Other Gains (losses)	6	-
Net earnings	2,226	1,003
Equity in capital assets, beginning of period	65,955	64,296
Equity in capital assets, end of period	\$ 68,181	\$ 65,299

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



*For the Three Months Ended March 31, 2006
with comparative figures for 2005*

	Three Months Ended March 31	
	2006	2005
Cash provided by (used in):		
Operations:		
Cash receipts from customers	\$ 24,176	\$ 21,266
Cash paid to employees and suppliers	(5,738)	(4,617)
Cash paid to the Landlord	(1,189)	12
Interest received	316	226
Interest paid	(4,669)	(4,656)
	12,896	12,231
Financing:		
Deferrred financing costs	63	63
(Decrease) Increase in tenants' security deposits	(111)	291
Principal payment under capital lease obligation	(33)	(28)
	(81)	326
Investments:		
Purchase of interest bearing deposits	(97)	(66)
Loan repayments	14	15
Purchase of capital assets	(5,207)	(5,087)
	(5,290)	(5,138)
Net (decrease) increase in cash	7,525	7,419
Cash in interest bearing accounts, beginning of period	11,685	12,507
Cash in interest bearing accounts, end of period	\$ 19,210	\$ 19,926

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

Unaudited

For the Three Months ended March 31, 2006 and 2005



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.

3. Conditional Asset Retirement Obligations

Edmonton Airports is currently investigating the implications, if any, of the new Emerging Issues Committee Bulletin #159 – Conditional Asset Retirement Obligations on our 2006 Financial Statements.

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

6. Loan Receivable

At March 31, 2006, Edmonton Airports had a \$396 loan to a tenant. The current portion of \$62 is included in Accounts Receivable. The loan is to be repaid in 96 equal installments, beginning January 1, 2005 and carries an interest rate of 2.9%.

7. Capital Assets

	March 31 2006	December 31 2005
Terminal and facilities	\$ 370,928	\$ 369,093
Machinery and equipment	22,730	22,304
Office equipment under capital lease	718	718
	394,375	392,115
Less accumulated amortization	(104,822)	(100,198)
	\$ 289,553	\$ 291,917

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

Unaudited

For the Three Months ended March 31, 2006 and 2005



- (a) At March 31, 2006, \$3,719 (December 31, 2005 - \$4,095) of capital assets were under construction and not yet subject to amortization.
- (b) Included in accounts payable and accrued liabilities at March 31, 2005 is \$6,035 (December 31, 2005 - \$4,242) relating to unpaid capital expenditures.
- (c) During the three months ended March 31, 2006, \$4,624 (2005 - \$4,325) of capital asset amortization was charged to the Statements of Net Earnings and Equity in Capital Assets.

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.

	March 31 2006	March 31 2005
Cumulative AIF revenues	\$ 167,912	\$ 153,511
Cumulative expenditures	(388,838)	(379,138)
	\$ (220,926)	\$ (225,627)

9. Benefit Plan Expense

	Three Months Ended March 31			
	Pension Plan	SERP	Long-term Benefit Plan	Total
Current service cost	\$ 239	\$ 25	\$ 40	\$ 304
Interest cost	235	2	20	257
Expected return on plan assets	(244)	-	-	(244)
Amortization of transitional surplus	(42)	-	-	(42)
Amortization of actuarial gain (loss)	34	-	-	34
Net benefit plan expense included in salaries and benefits expense 2006	\$ 222	\$ 27	\$ 60	\$ 309
Net benefit plan expense included in salaries and benefits expense 2005	\$ 203	\$ -	\$ 55	\$ 258

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

Unaudited

For the Three Months ended March 31, 2006 and 2005



10. Interest Expense

	Three Months Ended	
	March 31	
	2006	2005
Bond interest	\$ 4,438	\$ 4,473
Other interest and financing costs	63	63
Interest income and other	(148)	(106)
	4,353	4,430
Less: capitalized interest	-	-
	\$ 4,353	\$ 4,430

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 Concession, AIF, and Police and Security revenues. Table 1 outlines the seasonality component of passenger traffic at the Edmonton International Airport and compares 2006 actual for January through March to the same period last year.

Edmonton International Airport

Comparison of Actual Passenger Traffic for 2006 and 2005

Table 1

Month	Actual 2006	Actual 2005	Variance	%
January	394,565	356,353	38,212	10.7%
February	389,702	351,363	38,339	10.9%
March	434,064	382,094	51,970	13.6%
First Quarter	1,218,331	1,089,810	128,521	11.8%
April	-	343,472		
May	-	355,787		
June	-	367,408		
Second Quarter	-	1,066,667		
July	-	410,827		
August	-	429,989		
September	-	382,444		
Third Quarter	-	1,223,260		
October	-	371,273		
November	-	363,146		
December	-	397,295		
Fourth Quarter	-	1,131,714		
Total	-	4,511,451		

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

Unaudited

For the Three Months ended March 31, 2006 and 2005



12. Contingencies

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