



*Edmonton Regional Airports Authority*

*Quarterly Financial Statements*  
*Unaudited*

*For the Three and Six Months Ended*

*June 30, 2006*

## 2006 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, 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 \$6.0 million for the six months ended June 30, 2006, an improvement of \$3.5 million over the 2005 net income of \$2.5 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 initially identified approximately \$12.5 million in projects for all airports. During the 2<sup>nd</sup> quarter additional funding of \$5.8 was approved by the Board for the completion of a parking lot expansion. For the six months ended June 30, 2006, Edmonton Airports has approved capital projects totaling approximately \$12.9 million, the most significant of which are \$5.8 for the parking lot expansion, \$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 two quarters of 2006, a total of 2,472,080 enplaning and deplaning passengers used Edmonton International Airport, compared to 2,156,477 passengers for the same period in 2005 representing an increase of 14.6%. By sector, Domestic passengers for the two quarters increased by 15.5% when compared to 2005; while Transborder increased by 10.3%, and International passengers increased by 11.8%.

#### **EDMONTON REGIONAL AIRPORTS AUTHORITY** **Passenger Traffic by Sector**

	Three Months Ended			Six Months Ended		
	June 30			June 30		
	2006	2005	%	2006	2005	%
Domestic	<b>1,060,310</b>	895,075	18.5%	<b>2,041,454</b>	1,767,296	15.5%
Transborder	<b>163,010</b>	141,710	15.0%	<b>327,704</b>	297,096	10.3%
International	<b>30,429</b>	29,882	1.8%	<b>102,922</b>	92,085	11.8%
Total	<b>1,253,749</b>	1,066,667	17.5%	<b>2,472,080</b>	2,156,477	14.6%

2006 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, 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 June 30		Six Months Ended June 30	
	2006	2005	2006	2005
<b>Operating Revenue:</b>				
Airside and general terminal	\$ 7,256	\$ 6,482	\$ 14,505	\$ 13,058
Parking and Car Rentals	4,656	3,857	9,110	7,606
Concession	1,611	1,449	3,137	2,801
Real estate leases	764	757	1,494	1,494
Other revenue	28	21	43	28
	<b>14,315</b>	<b>12,566</b>	<b>28,289</b>	<b>24,987</b>
<b>Operating Expenses:</b>				
Salaries and employee benefits	3,496	3,509	7,150	6,935
Service, maintenance, supplies and administration	3,556	3,349	7,120	6,811
Utilities, insurance and property taxes	1,260	1,259	2,809	2,685
Canada Lease Rent	1,263	3,181	2,451	6,362
	<b>9,575</b>	<b>11,298</b>	<b>19,530</b>	<b>22,793</b>
<b>Operating Earnings</b>	<b>\$ 4,740</b>	<b>\$ 1,268</b>	<b>\$ 8,759</b>	<b>\$ 2,194</b>

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 six months ended June 30, 2006 were \$28.3 million compared to \$25.0 million for the corresponding period in 2005 (13.2% increase). The 2006 operating revenue was higher due to increased passenger and aircraft activity which contributed to higher airside and general terminal, parking, and concession revenues.



**Commentary (continued)**

***Operating Expenses***

Operating expenses for the six months ended June 30, 2006 were \$19.5 million compared to \$22.8 million for the corresponding period in 2005 a reduction of 14.5%. The increase in Salaries and employee benefits of \$0.2 million are primarily the result of negotiated increases for unionized staff. The increase in Services, maintenance, supplies, and administration of \$0.3 million are the result of additional costs for the dedicated passenger security line for intra-provincial travel. The increase in Utilities, insurance and property taxes of \$0.1 million are the result of minor increases in property tax assessments and insurance premiums. Canada Lease Rent expense is down by \$3.9 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.

***Operating Earnings (Loss)***

Operating earnings for the six months ended June 30, 2006 were \$8.8 million, an increase of \$6.6 million over last years' operating earnings of \$2.2 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 \$6.0 million for the six months ended June 30, 2006 compared to net earnings of \$2.5 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 (9.5%) 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 June 30, 2006**  
**with comparative figures at December 31, 2005**

	June 30 2006	December 31 2005
<b>Assets</b>		
Current assets:		
Cash in interest bearing accounts	\$ 19,249	\$ 11,685
Short term investments	1,513	1,487
Accounts receivable [note 5 and 6]	10,393	11,004
Consumable inventory	995	978
Prepaid expenses and other	1,410	1,163
	<b>33,560</b>	26,317
Interest bearing deposits	10,740	10,555
Deferred financing costs	5,480	5,605
Deferred pension asset	1,148	1,148
Loan receivable [note 6]	380	411
Capital assets [note 7]	288,062	291,917
	<b>305,810</b>	309,636
	<b>\$ 339,370</b>	\$ 335,953
<b>Liability and Equity in Capital Assets</b>		
Current liabilities:		
Accounts payable and accrued liabilities [note 7 (b)]	\$ 12,470	\$ 14,898
Current portion of long-term debt	1,717	1,545
Current portion of obligations under capital lease	80	95
	<b>14,267</b>	16,538
Tenants' security deposits	1,269	1,371
Deferred revenue	1,904	1,305
Long-term benefits payable	1,832	1,641
Long-term debt	244,335	245,266
Obligations under capital lease	27	72
	<b>249,367</b>	249,655
Equity in capital assets:		
Contributed capital	3,805	3,805
Equity in capital assets	71,931	65,955
	<b>75,736</b>	69,760
Contingencies [note 12]		
	<b>\$ 339,370</b>	\$ 335,953

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



*For the Three and Six Months Ended June 30, 2006  
with comparative figures for 2005*

	Three Months Ended		Six Months Ended	
	June 30		June 30	
	2006	2005	2006	2005
<b>Revenue:</b>				
Airport improvement fee [note 5 (b), 8]	\$ 8,216	\$ 7,321	\$ 15,761	\$ 14,400
Airside and general terminal [note 5 (b)]	7,256	6,482	14,505	13,058
Parking and Car Rentals	4,656	3,857	9,110	7,606
Concession	1,611	1,449	3,137	2,801
Canada Lease Capital Credit	-	2,102	-	4,204
Police and security	1,337	1,378	2,652	2,646
Real estate leases	763	757	1,494	1,494
Other revenue	28	21	43	28
	<b>23,867</b>	<b>23,367</b>	<b>46,702</b>	<b>46,237</b>
<b>Expenses:</b>				
Amortization	4,619	4,515	9,243	8,840
Interest [note 10]	4,293	4,348	8,646	8,778
Salaries and employee benefits [note 9]	3,496	3,508	7,150	6,935
Service, maintenance, supplies and administration	3,556	3,363	7,120	6,811
Utilities, insurance and property taxes	1,260	4,936	2,809	6,362
Police and security	1,286	1,477	2,539	2,685
Canada Lease Rent	1,263	(688)	2,451	2,493
Airport improvement fee collection costs	511	439	941	861
	<b>20,284</b>	<b>21,898</b>	<b>40,899</b>	<b>43,765</b>
<b>Earnings before the undernoted</b>	<b>3,583</b>	<b>1,469</b>	<b>\$ 5,803</b>	<b>\$ 2,472</b>
Other Gains (losses)	167	69	173	69
<b>Net earnings</b>	<b>3,750</b>	<b>1,538</b>	<b>5,976</b>	<b>2,541</b>
Equity in capital assets, beginning of period	68,181	65,299	65,955	64,296
<b>Equity in capital assets, end of period</b>	<b>\$ 71,931</b>	<b>\$ 66,837</b>	<b>\$ 71,931</b>	<b>\$ 66,837</b>

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



*For the Three and Six Months Ended June 30, 2006  
with comparative figures for 2005*

	Three Months Ended June 30		Six Months Ended June 30	
	2006	2005	2006	2005
<b>Cash provided by (used in):</b>				
Operations:				
Cash receipts from customers	\$ 23,891	\$ 20,782	\$ 48,067	\$ 42,048
Cash paid to employees and suppliers	(16,289)	(16,037)	(22,027)	(20,654)
Cash paid to the Landlord	(1,262)	(1,079)	(2,451)	(1,067)
Interest received	377	224	693	450
Interest paid	(4,670)	(4,572)	(9,339)	(9,228)
	2,047	(682)	14,943	11,549
Financing:				
Deferred financing costs	62	62	125	125
Deferred pension charge	-	(842)	-	(842)
(Decrease) Increase in tenants' security deposits	10	(111)	(101)	180
Principal payment under capital lease obligation	(27)	(34)	(60)	(62)
Repayments of long-term debt	(759)	(600)	(759)	(600)
	(714)	(1,525)	(795)	(1,199)
Investments:				
Purchase of interest bearing deposits	(115)	(68)	(212)	(134)
Loan repayments	15	15	29	30
Proceeds from land sales	176	-	176	-
Purchase of capital assets	(1,370)	(4,327)	(6,577)	(9,414)
	(1,294)	(4,380)	(6,584)	(9,518)
Net (decrease) increase in cash	39	(6,587)	7,564	770
Cash in interest bearing accounts, beginning of period	19,210	19,926	11,685	12,507
Cash in interest bearing accounts, end of period	19,249	13,339	\$ 19,249	\$ 23,627

**Notes to Interim Financial Statements (000's of Dollars)**  
**Unaudited**  
For the Three and Six Months ended June 30, 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 61% of its airside and general terminal and AIF revenue from two airlines.

**6. Loan Receivable**

At June 30, 2006, Edmonton Airports had a \$380 loan to a tenant. The current portion of \$63 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**

	<b>June 30 2006</b>	December 31 2005
Terminal and facilities	\$ 373,511	\$ 369,093
Machinery and equipment	23,274	22,304
Office equipment under capital lease	718	718
	<b>397,503</b>	392,115
Less accumulated amortization	<b>(109,441)</b>	(100,198)
	<b>\$ 288,062</b>	\$ 291,917



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

### Unaudited

For the Three and Six Months ended June 30, 2006 and 2005



- (a) At June 30, 2006, \$4,437 (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 June 30, 2006 is \$3,053 (December 31, 2005 - \$4,242) relating to unpaid capital expenditures.
- (c) During the six months ended June 30, 2006, \$9,243 (2005 - \$8,840) 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.

	June 30 2006	June 30 2005
Cumulative AIF revenues	\$ 175,617	\$ 146,249
Cumulative expenditures	(393,435)	(372,882)
	\$ (217,818)	\$ (226,633)

#### 9. Benefit Plan Expense

	Three Months Ended June 30			
	Pension Plan	SERP	Long-term Benefit Plan	Total
Current service cost	\$ 239	\$ 25	\$ 51	\$ 315
Interest cost	235	2	20	257
Expected return on plan assets	(94)	-	-	(94)
Amortization of transitional surplus	(42)	-	-	(42)
Amortization of actuarial gain (loss)	34	-	-	34
<b>Net benefit plan expense included in salaries and benefits expense 2006</b>	<b>\$ 372</b>	<b>\$ 27</b>	<b>\$ 71</b>	<b>\$ 470</b>
<b>Net benefit plan expense included in salaries and benefits expense 2005</b>	<b>\$ 302</b>	<b>\$ -</b>	<b>\$ 55</b>	<b>\$ 357</b>

**Notes to Interim Financial Statements (000's of Dollars)**  
**Unaudited**  
For the Three and Six Months ended June 30, 2006 and 2005



**Benefit Plan Expense (continued)**

	Six Months Ended June 30			
	Pension Plan	SERP	Long-term Benefit Plan	Total
Current Service Cost	\$ 478	\$ 50	\$ 94	\$ 622
Interest Cost	471	3	40	514
Expected Return on Plan Assets	(414)	-	-	(414)
Amortization of Transitional Surplus	(83)	-	-	(83)
Amortization of Actuarial Gain (loss)	68	-	(3)	65
<b>Net Benefit Plan Expense included in Salaries and Benefits Expense 2006</b>	<b>\$ 520</b>	<b>\$ 53</b>	<b>\$ 131</b>	<b>\$ 704</b>
<b>Net Benefit Plan Expense included in Salaries and Benefits Expense 2005</b>	<b>\$ 490</b>	<b>\$ -</b>	<b>\$ 104</b>	<b>\$ 594</b>

**10. Interest Expense**

	Three Months Ended June 30		Six Months Ended June 30	
	2006	2005	2006	2005
Bond interest	\$ 4,590	\$ 4,466	\$ 9,028	\$ 8,939
Other interest and financing costs	248	63	311	126
Interest income and other	(545)	(181)	(693)	(287)
	<b>4,293</b>	4,348	<b>8,646</b>	8,778
Less: capitalized interest	-	-	-	-
	<b>4,293</b>	4,348	<b>8,646</b>	8,778

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

**Notes to Interim Financial Statements (000's of Dollars)**  
**Unaudited**  
For the Three and Six Months ended June 30, 2006 and 2005



**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 Parking and Car Rentals, Concession, AIF, and Police and Security revenues. The Table below outlines the seasonality component of passenger traffic at the Edmonton International Airport and compares 2006 actual for January through June to the same period last year.

**Edmonton International Airport  
Comparison of Actual Passenger Traffic for 2006 and 2005**

<b>Month</b>	<b>Actual 2006</b>	<b>Actual 2005</b>	<b>Variance</b>	<b>%</b>
January	394,565	356,353	38,212	10.7%
February	389,702	351,363	38,339	10.9%
March (Restated)	431,681	382,094	49,587	13.0%
<b>First Quarter</b>	<b>1,215,948</b>	<b>1,089,810</b>	<b>126,138</b>	<b>11.6%</b>
April	413,571	343,472	70,099	20.4%
May	427,862	355,787	72,075	20.3%
June	414,699	367,408	47,291	12.9%
<b>Second Quarter</b>	<b>1,256,132</b>	<b>1,066,667</b>	<b>189,465</b>	<b>17.8%</b>
<b>Year To Date</b>	<b>2,472,080</b>	<b>2,156,477</b>	<b>315,603</b>	<b>14.6%</b>
July		410,827		
August		429,989		
September		382,444		
<b>Third Quarter</b>	<b>-</b>	<b>1,223,260</b>		
October		371,273		
November		363,146		
December		397,295		
<b>Fourth Quarter</b>		<b>1,131,714</b>		
<b>Total</b>		<b>4,511,451</b>		

**12. Contingencies**

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