



*Edmonton Regional Airports Authority*

*Quarterly Financial Statements*  
*Unaudited*

*For the Three and Nine Months Ended*

*September 30, 2006*

## 2006 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, 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 \$11.4 million for the nine months ended September 30, 2006, an improvement of \$6.1 million (115%) over the 2005 net income of \$5.3 million. The increase in net earnings is primarily the result of the continued 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 increase (excluding rent expense) of \$1.2 million in operating expenses and \$0.8 million in amortization.

The approved 2006 Capital Plan initially identified approximately \$12.5 million in projects for all airports. During the 2<sup>nd</sup> and 3<sup>rd</sup> quarter additional funding of \$7.8 was approved by the Board for the completion of a parking lot expansion and for Common Use Counter Equipment. For the nine months ended September 30, 2006, Edmonton Airports has approved capital projects totaling approximately \$18.6 million, the most significant of which are \$5.8 million for the parking lot expansion, \$4.3 million for Common Use Counter Equipment, \$2.9 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 three quarters of 2006, a total of 3,883,667 enplaning and deplaning passengers used Edmonton International Airport, compared to 3,379,707 passengers for the same period in 2005 representing an increase of 14.9%. By sector, Domestic passengers for the three quarters increased by 15.8% when compared to 2005; while Transborder increased by 11.4%, and International passengers increased by 6.9%.

#### **EDMONTON REGIONAL AIRPORTS AUTHORITY**

##### **Passenger Traffic by Sector**

	Three Months Ended			Nine Months Ended		
	September 30			September 30		
	2006	2005	%	2006	2005	%
Domestic	1,221,260	1,053,404	15.9%	3,266,009	2,820,700	15.8%
Transborder	170,574	150,254	13.5%	498,278	447,350	11.4%
International	16,458	19,572	-15.9%	119,380	111,657	6.9%
<b>Total</b>	<b>1,408,292</b>	<b>1,223,230</b>	<b>15.1%</b>	<b>3,883,667</b>	<b>3,379,707</b>	<b>14.9%</b>

2006 Third Quarter Financial Statements - unaudited



Commentary (continued)

**Results of Operations**

The table below shows Edmonton Airports combined operating earnings for the three and nine months ended September 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 September 30		Nine Months Ended September 30	
	2006	2005	2006	2005
<b>Operating Revenue:</b>				
Airside and general terminal	\$ 7,969	\$ 6,843	\$ 22,474	\$ 19,901
Parking and Car Rentals	4,953	3,991	14,063	11,597
Concession	1,658	1,494	4,795	4,295
Real estate leases	915	916	2,409	2,410
Other revenue	14	13	57	41
	<b>15,509</b>	<b>13,257</b>	<b>43,798</b>	<b>38,244</b>
<b>Operating Expenses:</b>				
Salaries and employee benefits	3,502	3,062	10,652	9,997
Service, maintenance, supplies and administration	3,507	3,316	10,627	10,127
Utilities, insurance and property taxes	1,372	1,415	4,181	4,100
Canada Lease Rent	1,226	3,181	3,677	9,543
	<b>9,607</b>	<b>10,974</b>	<b>29,137</b>	<b>33,767</b>
<b>Operating Earnings</b>	<b>\$ 5,902</b>	<b>\$ 2,283</b>	<b>\$ 14,661</b>	<b>\$ 4,477</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 nine months ended September 30, 2006 were \$43.8 million compared to \$38.2 million for the corresponding period in 2005 an increase of \$5.6 million (14.7%). 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 nine months ended September 30, 2006 were \$29.1 million compared to \$33.8 million for the corresponding period in 2005, a reduction of 13.9%.

The increase in Salaries and employee benefits of \$0.7 million are primarily the result of negotiated increases for unionized staff and increased pension costs. The increase in Services, maintenance, supplies, and administration of \$0.5 million are the result of additional costs for contracted services as a consequence of the current labour market, a higher provision for doubtful accounts and higher material and repair costs. These increases were partially offset by a reduction in the use of outside professional services. 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 \$5.9 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***

Operating earnings for the nine months ended September 30, 2006 were \$14.7 million, an increase of \$10.2 million (226.7%) over last years' operating earnings of \$4.5 million. The increase is primarily the result of increased operating revenues as a result of increase activity and reduced expenses from a lower lease rent amount resulting from the new rent agreement effective this year.

***Net Earnings***

There were net earnings of \$11.4 million for the nine months ended September 30, 2006 compared to net earnings of \$5.3 million for the same period in 2005. The \$6.1 million (115.1%) improvement is the result of the increase in Operating Earnings as noted above, lower interest expense due to interest earned on higher cash balances, and an increase in AIF revenues (11.4%) 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 due to higher AIF revenues 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 September 30, 2006**  
**with comparative figures at December 31, 2005**

	September 30 2006	December 31 2005
<b>Assets</b>		
Current assets:		
Cash in interest bearing accounts	\$ 27,965	\$ 11,685
Short term investments	1,529	1,487
Accounts receivable [note 5 and 6]	10,218	11,004
Consumable inventory	999	978
Prepaid expenses and other	1,839	1,163
	<b>42,550</b>	26,317
Interest bearing deposits	10,849	10,555
Deferred financing costs	5,417	5,605
Deferred pension asset	1,840	1,148
Loan receivable [note 6]	431	411
Capital assets [note 7]	287,493	291,917
	<b>306,030</b>	309,636
	<b>\$ 348,580</b>	\$ 335,953
<b>Liabilities and Equity in Capital Assets</b>		
Current liabilities:		
Accounts payable and accrued liabilities [note 7 (b)]	\$ 16,549	\$ 14,898
Current portion of long-term debt	1,717	1,545
Current portion of obligations under capital lease	45	95
	<b>18,311</b>	16,538
Tenants' security deposits	959	1,371
Deferred revenue	1,896	1,305
Long-term benefits payable	1,922	1,641
Long-term debt	244,335	245,266
Obligations under capital lease	27	72
	<b>267,450</b>	266,193
Equity in capital assets:		
Contributed capital	3,805	3,805
Equity in capital assets	77,325	65,955
	<b>81,130</b>	69,760
Contingencies [note 12]		
	<b>\$ 348,580</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 Nine Months Ended September 30, 2006  
with comparative figures for 2005*

	Three Months Ended		Nine Months Ended	
	September 30		September 30	
	2006	2005	2006	2005
<b>Revenue:</b>				
Airport improvement fee [note 5 (b), 8]	\$ 8,911	\$ 7,750	\$ 24,672	\$ 22,150
Airside and general terminal [note 5 (b)]	7,969	6,843	22,474	19,901
Parking and Car Rentals	4,953	3,991	14,063	11,597
Concession	1,658	1,494	4,795	4,295
Canada Lease Capital Credit	-	2,102	-	6,306
Police and security	1,149	1,034	3,801	3,680
Real estate leases	915	916	2,409	2,410
Other revenue	14	13	57	41
	<b>25,569</b>	<b>24,143</b>	<b>72,271</b>	<b>70,380</b>
<b>Expenses:</b>				
Amortization	4,722	4,337	13,965	13,177
Interest [note 11]	4,201	4,477	12,847	13,255
Salaries and employee benefits [note 9]	3,502	3,062	10,652	9,997
Service, maintenance, supplies and administration	3,507	3,316	10,627	10,127
Utilities, insurance and property taxes	1,372	1,415	4,181	4,100
Police and security	1,100	1,067	3,639	3,560
Canada Lease Rent	1,226	3,181	3,677	9,543
Airport improvement fee collection costs	533	488	1,474	1,349
	<b>20,163</b>	<b>21,343</b>	<b>61,062</b>	<b>65,108</b>
<b>Earnings before the undernoted</b>	<b>\$ 5,406</b>	<b>\$ 2,800</b>	<b>\$ 11,209</b>	<b>\$ 5,272</b>
Other Gains (losses)	(13)	(15)	160	54
<b>Net earnings</b>	<b>5,393</b>	<b>2,785</b>	<b>11,369</b>	<b>5,326</b>
Equity in capital assets, beginning of period	71,931	66,837	65,955	64,296
<b>Equity in capital assets, end of period</b>	<b>\$ 77,324</b>	<b>\$ 69,622</b>	<b>\$ 77,324</b>	<b>\$ 69,622</b>

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



*For the Three and Nine Months Ended September 30, 2006  
with comparative figures for 2005*

	Three Months Ended September 30		Nine Months Ended September 30	
	2006	2005	2006	2005
<b>Cash provided by (used in):</b>				
Operations:				
Cash receipts from customers	\$ 25,575	\$ 22,817	\$ 73,642	\$ 64,865
Cash paid to employees and suppliers	(5,197)	(4,921)	(27,224)	(25,575)
Cash paid to the Landlord	(1,226)	(1,079)	(3,677)	(2,146)
Interest received	481	235	1,174	685
Interest paid	(4,682)	(4,712)	(14,021)	(13,940)
	<b>14,951</b>	12,340	<b>29,894</b>	23,889
Financing:				
Deferrred financing costs	63	63	188	188
Deferred pension charge	(692)	-	(692)	(842)
(Decrease) Increase in tenants' security deposits	(310)	(1)	(411)	179
Principal payment under capital lease obligation	(35)	(30)	(95)	(92)
Repayments of long-term debt	-	-	(759)	(600)
	<b>(974)</b>	32	<b>(1,769)</b>	(1,167)
Investments:				
Purchase of interest bearing deposits	(126)	(69)	(338)	(203)
Loan repayments	(51)	15	(22)	45
Proceeds from land sales	-	-	176	-
Purchase of capital assets	(5,084)	(6,397)	(11,661)	(15,811)
	<b>(5,261)</b>	(6,451)	<b>(11,845)</b>	(15,969)
Net (decrease) increase in cash	<b>\$ 8,716</b>	\$ 5,921	<b>\$ 16,280</b>	<b>\$ 6,753</b>
Cash in interest bearing accounts, beginning of period	<b>19,249</b>	13,339	<b>11,685</b>	12,507
Cash in interest bearing accounts, end of period	<b>\$ 27,965</b>	\$ 19,260	<b>\$ 27,965</b>	\$ 19,260

**Notes to Interim Financial Statements (000's of Dollars)**  
**Unaudited**  
For the Three and Nine Months ended September 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**

Although these interim financial statements follow the same accounting policies and methods in their application as the most recent annual financial statements for Edmonton Airports, they do not include all information and disclosures required under Canadian GAAP for annual financial statements.

**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 our most recent annual financial statements.

**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. Loans Receivable**

At September 30, 2006, Edmonton Airports had two loans outstanding to tenants to be paid in equal installments as follows:

Date	Installments	Interest Rate	Term In Months	Outstanding Principal		
				Current	Long Term	Total
1-Jan-04 Loan #1	\$ 6,227	2.90%	96	\$ 63,268	\$ 363,712	\$ 426,980
30-Sep-06 Loan #2	\$ 791	7.50%	120	\$ -	\$ 66,995	\$ 66,995
<i>Current Portion is included in Accounts Receivable</i>				<b>\$ 63,268</b>	<b>\$ 430,707</b>	<b>\$ 493,975</b>



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



**7. Capital Assets**

	September 30 2006	December 31 2005
Terminal and facilities	\$ 377,337	\$ 369,093
Machinery and equipment	23,601	22,304
Office equipment under capital lease	718	718
	<b>401,656</b>	392,115
Less accumulated amortization	<b>(114,163)</b>	(100,198)
	<b>\$ 287,493</b>	\$ 291,917

- (a) At September 30, 2006, \$4,356 (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 September 30, 2006 is \$1,753 (December 31, 2005 - \$4,242) relating to unpaid capital expenditures.
- (c) During the nine months ended September 30, 2006, \$13,965 (2005 - \$13,177) 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.

	September 30 2006	September 30 2005
Cumulative AIF revenues	\$ 183,995	\$ 153,511
Cumulative expenditures	<b>(398,316)</b>	(379,138)
	<b>\$ (214,321)</b>	\$ (225,627)

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



**9. Benefit Plan Expense**

	<b>Three Months Ended September 30</b>			
	<b>Pension Plan</b>	<b>SERP</b>	<b>Long-term Benefit Plan</b>	<b>Total</b>
Current service cost	\$ 239	\$ 25	\$ 40	\$ 304
Interest cost	235	2	20	257
Expected return on plan assets	(190)	-	-	(190)
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>\$ 276</b>	<b>\$ 27</b>	<b>\$ 60</b>	<b>\$ 363</b>
<b>Net benefit plan expense included in salaries and benefits expense 2005</b>	<b>\$ 203</b>	<b>\$ -</b>	<b>\$ 55</b>	<b>\$ 258</b>

	<b>Nine Months Ended September 30</b>			
	<b>Pension Plan</b>	<b>SERP</b>	<b>Long-term Benefit Plan</b>	<b>Total</b>
Current Service Cost	\$ 716	\$ 75	\$ 136	\$ 927
Interest Cost	706	5	59	770
Expected Return on Plan Assets	(602)	-	-	(602)
Amortization of Transitional Surplus	(125)	-	-	(125)
Amortization of Actuarial Gain (loss)	101	-	(4)	97
<b>Net benefit plan expense included in salaries and benefits expense 2006</b>	<b>\$ 796</b>	<b>\$ 80</b>	<b>\$ 191</b>	<b>\$ 1,067</b>
<b>Net benefit plan expense included in salaries and benefits expense 2005</b>	<b>\$ 693</b>	<b>\$ -</b>	<b>\$ 151</b>	<b>\$ 844</b>

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



**10. Passenger Volume Seasonality**

Passenger volume, comprised of the total number of enplaned and deplaned passengers, is the main driver of certain of Edmonton 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)	431,679	382,094	49,585	13.0%
<b>First Quarter</b>	<b>1,215,946</b>	<b>1,089,810</b>	<b>126,136</b>	<b>11.6%</b>
April (Restated)	414,620	343,472	71,148	20.7%
May (Restated)	428,987	355,787	73,200	20.6%
June	415,822	367,408	48,414	13.2%
<b>Second Quarter</b>	<b>1,259,429</b>	<b>1,066,667</b>	<b>192,762</b>	<b>18.1%</b>
July	467,435	410,827	56,608	13.8%
August	508,207	429,989	78,218	18.2%
September	432,650	382,444	50,206	13.1%
<b>Third Quarter</b>	<b>1,408,292</b>	<b>1,223,260</b>	<b>185,032</b>	<b>15.1%</b>
<b>Year To Date</b>	<b>3,883,667</b>	<b>3,379,737</b>	<b>503,930</b>	<b>14.9%</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>		

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

### Unaudited

For the Three and Nine Months ended September 30, 2006 and 2005



#### 11. Interest Expense

##### Interest expense (income):

	Three Months Ended		Nine Months Ended	
	September 30		September 30	
	2006	2005	2006	2005
Bond interest	\$ 4,500	\$ 4,462	\$ 13,528	\$ 13,401
Other interest and financing costs	182	63	493	189
Interest income and other	(481)	(48)	(1,174)	(335)
	4,201	4,477	12,847	13,255
Less: capitalized interest	-	-	-	-
	\$ 4,201	\$ 4,477	\$ 12,847	\$ 13,255

#### 12. Contingencies

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