



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 2nd and 3rd 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% |
| Total | 1,408,292 | 1,223,230 | 15.1% | 3,883,667 | 3,379,707 | 14.9% |

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 |
| Operating Revenue: | | | | |
| 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 |
| | 15,509 | 13,257 | 43,798 | 38,244 |
| Operating Expenses: | | | | |
| 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 |
| | 9,607 | 10,974 | 29,137 | 33,767 |
| Operating Earnings | \$ 5,902 | \$ 2,283 | \$ 14,661 | \$ 4,477 |

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 |
|---|----------------------|---------------------|
| Assets | | |
| 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 |
| | 42,550 | 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 |
| | 306,030 | 309,636 |
| | \$ 348,580 | \$ 335,953 |
| Liabilities and Equity in Capital Assets | | |
| 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 |
| | 18,311 | 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 |
| | 267,450 | 266,193 |
| Equity in capital assets: | | |
| Contributed capital | 3,805 | 3,805 |
| Equity in capital assets | 77,325 | 65,955 |
| | 81,130 | 69,760 |
| Contingencies [note 12] | | |
| | \$ 348,580 | \$ 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 |
| Revenue: | | | | |
| 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 |
| | 25,569 | 24,143 | 72,271 | 70,380 |
| Expenses: | | | | |
| 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 |
| | 20,163 | 21,343 | 61,062 | 65,108 |
| Earnings before the undernoted | \$ 5,406 | \$ 2,800 | \$ 11,209 | \$ 5,272 |
| Other Gains (losses) | (13) | (15) | 160 | 54 |
| Net earnings | 5,393 | 2,785 | 11,369 | 5,326 |
| Equity in capital assets, beginning of period | 71,931 | 66,837 | 65,955 | 64,296 |
| Equity in capital assets, end of period | \$ 77,324 | \$ 69,622 | \$ 77,324 | \$ 69,622 |

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 |
| Cash provided by (used in): | | | | |
| 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) |
| | 14,951 | 12,340 | 29,894 | 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) |
| | (974) | 32 | (1,769) | (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) |
| | (5,261) | (6,451) | (11,845) | (15,969) |
| Net (decrease) increase in cash | \$ 8,716 | \$ 5,921 | \$ 16,280 | \$ 6,753 |
| Cash in interest bearing accounts, beginning of period | 19,249 | 13,339 | 11,685 | 12,507 |
| Cash in interest bearing accounts, end of period | \$ 27,965 | \$ 19,260 | \$ 27,965 | \$ 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> | | | | \$ 63,268 | \$ 430,707 | \$ 493,975 |

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 |
| | 401,656 | 392,115 |
| Less accumulated amortization | (114,163) | (100,198) |
| | \$ 287,493 | \$ 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 | (398,316) | (379,138) |
| | \$ (214,321) | \$ (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

| | Three Months Ended September 30 | | | |
|--|--|--------------|-----------------------------------|---------------|
| | 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 | (190) | - | - | (190) |
| Amortization of transitional surplus | (42) | - | - | (42) |
| Amortization of actuarial gain (loss) | 34 | - | - | 34 |
| Net benefit plan expense included in salaries and benefits expense 2006 | \$ 276 | \$ 27 | \$ 60 | \$ 363 |
| Net benefit plan expense included in salaries and benefits expense 2005 | \$ 203 | \$ - | \$ 55 | \$ 258 |

| | Nine Months Ended September 30 | | | |
|--|---|--------------|-----------------------------------|-----------------|
| | Pension Plan | SERP | Long-term Benefit Plan | Total |
| 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 |
| Net benefit plan expense included in salaries and benefits expense 2006 | \$ 796 | \$ 80 | \$ 191 | \$ 1,067 |
| Net benefit plan expense included in salaries and benefits expense 2005 | \$ 693 | \$ - | \$ 151 | \$ 844 |

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**

| 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 (Restated) | 431,679 | 382,094 | 49,585 | 13.0% |
| First Quarter | 1,215,946 | 1,089,810 | 126,136 | 11.6% |
| 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% |
| Second Quarter | 1,259,429 | 1,066,667 | 192,762 | 18.1% |
| 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% |
| Third Quarter | 1,408,292 | 1,223,260 | 185,032 | 15.1% |
| Year To Date | 3,883,667 | 3,379,737 | 503,930 | 14.9% |
| 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 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.