EDMONTON AIRPORTS'

2016 THIRD QUARTER REPORT

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2016

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MANAGEMENT DISCUSSION AND ANALYSIS

The following Management Discussion and Analysis of Financial Results (MD&A) should be read in conjunction with the unaudited condensed interim financial statements and note disclosures of the Edmonton Regional Airports Authority (Edmonton Airports) for the three and nine months ended September 30, 2016 and the audited financial statements, as well as the MD&A, for the year ended December 31, 2015. The Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS). All amounts in the following MD&A are in Canadian dollars unless otherwise stated.

Edmonton Airports' financial statements reflect the combined results of operations of the Edmonton International Airport (EIA) and Villeneuve Airport (VA).

1. OPERATIONS

Passenger volume, comprised of the total number of enplaned and deplaned passengers, is the main driver of certain Edmonton Airports' revenue streams. These include airside and general terminal, airport improvement fees (AIF), and police and security revenues. The following table outlines the components of passenger traffic at the EIA and compares the 2016 actual results for the three and nine months ended September 30, 2016 to the same period last year.

Enplaned and Deplaned Passenger Traffic by Sector*

	Three Months Ended Sept 30			Nine Months Ended Sept 30		
	2016	2015	%	2016	2015	%
Domestic	1,649,081	1,636,559	0.8	4,263,471	4,180,041	2.0
Transborder	179,142	268,371	(33.2)	686,212	932,332	(26.4)
International	75,165	90,888	(17.3)	359,029	397,929	(9.8)
	1,903,388	1,995,818	(4.6)	5,308,712	5,510,302	(3.7)
General/Business aviation	128,386	184,372	(30.4)	407,550	599,600	(32.0)
Total	2,031,774	2,180,190	(6.8)	5,716,262	6,109,902	(6.4)

**The figures in the above table may change due to adjustments to reflect actual results which are dependent on timing and amendments filed by the airlines.*

2. FINANCIAL PERFORMANCE

Net Operating Results

(in thousands)	Three Months Ended September 30		Nine Months Ended September 30	
	2016	2015	2016	2015
	$	$	$	$
Revenue	54,358	55,426	154,860	159,955
Expenses	25,565	26,114	78,476	79,685
EBITDA*	28,793	29,312	76,384	80,270
EBITDA margin %	53.0%	52.9%	49.3%	50.2%
Depreciation and amortization	15,755	16,336	47,098	49,133
Interest	11,328	11,298	33,717	33,792
Other (gain) loss	33	(112)	(32)	(215)
Net income (loss)	1,677	1,790	(4,399)	(2,440)

***EBITDA is defined as earnings before interest, taxes and depreciation and amortization. Edmonton Airports' earnings are exempt from federal and provincial income tax.*

For the three months ended September 30, 2016, we experienced net income of $1.7 million, which was a decrease of $0.1 million over the comparative period. EBITDA was lower by $0.5 million (2%) compared to the prior year, driven by lower revenue of $1.1 million (2%) due to decreased passenger volumes offset by lower expenses. The decrease in revenue was partially offset by a decrease in depreciation and amortization expense of $0.6 million (4%).

For the nine months ended September 30, 2016 we experienced a net loss of $4.4 million, which was unfavorable by $2.0 million over the comparative period. The increased net loss was primarily due to lower EBITDA of $3.9 million (5%) compared to the prior year, driven by lower revenue of $5.1 million (3%) due to decreased passenger volumes, offset by lower operating expenses of $1.2 million (2%) and a decrease in depreciation and amortization expense of $2.0 million (4%).

Revenue

(in thousands)	Three Months Ended September 30			Nine Months Ended September 30		
	2016	2015	Variance	2016	2015	Variance
	$	$	$	$	$	$
Airport improvement fee	23,798	24,435	(637)	66,917	69,081	(2,164)
Parking and concessions	14,898	14,772	126	42,154	44,136	(1,982)
Airside and general terminal	10,662	11,898	(1,236)	31,927	35,000	(3,073)
Police and security	3,587	2,846	741	9,521	7,881	1,640
Real estate leases	1,392	1,450	(58)	4,126	3,764	362
Other revenue	21	25	(4)	215	93	122
	54,358	55,426	(1,068)	154,860	159,955	(5,095)

For the three months ended September 30, 2016, we earned revenue of $54.4 million which was a decrease of 1.9% over the prior year. The decrease in revenue was primarily due to decreased transborder and international passenger volumes unfavorably impacting AIF and airside and general terminal revenue streams.

For the nine months ended September 30, 2016, we earned revenue of $154.9 million which was a decrease of 3.2% over the prior year. The decrease in revenue is driven by decreased transborder and international passenger volumes unfavorably impacting AIF, parking and concessions, and airside and general terminal revenue streams.

Airport Improvement Fee (AIF)

For the three months ended September 30, 2016, AIF revenue was $23.8 million, a decrease of $0.6 million (2.6%), year over year. AIF is the primary source of funding Edmonton Airports uses to pay interest and principal on the bonds and debentures issued for Edmonton Airports' redevelopment and expansion. The decrease in AIF has been driven by declining passenger volumes resulting from the slowdown of the resource sector. The reduction compared to the prior year was driven by enplaned passengers being lower than prior year by 4.1% partially offset by a lower share of connecting passengers.

For the nine months ended September 30, 2016, AIF revenue was $66.9 million, a decrease of $2.2 million (3.1%), year over year. The decrease in AIF has been driven by declining passenger volumes resulting from the slowdown of the resource sector. Terminal passenger volume was 3.7% less than the prior year, while AIF revenue was 3.1% less than the prior year.

Airside and general terminal (AGT)

For the three months ended September 30, 2016, AGT revenue was $10.7 million, a decrease of $1.2 million (10.4%), year over year. Airside and general terminal revenue is primarily driven by the number of aircraft movements as well as the size of the aircraft. Fixed Base Operator operations continue to be impacted by the slowdown in the energy sector and therefore the resulting decrease in passenger volumes and movements has contributed to $0.4 million of the decrease in AGT revenue. Also, exchange rates have continued to have an unfavorable impact on transborder landing, terminal and preclearance fees resulting in loss of revenue from the prior year of approximately $0.7 million.

For the nine months ended September 30, 2016, AGT revenue was $31.9 million, a decrease of $3.1 million (8.8%), year over year. The decrease over the prior year was driven by the same economic factors that occurred in the third quarter. Reductions in activities of the Fixed Based Operators resulted in revenue reductions of $1.4 million and fees related to transborder operations were lower by $1.5 million compared to the prior year. In addition, while overall passenger volume and movements continue to decrease compared with prior year, the decrease was partially offset by the Fort McMurray wildlife fire which resulted in an increase in passenger volumes over trend in the second quarter of 2016. Also, decreased passenger volumes and movements has been partially offset by increases in rates that became effective in the first quarter.

Police and Security

For the three months ended September 30, 2016, police and security fee revenue was $3.6 million, an increase of $0.7 million (26.0%), year over year.

For the nine months ended September 30, 2016, police and security fee revenue was $9.5 million, an increase of $1.6 million (20.8%), year over year.

Edmonton Airports recovers some police and security expenses through a per departing passenger charge to airlines which increased by 15% effective in the first quarter of 2016. The increase in fees offset the reduced funding from the federal government.

Non-aeronautical commercial operations

Edmonton Airports also earns revenue from non-aeronautical commercial operations, such as parking, car rentals, concessions, ground transportation, and real estate. For the three months ended September 30, 2016, non-aeronautical commercial operations revenue was $16.3 million, an increase of $0.1 million (0.4%), year over year.

For the nine months ended September 30, 2016, non-aeronautical commercial operations revenue was $46.5 million, a decrease of $1.5 million (3.1%), year over year.

Parking and Concessions

Revenues from parking and concessions totaled $14.9 million for the three months ended September 30, 2016. This was an increase of $0.1 million (0.9%), year over year. The increase over the prior year in parking can be attributed to marketing campaigns during the third quarter. Also, an increase to the car rental CFC rate effective April 2016 has contributed to the year over year increase.

Revenues from parking and concessions totaled $42.2 million for the nine months ended September 30, 2016. This was a decrease of $2.0 million (4.5%), year over year. The change was primarily driven by a decrease in revenues from parking due to declining passenger volumes and discounts intended to protect market share impacting the retail parking products.

Real Estate Leases

For the three months ended September 30, 2016, Real estate lease revenue was $1.4 million, a decrease of $0.1 million (4.0%), year over year.

For the nine months ended September 30, 2016, Real estate lease revenue was $4.1 million, an increase of $0.4 million (9.6%), year over year. This increase is driven primarily by an increase in land lease revenue, increased rental rates as well as revenue from new real estate developments such as the Ivanhoe Cambridge outlet center.

Expenses

(in thousands)	Three Months Ended September 30			Nine Months Ended September 30		
	2016	2015	Variance	2016	2015	Variance
	$	$	$	$	$	$
Salaries and employee benefits	6,869	7,068	(199)	23,308	22,971	337
Services, maintenance, supplies and administration	7,124	7,937	(813)	22,499	24,014	(1,515)
Canada lease rent	4,570	4,771	(201)	13,030	13,730	(700)
Utilities, insurance and property taxes	2,894	2,656	238	8,464	8,704	(240)
Police and security	2,900	2,440	460	7,775	6,756	1,019
Airport improvement collection costs	1,208	1,242	(34)	3,400	3,510	(110)
	25,565	26,114	(549)	78,476	79,685	(1,209)

For the three months ended September 30, 2016, expenses were $25.6 million which was $0.5 million (2.1%) lower, year over year. This decrease was primarily driven by an increase in police and security offset by lower services, maintenance, supplies and administration expenses, Canada lease rent expenses, and salary and employee benefit expenses.

For the nine months ended September 30, 2016, expenses were $78.5 million which was $1.2 million (1.5%) lower, year over year. This decrease was primarily driven by decreases in services, maintenance, supplies and administration expenses, utilities, insurance and property taxes, and Canada lease rent. This was partly offset by a one-time expense for salaries and employee benefits and police and security expenses, as noted below.

Salaries and employee benefits
For the three months ended September 30, 2016, salaries and benefits expenses were $6.9 million, a decrease of $0.2 million (1.4%), year over year. Decreases compared to the prior year in regular pay, overtime and variable pay were partially offset by a decrease in capitalized salaries and wages.

For the nine months ended September 30, 2016, salaries and benefits expenses were $23.3 million, an increase of $0.3 million (1.5%), year over year. A $0.5 million one-time expense related to the management decision to offer voluntary retirement to reduce salaries and benefits expenses in future years was realized in the second quarter of 2016. Excluding this one-time expense, salaries and benefits expenses were $22.8 million, effectively $0.2 million lower than the same nine month period in the prior year.

Services, maintenance, supplies and administration
For the three months ended September 30, 2016, services, maintenance, supplies and administration expenses were $7.1 million which was $0.8 million (10.3%) lower, year over year. The decrease was driven by further reductions of $0.6 million in contracted services and $0.3 million in advertising expenses. The decrease was partially offset by higher building repair and maintenance expenses.

For the nine months ended September 30, 2016, services, maintenance, supplies and administration expenses were $22.5 million which was $1.5 million (6.3%) lower, year over year. This was driven by a decrease in contracted services, fuel, consulting and professional costs that were partly offset by higher marketing costs related to air service development. The increase in marketing costs was partially offset by grant funding. Also, favorable weather conditions in the first quarter caused lower than expected snow removal and associated costs.

Canada lease rent
Rent expense was $4.6 million for the three months ended September 30, 2016 which was $0.2 million (4.2%) lower, year over year. Rent expense was $13.0 million for the nine months ended September 30, 2016 which was $0.7 million (5.1%) lower, year over year.

Canada lease rent expense is based on a percentage, on a progressive scale of "Airport Revenue" at Edmonton Airports, as defined in the Ground Lease. The decrease was primarily driven by lower year over year revenues due to reduce passenger volumes.

Utilities, insurance and property taxes
For the three months ended September 30, 2016, utilities, insurance and property taxes expenses were $2.9 million which was $0.2 million (9.0%) higher, year over year. For the nine months ended September 30, 2016, utilities, insurance and property taxes expenses were $8.5 million which was $0.2 million (2.8%) lower, year over year. The decrease is primarily related to a new power contract signed in June of 2015 which locked in lower electricity rates.

Police and security
For the three months ended September 30, 2016, police and security expenses were $2.9 million which was $0.5 million (18.9%) higher, year over year.

For the nine months ended September 30, 2016, police and security expenses were $7.8 million which was $1.0 million (15.1%) higher, year over year. The increase is a result of an increase in contracted labor rates and hours primarily driven by the loss of federal funding resulting in increased costs to Edmonton Airports.

Airport improvement collection costs

For the three months ended September 30, 2016, airport improvement collection costs were $1.2 million which was consistent with the prior year. For the nine months ended September 30, 2016, airport improvement collection costs were $3.4 million which was $0.1 million (3.1%) lower with the prior year. This is driven by the decrease in AIF revenue resulting from the decrease in passenger volumes.

Other Expenses

(in thousands)	Three Months Ended September 30			Nine Months Ended September 30		
	2016	2015	Variance	2016	2015	Variance
	$	$	$	$	$	$
Depreciation and amortization	15,755	16,336	(581)	47,098	49,133	(2,035)
Interest	11,328	11,298	30	33,717	33,792	(75)
Other (gain) loss	33	(112)	145	(32)	(215)	183
	27,116	27,522	(406)	80,783	82,710	(1,927)

For the three months ended September 30, 2016, other expenses were $27.1 million which was $0.4 million (1.5%) lower, year over year. For the nine months ended September 30, 2016, other expenses were $80.8 million which was $1.9 million (2.3%) lower, year over year.

This decrease was primarily driven by a decrease in depreciation expense as a result of disposals and assets becoming fully depreciated during the last quarter of 2015 and the first three quarters of 2016 offset by the addition of new capital assets.

Additionally, interest expense was lower, year over year, for the nine month period as a result of a decrease in Series A and Series C bond interest, largely offset by a decrease in capitalized interest.

3. CAPITAL PROJECTS

Edmonton Airports' capital projects are identified by the airport and are broken into three main categories as follows:

Commercial Real Estate
Projects in this category include those that build revenue capacity for Edmonton Airports and are funded from operating earnings and cash flows that becomes available. $4.6 million was spent on real estate projects during the third quarter of 2016.

During the current quarter, as part of the highway commercial project, Edmonton Airports continued the process of improving the existing primary access point (Airport Perimeter Road) for entering and exiting the airport. This improvement is required for the development of the highway commercial and airport support lands south of the airport.

Growth
Projects in this category include those that expand capacity, create new services and/or improve the passenger experience. This includes terminal leasehold improvements for new concessions, expanded apron and taxiway to serve airside developments, parking lot expansions and projects related to enhancing the passenger experience. $12.8 million was spent on growth projects during the third quarter of 2016.

Airside Operations relocated to a newer facility towards the end of the third quarter to accommodate their requirement for a bigger facility to store fleet and maintenance equipment.

Maintenance
Projects in this category include the maintenance of existing airport facilities and infrastructure. This includes system lifecycle replacements, paving programs, fleet replacement and capital restoration. $5.2 million was spent on maintenance projects during the second quarter of 2016.

EDMONTON AIRPORTS'

UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2016

EIA
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Condensed Interim Statements of Financial Position
As at September 30, 2016 and December 31, 2015
(unaudited, in thousands of dollars)

	2016 $	2015 $
Assets		
Current Assets		
Cash and cash equivalents	59,401	39,073
Accounts Receivable	20,482	16,575
Prepaid expenses and other	7,069	5,421
	86,952	61,069
Non-current assets		
Restricted deposits	33,463	33,238
Prepaid expense and lessee receivable	504	366
Property, plant and equipment (note 3)	969,925	979,332
Intangible assets (note 4)	3,003	2,681
	1,093,847	1,076,686
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (note 3(b))	48,889	31,938
Deferred revenue	684	993
Current portion of Post-employment benefit	656	-
Current portion of long-term debt (note 5)	22,978	22,092
	73,207	55,023
Non-current liabilites		
Tenants' security deposit	1,856	1,692
Deferred Revenue (note 6)	11,078	11,230
Post-employment benefit	5,311	6,577
Long-term debt (note 5)	947,918	943,288
	1,039,370	1,017,810
Contingencies (note 7(b))		
Commitments (note 7(a))		
Net Assets	54,477	58,876
	1,093,847	1,076,686

Condensed Interim Statements of Comprehensive Loss
For the three and nine months ended September 30, 2016 and 2015
(unaudited, in thousands of dollars)

	Three Months Ended September 30		Nine Months Ended September 30	
	2016	2015	2016	2015
	$	$	$	$
Revenues				
Airport improvement fee	23,798	24,435	66,917	69,081
Parking and concessions	14,898	14,772	42,154	44,136
Airside and general terminal	10,662	11,898	31,927	35,000
Police and security	3,587	2,846	9,521	7,881
Real estate leases	1,392	1,450	4,126	3,764
Other revenue	21	25	215	93
	54,358	55,426	154,860	159,955
Expenses				
Salaries and employee benefits	6,869	7,068	23,308	22,971
Services, maintenance, supplies and administration	7,124	7,937	22,499	24,014
Canada lease rent	4,570	4,771	13,030	13,730
Utilities, insurance and property taxes	2,894	2,656	8,464	8,704
Police and security	2,900	2,440	7,775	6,756
Airport improvement collection costs	1,208	1,242	3,400	3,510
	25,565	26,114	78,476	79,685
EBITDA	28,793	29,312	76,384	80,270
Other Expenses				
Depreciation and amortization	15,755	16,336	47,098	49,133
Interest (note 5 (c))	11,328	11,298	33,717	33,792
Other (gain) loss	33	(112)	(32)	(215)
	27,116	27,522	80,783	82,710
Net income (loss) and total comprehensive income (loss) for the period	1,677	1,790	(4,399)	(2,440)

Condensed Interim Statements of Changes in Net Assets
As at September 30, 2016 and 2015
(unaudited, in thousands of dollars)

	Nine Months Ended September 30	
	2016	2015
	$	$
Net assets - Beginning of period	58,876	64,183
Total comprehensive loss for the period	(4,399)	(2,440)
Net assets - End of period	54,477	61,743

See accompanying notes to interim financial statements.

Condensed Interim Statements of Cash Flows
For the three and nine months ended September 30, 2016 and 2015
(unaudited, in thousands of dollars)

	Three Months Ended September 30		Nine Months Ended September 30	
	2016	2015	2016	2015
	$	$	$	$
Operating activities				
Net income (loss) for the period	1,675	1,790	(4,399)	(2,440)
Adjustments for:				
Depreciation and amortization	15,755	16,336	47,098	49,133
Amortization of borrowing costs	73	70	216	212
Gain (loss) on foreign exchange	13	(130)	(52)	(222)
Loss on disposal of property, plant and equipment and intangibles	20	16	20	4
Post employment benefit expense	965	941	2,785	2,838
Finance costs - net	11,344	11,112	33,401	33,194
Post employment benefit contributions	(1,480)	(1,836)	(3,396)	(3,728)
Changes in working capital:				
Accounts receivable	580	(2,326)	(3,947)	(527)
Prepaid expenses and other	697	947	(1,648)	(2,323)
Accounts payable and accrued liabilities	2,996	1,503	(769)	(4,134)
Deferred revenue	(42)	9,015	(461)	10,732
Tenants' security deposits	104	(4)	166	34
	32,700	37,434	69,014	82,773
Interest paid	(6,679)	(6,343)	(29,255)	(29,048)
Interest received	172	186	504	598
Net cash flows from operating activities	26,193	31,277	40,263	54,323
Cash flows from investing activities				
Lessee receivable	(29)	10	(139)	29
Purchase of restricted deposits	(76)	(78)	(225)	(253)
Purchase of property, plant and equipment	(7,998)	(12,907)	(23,476)	(26,632)
Purchase of intangible assets	259	(947)	(1,107)	(2,214)
Proceeds on disposal of property, plant and equipment	-	4	-	18
Interest paid capitalized to property, plant and equipment	-	(402)	(340)	(1,125)
Net cash flows from investing activities	(7,844)	(14,320)	(25,287)	(30,177)
Cash flows from financing activities				
Repayment of long-term debt	(3,798)	(3,633)	(14,699)	(13,863)
Proceeds from long-term debt	20,000	-	20,000	-
Net cash flows from financing activities	16,202	(3,633)	5,301	(13,863)
Effect of exchange rate on cash and cash equivalents at the end of the period	(15)	130	51	222
Net increase in cash and cash equivalents	34,536	13,454	20,328	10,505
Cash and cash equivalents - beginning of period	24,865	32,340	39,073	35,289
Cash and cash equivalents - end of period	59,401	45,794	59,401	45,794

Edmonton Regional Airports Authority (Edmonton Airports) was incorporated on July 26, 1990 under the provisions of the Regional Airports Authorities Act (Alberta) (the Act) for the purposes of managing the airports for which it is responsible in a safe, secure and efficient manner and to advance economic and community development by promoting improved airline and transportation service and an expanded aviation industry. The Board of Directors of Edmonton Airports consists of a maximum of 15 members. Six Directors are appointed by the City of Edmonton, two by the Government of Canada (the Landlord) and one each by Leduc County, the City of Leduc, Parkland County, Strathcona County and Sturgeon County. The Board of Directors has the right to appoint two Directors which the Board of Directors has elected not to appoint. In accordance with the provisions of the Act, all of Edmonton Airports' surpluses are applied towards promoting its purposes and no dividends are paid out of the surpluses. Surpluses in these financial statements are described as net assets.

Edmonton Airports registered office and principal place of business is located at #1, 1000 Airport Road, Edmonton International Airport, T9E 0V3, Alberta, Canada.

Edmonton Airports' earnings are generated from airport-related operations and are exempt from federal and provincial income tax.

These unaudited condensed interim financial statements were authorized for issue by the Audit Committee of the Board of Directors on November 7, 2016.

1. BASIS OF PRESENTATION

These unaudited condensed interim financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) applicable to the preparation of interim financial statements, including IAS 34, *Interim Financial Reporting*. The unaudited condensed interim financial statements do not include all the information and disclosures required in the annual audited financial statements, and should be read in conjunction with Edmonton Airports' annual audited financial statements as at December 31, 2015. The accounting policies followed in these unaudited condensed interim financial statements are consistent with those of the previous year, except as described below.

2. SIGNIFICANT ACCOUNTING POLICIES ADOPTED JANUARY 1, 2016

a) New and amended standards adopted in 2016

Edmonton Airports has adopted the following new and amended standard, along with any consequential amendments, effective January 1, 2016. These changes were made in accordance with the applicable transitional provisions.

- Clarification of acceptable methods of depreciation and amortization (Amendments to IAS 16 and IAS 38)
- Disclosure Initiative: Amendments to IAS 1

The adoption of the above amendments did not have any impact on the current or prior year financial statements.

b) Accounting standards issued but not yet applied

i) IFRS 9 Financial Instruments

IFRS 9, published in July 2014, replaces existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. IFRS 9 is effective for annual reporting periods beginning on or after January 1, 2018, with early adoption permitted. Edmonton Airports is yet to assess IFRS 9's full impact.

ii) IFRS 15 Revenue Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized, as well as requiring entities to provide more informative, relevant disclosures in respect of revenue recognition criteria. It replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programs. IFRS 15 is effective for annual reporting periods beginning on or after January 1, 2018, with early adoption permitted. Edmonton Airports is currently evaluating the impact of IFRS 15 on our financial statements.

iii) IFRS 16 leases

IFRS 16, published in January 2016, will replace IAS 17. IFRS 16 will bring most leases on-balance sheet for leases under a single model, eliminating the distinction between operating and finance leases. Under IFRS 16, all leases are to be capitalized by recognizing the present value of lease payments as both a financial asset and financial liability. The new standard effective for annual periods beginning on or after January 1, 2019, with early adoption permitted if IFRS 15 has also been applied. Edmonton Airports is yet to assess IFRS 16's full impact.

iv) IAS 7 Statement of Cash Flows

IAS 7 has been revised to incorporate amendments issued by the International Accounting Standards Board (IASB) in January 2016. The amendments require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities. Edmonton Airports is currently assessing the impact of adopting this amendment, which is effective for annual periods beginning on or after January 1, 2017, with early adoption permitted.

(unaudited, in thousands of dollars)

3. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Roadway systems	Parking facilities and lots	Runway, taxiways and apron surfaces	Other facilities	Vehicles and maintenance equipment	Furniture and equipment	Computer hardware	Land	Construction work in progress	Total
	$	$	$	$	$	$	$	$	$	$	$
Cost											
Balance at January 1, 2015	820,836	45,536	127,686	238,318	85,982	23,906	17,076	18,886	4,080	50,573	1,432,879
Additions/ transfers	13,364	1,967	5,946	6,489	2,781	2,163	105	2,482	-	8,744	44,041
Disposals	-	-	-	(323)	(3)	(110)	(9)	(378)	-	-	(823)
Balance at December 31, 2015	834,200	47,503	133,632	244,484	88,760	25,959	17,172	20,990	4,080	59,317	1,476,097
Balance at January 1, 2016	834,200	47,503	133,632	244,484	88,760	25,959	17,172	20,990	4,080	59,317	1,476,097
Additions/transfers	15,063	6,203	665	71	43,587	762	76	1,014	-	(30,515)	36,926
Disposals	-	-	-	-	(109)	-	-	(618)	-	-	(727)
Balance at September 30, 2016	849,263	53,706	134,297	244,555	132,238	26,721	17,248	21,386	4,080	28,802	1,512,296

(unaudited, in thousands of dollars)

	Buildings	Roadway systems	Parking facilities and lots	Runway, taxiways and apron surfaces	Other facilities	Vehicles and maintenance equipment	Furniture and equipment	Computer hardware	Land	Construction work in progress	Total
	$	$	$	$	$	$	$	$	$	$	$
Depreciation											
Balance at January 1, 2015	221,216	14,992	41,660	80,623	38,532	16,218	11,331	9,104	-	-	433,676
Depreciation for the year	38,547	1,825	4,124	10,038	4,076	1,372	850	2,803	63	-	63,698
Disposals	-	-	-	(129)	-	(92)	(9)	(378)	-	-	(608)
Balance at December 31, 2015	259,763	16,817	45,784	90,531	42,608	17,498	12,172	11,529	63	-	496,765
Balance at January 1, 2016	259,763	16,817	45,784	90,531	42,608	17,498	12,172	11,529	63	-	496,765
Depreciation for the period	26,660	1,507	3,109	7,752	3,386	904	485	2,378	132		46,313
Disposals	-	-	-	-	(89)	-	-	(618)	-	-	(707)
Balance at September 30, 2016	286,423	18,324	48,893	98,283	45,905	18,402	12,657	13,289	195	-	542,371
Carrying amounts											
At December 31, 2015	574,437	30,686	87,848	153,953	46,152	8,461	5,000	9,461	4,017	59,317	979,332
At September 30, 2016	562,840	35,382	85,404	146,272	86,333	8,319	4,591	8,097	3,885	28,802	969,925

a) At September 30, 2016, $28,802 (December 31, 2015 - $59,317) of property, plant and equipment were under construction of which $18,978 (December 31, 2015 - $57,256) was for parking and roadway systems, land servicing, and runways taxiways and aprons, not yet subject to depreciation.

b) Included in accounts payable and accrued liabilities at September 30, 2016 is $24,950 (December 31, 2015 - $11,880) relating to unpaid capital expenditures.

c) At September 30, 2016, $46,313 (September 30, 2015 - $48,302) of property, plant and equipment depreciation was included in the statements of comprehensive loss.

d) Property, plant and equipment includes nil (September 30, 2015 - $1,125) borrowing costs capitalized during the period. Borrowing costs were capitalized at a weighted average rate of its general borrowing of 4.78% (September 30, 2015 – 4.81%).

e) Assets with net book value of $20 (December 31, 2015 - $214) were disposed, proceeds from these disposals were nil (December 31, 2015 - $13).

(unaudited, in thousands of dollars)

4. INTANGIBLE ASSETS

	Computer Software $	Construction work in progress $	Total $
Cost			
Balance at January 1, 2015	3,831	821	4,652
Additions/transfers	2,754	(293)	2,461
Disposals	(955)	-	(955)
Balance at December 31, 2015	5,630	528	6,158
Balance at January 1, 2016	5,630	528	6,158
Additions/transfers	567	540	1,107
Disposals	(146)	-	(146)
Balance at September 30, 2016	6,051	1,068	7,119

	Computer Software $	Construction work in progress $	Total $
Amortization			
Balance at January 1, 2015	2,802	-	2,802
Amortization for the year	1,630	-	1,630
Disposals	(955)	-	(955)
Balance at December 31, 2015	3,477	-	3,477
Balance at January 1, 2016	3,477	-	3,477
Amortization for the period	785	-	785
Disposals	(146)	-	(146)
Balance at September 30, 2016	4,116	-	4,116
Carrying amounts			
At December 31, 2015	2,153	528	2,681
At September 30, 2016	1,935	1,068	3,003

a) At September 30, 2016, $1,068 (December 31, 2015 - $ 528) of intangible assets were under development and not yet subject to amortization.

b) Intangible assets are purchased software and software licenses. During the period ended September 30, 2016, $785 (September 30, 2015 - $831) of intangible asset amortization was charged to the statements of comprehensive loss.

(unaudited, in thousands of dollars)

5. LONG-TERM DEBT

Total long-term outstanding

	September 30, 2016 $	December 31, 2015 $
Series A Bond	208,470	211,719
Series C Bond	765,623	757,074
	974,093	968,793
Less: current portion Series A Bond	6,984	6,615
Less: current portion Series C Bond	15,994	15,477
Total current portion	22,978	22,092
Less: unamortized transaction costs	3,197	3,413
	947,918	943,288

a) Series A Bond and restricted deposits

Interest Rate	Semi-annual Instalment	Maturity Date	September 30, 2016 $	December 31, 2015 $
7.21%	Varying	November 1, 2030	208,470	211,719
Less unamortized transaction costs			3,197	3,413
			205,273	208,306
Less current portion			6,984	6,615
			198,289	201,691

Throughout the term, when the bonds are outstanding, Edmonton Airports is required to maintain a Debt Service Coverage Ratio on a rolling 12 months basis of 1.00:1 and a Gross Debt Service coverage Ratio of not less than 1.25:1. All covenants have been met.

(unaudited, in thousands of dollars)

b) Series C Bond

Fixed Rate Debentures, Series C Bonds payable in semi-annual instalments of principal and interest:

Interest Rate	Semi-annual Instalment	Maturity Date	September 30, 2016	December 31, 2015
	$		$	$
4.37%	755	December 15, 2026	12,606	13,075
4.50%	1,145	March 15, 2027	19,002	20,391
5.00%	398	June 15, 2027	6,679	6,904
4.89%	395	September 17, 2027	6,655	7,103
4.68%	1,552	June 16, 2028	28,240	29,109
4.55%	3,068	September 17, 2028	56,249	59,706
4.67%	1,245	December 15, 2039	35,322	35,734
4.54%	920	March 15, 2040	26,425	27,045
4.56%	1,845	June 15, 2040	53,498	54,110
4.00%	1,439	October 1, 2040	44,667	45,201
4.40%	2,112	December 15, 2040	62,960	63,672
4.41%	1,511	March 15, 2041	44,982	45,986
3.73%	557	March 17, 2044	19,047	19,439
3.36%	260	September 15, 2044	9,599	9,802
3.18%	266	December 15, 2044	9,692	9,797
2.72%	490	September 15, 2046	20,000	-
			455,622	447,074
Fixed Rate Debentures, Series C Bonds payable in semi-annual instalments of interest only:				
4.16%	1,041	June 15, 2041	50,000	50,000
3.70%	926	September 15, 2041	50,000	50,000
3.35%	1,174	December 15, 2041	70,000	70,000
3.41%	512	March 15, 2042	30,000	30,000
3.25%	488	June 15, 2042	30,000	30,000
3.26%	651	September 17, 2042	40,000	40,000
3.24%	324	December 17, 2042	20,000	20,000
3.42%	343	March 15, 2043	20,000	20,000
			765,623	757,074
Less: Current Portion			15,994	15,477
			749,629	741,597

Edmonton Airports is required to maintain an Interest Coverage Ratio of not less than 1.25:1 and net cash flows greater than zero as of the end of any fiscal quarter on a rolling four fiscal quarter basis. All covenants have been met.

(unaudited, in thousands of dollars)

c) Interest Expense

	Three Months Ended September 30		Nine Months Ended September 30	
	2016	2015	2016	2015
	$	$	$	$
Interest Expense (Income)				
Series A Bond interest	3,760	3,873	11,343	11,645
Series C Bond interest	7,573	7,743	22,711	23,212
Other interest and financing costs	168	269	509	658
Interest income and other	(173)	(186)	(506)	(598)
	11,328	11,699	34,057	34,917
Less: capitalized interest	-	401	340	1,125
	11,328	11,298	33,717	33,792

(unaudited, in thousands of dollars)

6. DEFERRED REVENUE

	2016 $	2015 $
Deferred revenue	11,998	12,580
Less: amortized in the current period	(236)	(357)
	11,762	12,223
Less: current portion	(684)	(993)
	11,078	11,230

7. COMMITMENTS AND CONTINGENCIES

a) Commitments

At September 30, 2016, Edmonton Airports had outstanding capital commitments in the amount of $26,551 (December 31, 2015 - $12,596).

b) Contingencies

Edmonton Airports has been named as a defendant in certain lawsuits. The outcome of these actions is currently not determinable. In Edmonton Airports' opinion, these actions will not result in any material expense to Edmonton Airports. The cost of settlement, if any, will be accounted for in the period of settlement.

8. FAIR VALUE OF FINANCIAL INSTRUMENTS

Edmonton Airports does not record any assets at fair value in the statements of financial position. The only financial instrument that has a fair value that does not approximate the carrying value in the statements of financial position is long-term debt. The fair value of the long-term debt is categorized as Level 2 of the fair value hierarchy as it is calculated using the future cash flows (principal and interest) of the outstanding debt instruments, discounted at current market rates available to Edmonton Airports for the same or similar instruments. The fair value of long term debt is determined on an annual basis and the most recent valuation is disclosed in the December 31, 2015 financial statements.