EDMONTON AIRPORTS'

2017 THIRD QUARTER REPORT

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2017

EIA EDMONTON INTERNATIONAL AIRPORT

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, 2017 and the audited financial statements, as well as the MD&A, for the year ended December 31, 2016. 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 2017 actual results for the three and nine months ended September 30, 2017 to the same period last year.

Enplaned and Deplaned Passenger Traffic by Sector*

	Three Months Ended Sept 30			Nine Months Ended Sept 30		
	2017	2016	%	2017	2016	%
Domestic	1,747,338	1,649,081	6.0	4,556,718	4,263,471	6.9
Transborder	182,401	179,142	1.8	641,436	686,212	(6.5)
International	79,408	75,165	5.6	354,552	359,029	(1.2)
	2,009,147	1,903,388	5.6	5,552,706	5,308,712	4.6
General/Business aviation	114,746	128,386	(10.6)	324,600	407,550	(20.4)
Total	**2,123,893**	**2,031,774**	4.5	**5,877,306**	**5,716,262**	2.8

**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	
	2017	2016	2017	2016
	$	$	$	$
Revenue	56,996	54,358	159,538	154,860
Expenses	27,382	25,565	80,766	78,476
EBITDA*	29,614	28,793	78,772	76,384
EBITDA margin %	52.0%	53.0%	49.4%	49.3%
Depreciation and amortization	16,079	15,755	48,343	47,098
Interest	11,112	11,328	33,514	33,717
Other (gain) loss	(42)	33	(76)	(32)
Net income (loss)	2,465	1,677	(3,009)	(4,399)

**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, 2017, net income was $2.5 million, which was an increase of $0.8 million over the comparative period. EBITDA was higher by $0.8 million (2.9%) compared to the prior period, driven by higher revenue of $2.6 million (4.9%) due to increased passenger volumes offset by higher expenses. The increase in revenue was partially offset by an increase in depreciation and amortization expense of $0.3 million (2.1%).

For the nine months ended September 30, 2017 we experienced a net loss of $3.0 million, which was favorable by $1.4 million over the comparative period. The decreased net loss was primarily due to higher EBITDA of $2.4 million (3.1%) compared to the prior period, driven by higher revenue of $4.7 million (3.0%) due to increased passenger volumes, offset by higher operating expenses of $2.3 million (2.9%) and an increase in depreciation and amortization expense of $1.2 million (2.6%).

Revenue

(in thousands)	Three Months Ended September 30			Nine Months Ended September 30		
	2017	2016	Variance	2017	2016	Variance
	$	$	$	$	$	$
Airport improvement fee	25,432	23,798	1,634	71,107	66,917	4,190
Parking and concessions	15,544	14,898	646	42,051	42,154	(103)
Airside and general terminal	10,998	10,662	336	32,312	31,927	385
Police and security	3,361	3,587	(226)	9,320	9,521	(201)
Real estate leases	1,609	1,392	217	4,475	4,126	349
Other revenue	52	21	31	273	215	58
	56,996	54,358	2,638	159,538	154,860	4,678

For the three months ended September 30, 2017, we earned revenue of $57.0 million which was an increase of 4.9% over the prior period.

The increase in revenue was primarily due to increased terminal passenger volumes (5.6%) favorably impacting AIF and airside and general terminal revenue streams.

For the nine months ended September 30, 2017, we earned revenue of $159.5 million which was an increase of 3.0% over the prior period. The increase in revenue was attributable to increase in passenger volumes (4.6%)

Airport Improvement Fee (AIF)
For the three months ended September 30, 2017, AIF revenue was $25.4 million, an increase of $1.6 million (6.9%) over the prior period. 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 increase compared to the prior period was driven by terminal enplaned passengers being higher than the prior period by 5.6%.

For the nine months ended September 30, 2017, AIF revenue was $71.1 million, an increase of $4.2 million (6.3%)over the prior period. The increase in AIF has been driven by increasing passenger volumes. The increase in AIF has been driven by increased passenger volumes. Year to date terminal passenger volume was 4.6% higher than the prior period.

Airside and general terminal (AGT)
For the three months ended September 30, 2017, AGT revenue was $11.0 million, an increase of $0.3 million (3.2%)over the prior period. Airside and general terminal revenue is primarily driven by the number of aircraft movements as well as the size of the aircraft. Total passengers increased from prior period. Also, recent growth in the value of the Canadian dollar helped boost travel as trips to the U.S. became relatively cheaper compared to last year.

For the nine months ended September 30, 2017, AGT revenue was $32.3 million, an increase of $0.4 million (1.2%)over the prior period. The favorable variance compared to prior period was driven by the increase in billed commercial movements. This was partially offset by an unfavorable variance in FBO operations which continue to be impacted by the slowdown in the energy sector. The decrease in FBO activity was also the result of the movement of Suncor and Canadian North to the main terminal.

Police and Security
For the three months ended September 30, 2017, police and security fee revenue was $3.4 million, a decrease of $0.2 million (6.3%)over the prior period.

For the nine months ended September 30, 2017, police and security fee revenue was $9.3 million, a decrease of $0.2 million (2.1%)over the prior period.

Edmonton Airports recovers some police and security expenses through a per departing passenger charge to airlines which increased by 4.7% effective in the first quarter of 2017.

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, 2017, non-aeronautical commercial operations revenue was $17.2 million, an increase of $0.9 million (5.5%)over the prior period.

For the nine months ended September 30, 2017, non-aeronautical commercial operations revenue was $46.8 million, an increase of $0.3 million (0.7%)over the prior period.

Parking and Concessions

Revenues from parking and concessions totaled $15.5 million for the three months ended September 30, 2017. This was an increase of $0.6 million (4.3%)over the prior period. The increase was due to a higher minimum guarantee in the car rental contracts and increased passenger traffic compared to prior period.

Revenues from parking and concessions totaled $42.1 million for the nine months ended September 30, 2017. This was a decrease of $0.1 million (0.2%)over the prior period. The change was primarily driven by a change in parking strategy in 2017 where the focus was on defending and growing market share based on competitive forces from off airport parking operators. These gains can be attributed to aggressive pricing positions on select products and investment in marketing efforts that are in response to changes in like strategy from competing products. Further supporting evidence to reinforce the positive outlook on this continuing strategy can be seen in vehicle volumes. Daily vehicle counts have been averaging a 5.6% increase over 2016, outpacing passenger enplanements that have seen an increase of 3.1% in the same nine month period.

Real Estate Leases

For the three months ended September 30, 2017, Real estate lease revenue was $1.6 million, an increase of $0.2 million (15.6%)over the prior period.

For the nine months ended September 30, 2017, Real estate lease revenue was $4.5 million, an increase of $0.3 million (8.5%)over the prior period. 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		
	2017	2016	Variance	2017	2016	Variance
	$	$	$	$	$	$
Salaries and employee benefits	7,649	6,869	780	23,725	23,308	417
Services, maintenance, supplies and administration	7,744	7,124	620	23,214	22,499	715
Canada lease rent	4,875	4,570	305	13,636	13,030	606
Utilities, insurance and property taxes	2,951	2,894	57	9,002	8,464	538
Police and security	2,873	2,900	(27)	7,580	7,775	(195)
Airport improvement collection costs	1,290	1,208	82	3,609	3,400	209
	27,382	25,565	1,817	80,766	78,476	2,290

For the three months ended September 30, 2017, expenses were $27.4 million which was $1.8 million (7.1%) higher over the prior period. This increase was primarily driven by an increase in salaries and employee benefits, services, maintenance, supplies and administration expenses, Canada lease rent expenses, and offset by a slight decrease in police and security.

For the nine months ended September 30, 2017, expenses were $80.8 million which was $2.3 million (2.9%) higher over the prior period. This increase was primarily driven by an increase in salaries and employee benefits, services, maintenance, supplies and administration expenses, Canada lease rent expenses, and offset by a slight decrease in police and security.

Salaries and employee benefits
For the three months ended September 30, 2017, salaries and benefits expenses were $7.6 million, an increase of $0.8 million (11.4%)over the prior period. Increases compared to the prior period in regular pay, pension benefits, overtime and variable pay were partially offset by a decrease in capitalized salaries and wages.

For the nine months ended September 30, 2017, salaries and benefits expenses were $23.7 million, an increase of $0.4 million (1.8%)over the prior period. Increases compared to the prior period in regular pay, pension benefits, overtime and variable pay were partially offset by a decrease in capitalized salaries and wages.

Services, maintenance, supplies and administration
For the three months ended September 30, 2017, services, maintenance, supplies and administration expenses were $7.7 million which was $0.6 million (8.7%) higher over the prior period. The increase was driven by increase in contracted services, maintenance and supplies, advertising, office & admin. The increase was partially offset by lower marketing incentives compared to prior period.

For the nine months ended September 30, 2017, services, maintenance, supplies and administration expenses were $23.2 million which was $0.7 million (3.2%) higher over the prior period. This was driven by an increase in contracted services, maintenance and supplies, advertising, office and admin, travel and training costs that were offset by lower marketing incentives provided to air carriers.

Canada lease rent

Rent expense was $4.9 million for the three months ended September 30, 2017 which was $0.3 million (6.7%) higher over the prior period. Rent expense was $13.6 million for the nine months ended September 30, 2017 which was $0.6 million (4.7%) lower over the prior period.

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 increase was primarily driven by higher over the prior period revenues due to increase in passenger volumes.

Utilities, insurance and property taxes

For the three months ended September 30, 2017, utilities, insurance and property taxes expenses were $3.0 million which was $0.1 million (2.0%) higher over the prior period. For the nine months ended September 30, 2017, utilities, insurance and property taxes expenses were $9.0 million which was $0.5 million (6.4%) higher over the prior period. The increase is primarily related to higher natural gas cost and property taxes compared to 2016.

Police and security

For the three months ended September 30, 2017, police and security expenses were $2.9 million which was consistent with prior period.

For the nine months ended September 30, 2017, police and security expenses were $7.6 million which was $0.2 million (2.5%) lower over the prior period. The decrease is a result of a decrease in RCMP labor costs due to lower RCMP staffing levels compared to prior period.

Airport improvement collection costs

For the three months ended September 30, 2017, airport improvement collection costs were $1.3 million which was $0.1 million (6.8%) higher over the prior period. For the nine months ended September 30, 2017, airport improvement collection costs were $3.6 million which was $0.2 million (6.1%) higherover the prior period. This is driven by the increase in AIF revenue resulting from the increase in passenger volumes.

Other Expenses

(in thousands)	Three Months Ended September 30			Nine Months Ended September 30		
	2017	2016	Variance	2017	2016	Variance
	$	$	$	$	$	$
Depreciation and amortization	16,079	15,755	324	48,343	47,098	1,245
Interest	11,112	11,328	(216)	33,514	33,717	(203)
Other (gain) loss	(42)	33	(75)	(76)	(32)	(44)
	27,149	27,116	33	81,781	80,783	998

For the three months ended September 30, 2017, other expenses were $27.1 million which was consistent with the prior period. For the nine months ended September 30, 2017, other expenses were $81.8 million which was $1.0 million (1.2%) higherover the prior period.

This increase was primarily driven by an increase in depreciation expense as a result of the addition of the Airside Operations Facility, Airport road improvements and the addition of software that became available for use in the last quarter of 2016.

Additionally, interest expense was lowerover the prior period, for the nine month period as a result of monthly repayment of the principal balance of the long term debt.

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. $7.6 million was spent on real estate projects during the third quarter of 2017.

During the current quarter, as part of the highway commercial project, Edmonton Airports completed the land development pertaining to the parcel of land leased to Costco and 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. $1.2 million was spent on growth projects during the third quarter of 2017.

To expedite the process through the Canada Border Services Agency (CBSA) in international arrivals, the Installation of 24 Primary inspection kiosks were completed in the quarter. The use of these kiosks will modernize and meet CBSA processes and regulations as well as enhance passenger experience by providing more streamlined processing through customs.

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. $5.9 million was spent on maintenance projects during the third quarter of 2017.

EDMONTON AIRPORTS'

UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2017

EIA EDMONTON INTERNATIONAL AIRPORT

Condensed Interim Statements of Financial Position
As at September 30, 2017 and December 31, 2016
(unaudited, in thousands of dollars)

	September 30, 2017 $	December 31, 2016 $
Assets		
Current Assets		
Cash and cash equivalents	49,547	40,969
Accounts Receivable	22,826	20,156
Prepaid expenses and other	6,618	5,314
	78,991	66,439
Non-current assets		
Restricted deposits	34,325	33,539
Prepaid expense and lessee receivable	562	514
Property, plant and equipment (note 3)	943,550	971,720
Intangible assets (note 4)	6,794	3,764
	1,064,222	1,075,976
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (note 3(b))	41,880	41,654
Deferred revenue	356	1,118
Current portion of Post-employment benefit	-	1,386
Current portion of long-term debt (note 5)	28,869	24,597
	71,105	68,755
Non-current liabilites		
Tenants' security deposit	2,085	2,313
Deferred Revenue (note 6)	19,476	11,027
Post-employment benefit	7,773	7,012
Long-term debt (note 5)	918,903	938,980
	1,019,342	1,028,087
Commitments (note 7(a))		
Contingencies (note 7(b))		
Net Assets	44,880	47,889
	1,064,222	1,075,976

Condensed Interim Statements of Comprehensive Loss
For the three and nine months ended September 30, 2017 and 2016
(unaudited, in thousands of dollars)

	Three Months Ended September 30		Nine Months Ended September 30	
	2017	2016	2017	2016
	$	$	$	$
Revenues				
Airport improvement fee	25,432	23,798	71,107	66,917
Parking and concessions	15,544	14,898	42,051	42,154
Airside and general terminal	10,998	10,662	32,312	31,927
Police and security	3,361	3,587	9,320	9,521
Real estate leases	1,609	1,392	4,475	4,126
Other revenue	52	21	273	215
	56,996	54,358	159,538	154,860
Expenses				
Salaries and employee benefits	7,649	6,869	23,725	23,308
Services, maintenance, supplies and administration	7,744	7,124	23,214	22,499
Canada lease rent	4,875	4,570	13,636	13,030
Utilities, insurance and property taxes	2,951	2,894	9,002	8,464
Police and security	2,873	2,900	7,580	7,775
Airport improvement collection costs	1,290	1,208	3,609	3,400
	27,382	25,565	80,766	78,476
EBITDA	29,614	28,793	78,772	76,384
Other Expenses				
Depreciation and amortization	16,079	15,755	48,343	47,098
Interest (note 5 (c))	11,112	11,328	33,514	33,717
Other (gain) loss	(42)	33	(76)	(32)
	27,149	27,116	81,781	80,783
Net income (loss) and total comprehensive income (loss) for the period	2,465	1,677	(3,009)	(4,399)

Condensed Interim Statements of Changes in Net Assets
As at September 30, 2017 and December 31, 2016
(unaudited, in thousands of dollars)

	Nine Months Ended September 30	
	2017	2016
	$	$
Net assets - Beginning of period	47,889	58,876
Total comprehensive loss for the period	(3,009)	(4,399)
Net assets - End of period	44,880	54,477

See accompanying notes to interim financial statements.

Condensed Interim Statements of Cash Flows
For the three and nine months ended September 30, 2017 and 2016
(unaudited, in thousands of dollars)

	Three Months Ended September 30 2017 $	Three Months Ended September 30 2016 $	Nine Months Ended September 30 2017 $	Nine Months Ended September 30 2016 $
Operating activities				
Net income (loss) for the period	2,464	1,675	(3,009)	(4,399)
Adjustments for:				
Depreciation and amortization	16,079	15,755	48,343	47,098
Amortization of borrowing costs	72	73	219	216
Gain (loss) on foreign exchange	(42)	13	(66)	(52)
Loss on disposal of property, plant and equipment and intangibles	-	20	(70)	20
Post employment benefit expense	-	965	941	2,785
Finance costs - net	10,862	11,344	32,926	33,401
Post employment benefit contributions	(586)	(1,480)	(1,566)	(3,396)
Changes in working capital:				
Accounts receivable	(5,053)	580	(2,670)	(3,947)
Prepaid expenses and other	1,221	697	(1,305)	(1,648)
Accounts payable and accrued liabilities	25,271	2,996	26,723	(769)
Deferred revenue	5,606	(42)	7,687	(461)
Tenants' security deposits	(355)	104	(228)	166
	55,539	32,700	107,925	69,014
Interest paid	(30,210)	(6,679)	(52,850)	(29,255)
Interest received	250	172	588	504
Net cash flows from operating activities	25,579	26,193	55,663	40,263
Cash flows from investing activities				
Lessee receivable	(103)	(29)	(48)	(139)
Purchase of restricted deposits	(102)	(76)	(786)	(225)
Purchase of property, plant and equipment	(5,768)	(7,998)	(26,453)	(23,476)
Purchase of intangible assets	(2,762)	259	(3,994)	(1,107)
Proceeds on disposal of property, plant and equipment	-	-	152	-
Interest paid capitalized to property, plant and equipment	2	-	2	(340)
Net cash flows from investing activities	(8,733)	(7,844)	(31,127)	(25,287)
Cash flows from financing activities				
Repayment of long-term debt	(4,190)	(3,798)	(16,024)	(14,699)
Proceeds from long-term debt	-	20,000	-	20,000
Net cash flows from financing activities	(4,190)	16,202	(16,024)	5,301
Effect of exchange rate on cash and cash equivalents at the end of the period	42	(15)	66	51
Net increase in cash and cash equivalents	12,698	34,536	8,578	20,328
Cash and cash equivalents - beginning of period	36,849	24,865	40,969	39,073
Cash and cash equivalents - end of period	49,547	59,401	49,547	59,401

1. NATURE OF OPERATIONS AND BASIS OF PRESENTATION

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 6, 2017.

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, 2016. 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, 2017

a) New and amended standards adopted in 2017

Edmonton Airports has adopted the following new and amended standard, along with any consequential amendments, effective January 1, 2017. These changes were made in accordance with the applicable transitional provisions.

- Statement of Cash Flows: Amendments to IAS 7

The adoption of the above amendments resulted in additional disclosure to Note 5 Long-term debt to include a reconciliation between opening and closing balance of the liabilities related to financing activities. There were no other material impacts on the financial statements.

The adoption of the above amendments did not have any impact on the current or prior period 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 currently evaluating 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 currently evaluating IFRS 16's full impact.

(unaudited, in thousands of dollars)

3. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Roadway systems	Parking facilities and lots	Runway, taxiways and apron surfaces	Vehicles and maintenance equipment	Furniture and equipment	Computer hardware	Land	Land Development	Construction work in progress	Total
	$	$	$	$	$	$	$	$	$	$	$
Cost											
Balance at January 1, 2016	878,214	47,981	133,431	253,887	27,652	17,168	22,578	4,080	31,199	59,317	1,475,507
Additions/ transfers	21,947	11,869	2,686	521	785	111	3,154	-	46,134	(32,566)	54,641
Disposals	(479)	-	-	-	-	-	(618)	-	(3)	-	(1,100)
Balance at December 31, 2016	899,682	59,850	136,117	254,408	28,437	17,279	25,114	4,080	77,330	26,751	1,529,048
Balance at January 1, 2017	899,682	59,850	136,117	254,408	28,437	17,279	25,114	4,080	77,330	26,751	1,529,048
Additions/transfers	2,352	1,264	607	9	1,510	79	1,061	-	1,802	10,607	19,291
Disposals	(20)	-	-	-	(723)	(32)	(2,919)	-	(6)	-	(3,700)
Balance at September 30, 2017	**902,014**	**61,114**	**136,724**	**254,417**	**29,224**	**17,326**	**23,256**	**4,080**	**79,126**	**37,358**	**1,544,639**

(unaudited, in thousands of dollars)

	Buildings	Roadway systems	Parking facilities and lots	Runway, taxiways and apron surfaces	Vehicles and maintenance equipment	Furniture and equipment	Computer hardware	Land	Land Development	Construction work in progress	Total
	$	$	$	$	$	$	$	$	$	$	$
Depreciation											
Balance at January 1, 2016	285,676	17,284	45,879	96,682	18,360	12,172	13,029	-	7,544	-	496,626
Depreciation for the year	37,448	2,100	4,166	10,726	1,247	616	3,288	147	2,044		61,782
Disposals	(459)	-	-	-	-	-	(618)	-	(3)	-	(1,080)
Balance at December 31, 2016	322,665	19,384	50,045	107,408	19,607	12,788	15,699	147	9,585	-	557,328
Balance at January 1, 2017	322,665	19,384	50,045	107,408	19,607	12,788	15,699	147	9,585	-	557,328
Depreciation for the period	28,078	1,833	3,228	7,892	966	316	2,859	52	2,155		47,379
Disposals	(20)	-	-	-	(643)	(32)	(2,919)	-	(4)	-	(3,618)
Balance at September 30, 2017	350,723	21,217	53,273	115,300	19,930	13,072	15,639	199	11,736	-	601,089
Carrying amounts											
At December 31, 2016	**577,017**	**40,466**	**86,072**	**147,000**	**8,830**	**4,491**	**9,415**	**3,933**	**67,745**	**26,751**	**971,720**
At September 30, 2017	**551,291**	**39,897**	**83,451**	**139,117**	**9,294**	**4,254**	**7,617**	**3,881**	**67,390**	**37,358**	**943,550**

a) At September 30, 2017, $37,358 (December 31, 2016 - $26,751) of property, plant and equipment were under construction of which $30,346 (December 31, 2016 - $19,761) 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, 2017 is $16,262 (December 31, 2016 - $23,783) relating to unpaid capital expenditures.

c) At September 30, 2017, $47,379 (September 30, 2016 - $46,313) of property, plant and equipment depreciation was included in the statements of comprehensive loss.

d) Property, plant and equipment includes $2 (September 30, 2016 - nil) in borrowing costs capitalized during the period. Borrowing costs were capitalized at a weighted average rate of its general borrowing of 4.02% (September 30, 2016 – 4.78%).

e) Assets with net book value of $82 (September 30, 2016 - $20) were disposed, proceeds from these disposals were $152 (September 30, 2016 - nil).

(unaudited, in thousands of dollars)

4. INTANGIBLE ASSETS

	Computer Software	Construction work in progress	Total
	$	$	$
Cost			
Balance at January 1, 2016	6,218	528	6,746
Additions/transfers	1,607	206	1,813
Disposals	(146)	-	(146)
Balance at December 31, 2016	7,679	734	8,413
Balance at January 1, 2017	7,679	734	8,413
Additions/transfers	4,374	(380)	3,994
Disposals	(963)	-	(963)
Balance at September 30, 2017	11,090	354	11,444

	Computer Software	Construction work in progress	Total
	$	$	$
Amortization			
Balance at January 1, 2016	3,614	-	3,614
Amortization for the year	1,181	-	1,181
Disposals	(146)	-	(146)
Balance at December 31, 2016	4,649	-	4,649
Balance at January 1, 2017	4,649	-	4,649
Amortization for the period	964	-	964
Disposals	(963)	-	(963)
Balance at September 30, 2017	4,650	-	4,650
Carrying amounts			
At December 31, 2016	**3,030**	**734**	**3,764**
At September 30, 2017	**6,440**	**354**	**6,794**

a) At September 30, 2017, $354 (December 31, 2016 - $734) 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, 2017, $964 (September 30, 2016 - $785) 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, 2017 $	December 31, 2016 $
Series A Bond	205,104	211,720
Series C Bond	761,598	757,074
Opening Balance	966,702	968,794
Add: loan proceeds	-	20,000
Less: loan payments	16,024	22,092
Series A Bond	201,487	205,104
Series C Bond	749,191	761,598
Closing Balance	950,678	966,702
Less: current portion Series A Bond	7,764	7,366
Less: current portion Series C Bond	21,105	17,231
Total current portion	28,869	24,597
Less: unamortized transaction costs	2,906	3,125
	918,903	938,980

a) Series A Bond and restricted deposits

Interest Rate	Semi-annual Instalment	Maturity Date	2017 $	2016 $
7.21%	Varying	November 1, 2030	201,486	205,104
Less unamortized transaction costs			2,905	3,125
			198,581	201,979
Less current portion			7,764	7,366
			190,817	194,613

(unaudited, in thousands of dollars)

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.

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, 2017	December 31, 2016
	$		$	$
4.37%	755	December 15, 2026	11,636	12,126
4.50%	1,145	March 15, 2027	17,550	19,002
5.00%	398	June 15, 2027	6,210	6,447
4.89%	395	September 17, 2027	6,186	6,655
4.68%	1,552	June 16, 2028	26,439	27,350
4.55%	3,068	September 17, 2028	52,634	56,250
4.67%	1,245	December 15, 2039	34,469	34,901
4.54%	920	March 15, 2040	25,777	26,425
4.56%	1,845	June 15, 2040	52,233	52,873
4.00%	1,439	October 1, 2040	43,566	44,122
4.40%	2,112	December 15, 2040	61,489	62,233
4.41%	1,511	March 15, 2041	43,933	44,982
3.73%	557	March 17, 2044	18,640	19,047
3.36%	260	September 15, 2044	9,388	9,599
3.18%	266	December 15, 2044	9,480	9,587
2.72%	490	September 15, 2046	19,561	20,000
			439,191	451,598
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
			310,000	310,000
			749,191	761,598
Less: Current Portion			21,105	17,231
			728,086	744,367

(unaudited, in thousands of dollars)

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.

c) Interest Expense

	Three Months Ended September 30		Nine Months Ended September 30	
	2017	2016	2017	2016
	$	$	$	$
Interest Expense (Income)				
Series A Bond interest	3,707	3,760	11,194	11,343
Series C Bond interest	7,533	7,573	22,551	22,711
Interest portion of current service cost for post-employment benefits	89	-	268	-
Other interest and financing costs	34	168	89	509
Interest income and other	(251)	(173)	(588)	(506)
	11,112	11,328	33,514	34,057
Less: capitalized interest	-	-	-	340
	11,112	11,328	33,514	33,717

(unaudited, in thousands of dollars)

6. DEFERRED REVENUE

	September 30, 2017 $	December 31, 2016 $
Deferred revenue	21,104	12,458
Less: amortized in the current period	(1,272)	(313)
	19,832	12,145
Less: current portion	(356)	(1,118)
	19,476	11,027

7. COMMITMENTS AND CONTINGENCIES

a) Commitments

At September 30, 2017, Edmonton Airports had outstanding capital commitments in the amount of $14,593 (December 31, 2016 - $18,009).

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, 2016 financial statements.