EDMONTON AIRPORTS'

FIRST QUARTER REPORT

FOR THE THREE MONTHS ENDED MARCH 31, 2017

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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 months ended March 31, 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 months ended March 31, 2017 to the same period last year.

Enplaned and Deplaned Passenger Traffic by Sector*

	Three Months Ended March 31			
	2017	2016	Variance	%
Domestic	1,293,231	1,224,666	68,565	5.6
Transborder	258,655	287,634	(28,979)	(10.1)
International	169,816	182,589	(12,773)	(7.0)
	1,721,702	1,694,889	26,813	1.6
General/Business aviation	99,922	124,888	(24,966)	(20.0)
Total	**1,821,624**	**1,819,777**	1,847	0.1

**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 March 31			
	2017	2016	Variance	Variance
	$	$	$	%
Revenue	50,980	50,401	579	1.1
Expenses	27,514	27,073	441	1.6
EBITDA*	23,466	23,328	138	0.6
EBITDA margin %	46.0%	46.3%	-0.3%	(0.6)
Depreciation and amortization	16,157	15,822	335	2.1
Interest expense	11,143	11,179	(36)	(0.3)
Other gain	(21)	(52)	31	(59.6)
Net loss	(3,813)	(3,621)	(192)	5.3

**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 March 31, 2017, we experienced net loss of $3.8 million, which was an increase of $0.2 million over the comparative period. EBITDA was higher by $0.1 million (0.6%) compared to the prior year, driven by higher revenue of $0.6 million (1.1%) due to increased passenger volumes offset by higher expenses. The increase in net loss was driven entirely by an increase in depreciation and amortization expense of $0.3 million (2.1%).

Revenue

(in thousands)	Three Months Ended March 31			
	2017	2016	Variance	Variance
	$	$	$	%
Airport improvement fee (AIF)	22,323	21,655	668	3.1
Parking and concessions	13,207	13,732	(525)	(3.8)
Airside and general terminal	10,693	10,528	165	1.6
Police and security	3,161	2,968	193	6.5
Real estate leases	1,432	1,412	20	1.4
Other revenue	164	106	58	54.7
	50,980	50,401	579	1.1

For the three months ended March 31, 2017, we earned revenue of $51.0 million which was an increase of 1.1% over the prior year. The increase in revenue was primarily due to increased domestic passenger volumes (1.6 %) favorably impacting AIF and airside and general terminal revenue streams.

Airport Improvement Fee (AIF)
For the three months ended March 31, 2017, AIF revenue was $22.3 million, an increase of $0.7 million (3.1%), 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 increase compared to the prior year was driven by terminal enplaned passengers being higher than prior year by 1.6% partially combined with a lower share of connecting passengers.

Airside and general terminal (AGT)
For the three months ended March 31, 2017, AGT revenue was $10.7 million, an increase of $0.2 million (1.6%), 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. The increase compared to the prior year has been driven by higher domestic landing and terminal fees due to increased domestic passenger traffic. This was partially offset by fixed Base Operator operations which continue to be impacted by the slowdown in the energy sector. Also, exchange rates have continued to have an unfavorable impact on transborder landing, terminal and preclearance fees.

Police and Security
For the three months ended March 31, 2017, police and security fee revenue was $3.2 million, an increase of $0.2 million (6.5%), year over year. Edmonton Airports recovers some police and security expenses through a per departing passenger charge to airlines which increased by 5% 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 March 31, 2017, non-aeronautical commercial operations revenue was $14.6 million, a decrease of $0.5 million (3.3%), year over year.

Parking and Concessions
Revenues from parking and concessions totaled $13.2 million for the three months ended March 31, 2017. This was a decrease of $0.5 million (3.8%), year over year. The decrease compared to the prior year in parking can be attributed to marketing campaigns to provide discounts during the first quarter. Car rental revenue is consistent with the prior year.

Real Estate Leases
For the three months ended March 31, 2017, Real estate lease revenue was $1.4 million, which is consistent with the prior year.

Expenses

(in thousands)	Three Months Ended March 31			
	2017	2016	Variance	Variance
	$	$	$	%
Salaries and employee benefits	8,347	8,816	(469)	(5.3)
Services, maintenance, supplies and administration	8,366	7,685	681	8.9
Canada lease rent	4,362	4,248	114	2.7
Utilities, insurance and property taxes	2,986	2,759	227	8.2
Police and security	2,324	2,464	(140)	(5.7)
Airport improvement collection costs	1,129	1,101	28	2.5
	27,514	27,073	441	1.6

For the three months ended March 31, 2017, expenses were $27.5 million which was $0.4 million (1.6%) higher, year over year. This increase was primarily driven by an increase in services, maintenance, supplies and administration expenses and utilities, insurance and property taxes offset by lower salary and employee benefit expenses.

Salaries and employee benefits
For the three months ended March 31, 2017, salaries and benefits expenses were $8.3 million, a decrease of $0.5 million (5.3%), year over year. The decrease compared to the prior year is due to continued active management of vacancies and discretionary staff hours.

Services, maintenance, supplies and administration
For the three months ended March 31, 2017, services, maintenance, supplies and administration expenses were $8.4 million which was $0.7 million (8.9%) higher, year over year. The increase was driven by increased bad debt expenses offset by reductions in advertising, consulting and contracted service expenses.

Canada lease rent
Rent expense was $4.4 million for the three months ended March 31, 2017 which was $0.1 million (2.7%) higher, 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 increase was primarily driven by higher year over year revenues due to increased passenger volumes.

Utilities, insurance and property taxes
For the three months ended March 31, 2017, utilities, insurance and property taxes expenses were $3.0 million which was $0.2 million (8.2%) higher, year over year. The increase is primarily related to higher natural gas consumption and a carbon levy which began in January 2017.

Police and security
For the three months ended March 31, 2017, police and security expenses were $2.3 million which was $0.1 million (5.7%) lower, year over year. The decrease is a result of lower than expected contracted labor expenses.

Airport improvement collection costs

For the three months ended March 31, 2017, airport improvement collection costs were $1.1 million which was consistent with the prior year.

Other Expenses

(in thousands)	Three Months Ended March 31			
	2017	2016	Variance	Variance
	$	$	$	%
Depreciation and amortization	16,157	15,822	335	2.1
Interest expense	11,143	11,179	(36)	(0.3)
Other loss (gain)	(21)	(52)	31	(59.6)
	27,279	26,949	330	1.2

For the three months ended March 31, 2017, other expenses were $27.3 million which was $0.3 million (1.2%) higher, year over year.

This increase was primarily driven by an increase in depreciation expense, as a result of the purchase of a new Airside Operations Facility and completion of improvements to the primary access point (Airport Road), for entering and exiting the airport. These assets became available for use in the last quarter of 2016. New additions to equipment and software also contributed to the increase.

Interest expense was flat to prior year.

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. $2.1 million was spent on real estate projects during the first quarter of 2017.

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 aprons and taxiways to serve airside developments, parking lot expansions and projects related to enhancing the passenger experience. $0.2 million was spent on growth projects during the first quarter of 2017.

Airside Operations relocated to a newer facility towards the end of the third quarter of 2016 to accommodate their requirement for a larger facility to store fleet and maintenance equipment. Construction of a sand shed and remaining deficiencies on the Taxiway Romeo crossing are being addressed this year to complete the project.

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. $2.5 million was spent on maintenance projects during the first quarter of 2017.

EDMONTON AIRPORTS'

UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED MARCH 31, 2017

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

	March 31, 2017 $	December 31, 2016 $
Assets		
Current Assets		
Cash and cash equivalents	38,867	40,969
Accounts Receivable	17,933	20,156
Prepaid expenses and other	5,059	5,314
	61,859	66,439
Non-current assets		
Restricted deposits	33,612	33,539
Prepaid expense and lessee receivable	486	514
Property, plant and equipment (note 3)	960,029	971,720
Intangible assets (note 4)	3,993	3,764
	1,059,979	**1,075,976**
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (note 3(b))	34,698	41,654
Deferred revenue	249	1,118
Current portion of Post-employment benefit	-	1,386
Current portion of long-term debt (note 5)	25,433	24,597
	60,380	68,755
Non-current liabilites		
Tenants' security deposit	2,260	2,313
Deferred Revenue (note 6)	10,977	11,027
Post-employment benefit	8,169	7,012
Long-term debt (note 5)	934,117	938,980
	1,015,903	1,028,087
Contingencies (note 7(b))		
Commitments (note 7(a))		
Net Assets	44,076	47,889
	1,059,979	**1,075,976**

Condensed Interim Statements of Comprehensive Loss
For the three months ended March 31, 2017 and 2016
(unaudited, in thousands of dollars)

	Three Months Ended March 31	
	2017	2016
	$	$
Revenues		
Airport improvement fee	22,323	21,655
Parking and concessions	13,207	13,732
Airside and general terminal	10,693	10,528
Police and security	3,161	2,968
Real estate leases	1,432	1,412
Other revenue	164	106
	50,980	50,401
Expenses		
Salaries and employee benefits	8,347	8,816
Services, maintenance, supplies and administration	8,366	7,685
Canada lease rent	4,362	4,248
Utilities, insurance and property taxes	2,986	2,759
Police and security	2,324	2,464
Airport improvement collection costs	1,129	1,101
	27,514	27,073
EBITDA	23,466	23,328
Other expenses		
Depreciation and amortization	16,157	15,822
Interest expense	11,143	11,179
Other gain	(21)	(52)
	27,279	26,949
Net loss and total comprehensive loss for the period	(3,813)	(3,621)

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

	Three Months Ended March 31	
	2017	2016
	$	$
Net assets - Beginning of period	47,889	58,876
Total comprehensive loss for the period	(3,813)	(3,621)
Net assets - End of period	44,076	55,255

See accompanying notes to interim financial statements.

Condensed Interim Statements of Cash Flows
For the three months ended March 31, 2017 and 2016
(unaudited, in thousands of dollars)

	Three Months Ended March 31 2017 $	2016 $
Operating activities		
Net loss for the period	(3,813)	(3,621)
Adjustments for:		
Depreciation and amortization	16,157	15,822
Amortization of borrowing costs	73	72
Gain on foreign exchange	(21)	(52)
Loss on disposal of property, plant and equipment and intangibles	80	-
Post employment benefit expense	941	896
Finance costs - net	10,978	10,971
Post employment benefit contributions	(1,170)	(1,016)
Changes in working capital:		
Accounts receivable	2,223	(4,294)
Prepaid expenses and other	255	349
Accounts payable and accrued liabilities	1,351	3,378
Deferred revenue	(919)	(218)
Tenants' security deposits	(53)	63
	26,082	22,350
Interest paid	(6,708)	(6,325)
Interest received	165	208
Net cash flows from operating activities	19,539	16,233
Cash flows from investing activities		
Lessee receivable	29	(79)
Purchase of restricted deposits	(74)	(74)
Purchase of property, plant and equipment	(16,890)	(11,117)
Purchase of intangible assets	(628)	(612)
Interest paid capitalized to property, plant and equipment	-	(245)
Net cash flows used in investing activities	(17,563)	(12,127)
Cash flows from financing activities		
Repayment of long-term debt (note 5)	(4,101)	(3,715)
Net cash (used in) from financing activities	(4,101)	(3,715)
Effect of exchange rate on cash and cash equivalents at the end of the period	21	52
Net increase in cash and cash equivalents	(2,102)	443
Cash and cash equivalents - beginning of period	40,969	39,073
Cash and cash equivalents - end of period	38,867	39,516

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 May 8, 2017.

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, 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.

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.

(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	1,021	883	40	9	936	61	892	-	1,807	(1,501)	4,148
Disposals	(20)	-	-	-	(723)	-	(2,919)	-	-	-	(3,662)
Balance at March 31, 2017	**900,683**	**60,733**	**136,157**	**254,417**	**28,650**	**17,340**	**23,087**	**4,080**	**79,137**	**25,250**	**1,529,534**

(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	9,352	608	1,073	2,629	307	105	957	18	710		15,759
Disposals	(20)	-	-	-	(643)	-	(2,919)	-	-	-	(3,582)
Balance at March 31, 2017	331,997	19,992	51,118	110,037	19,271	12,893	13,737	165	10,295	-	569,505
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 March 31, 2017	568,686	40,741	85,039	144,380	9,379	4,447	9,350	3,915	68,842	25,250	960,029

a) At March 31, 2017, $25,250 (December 31, 2016 - $27,751) of property, plant and equipment were under construction of which $19,353 (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 March 31, 2017 is $10,680 (December 31, 2016 - $23,783) relating to unpaid capital expenditures.

c) At March 31, 2017, $15,759 (March 31, 2016 - $15,554) of property, plant and equipment depreciation was included in the statements of comprehensive loss.

d) Property, plant and equipment includes nil (March 31, 2016 - $245) borrowing costs capitalized during the period. Borrowing costs were capitalized at a weighted average rate of its general borrowing of 4.74% (March 31, 2016 – 4.78%).

e) Assets with net book value of $80 (March 31, 2016 - $0) were disposed, proceeds from these disposals were $0 (March 31, 2016 - $2).

(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	1,812
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	249	378	628
Disposals	(880)	-	(880)
Balance at March 31, 2017	7,048	1,112	8,160

	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	398	-	398
Disposals	(880)	-	(880)
Balance at March 31, 2017	4,167	-	4,167
Carrying amounts			
At December 31, 2016	**3,030**	**734**	**3,764**
At March 31, 2017	**2,881**	**1,112**	**3,993**

a) At March 31, 2017, $1,112 (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 March 31, 2017, $398 (March 31, 2016 - $268) 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

	March 31, 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	4,101	22,092
Series A Bond	205,104	205,104
Series C Bond	757,497	761,598
Closing Balance	962,601	966,702
Less: current portion Series A Bond	7,366	7,366
Less: current portion Series C Bond	18,067	17,231
Total current portion	25,433	24,597
Less: unamortized transaction costs	3,051	3,125
	934,117	938,980

a) Series A Bond and restricted deposits

Interest Rate	Semi-annual Instalment	Maturity Date	March 31, 2017 $	December 31, 2016 $
7.21%	Varying	November 1, 2030	205,104	205,104
Less unamortized transaction costs			3,051	3,125
			202,053	201,979
Less current portion			7,366	7,366
			194,687	194,613

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	March 31, 2017	December 31, 2016
	$		$	$
4.37%	755	December 15, 2026	12,126	12,126
4.50%	1,145	March 15, 2027	18,284	19,002
5.00%	398	June 15, 2027	6,447	6,447
4.89%	395	September 17, 2027	6,423	6,655
4.68%	1,552	June 16, 2028	27,350	27,350
4.55%	3,068	September 17, 2028	54,462	56,249
4.67%	1,245	December 15, 2039	34,901	34,901
4.54%	920	March 15, 2040	26,105	26,425
4.56%	1,845	June 15, 2040	52,873	52,873
4.00%	1,439	October 1, 2040	44,122	44,122
4.40%	2,112	December 15, 2040	62,233	62,233
4.41%	1,511	March 15, 2041	44,463	44,982
3.73%	557	March 17, 2044	18,845	19,047
3.36%	260	September 15, 2044	9,494	9,599
3.18%	266	December 15, 2044	9,587	9,587
2.72%	490	September 15, 2046	19,782	20,000
			447,497	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
			757,497	761,598
Less: Current Portion			18,067	17,231

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 March 31	
	2017	2016
	$	$
Interest Expense (Income)		
Series A Bond interest	3,674	3,890
Series C Bond interest	7,517	7,614
Other interest and financing costs	117	128
Interest income and other	(165)	(208)
	11,143	11,424
Less: capitalized interest	-	(245)
	11,143	11,179

6. DEFERRED REVENUE

	2017	2016
	$	$
Deferred revenue	11,301	12,458
Less: Amortized in the current period	(75)	(313)
	11,226	12,145
Less: Current portion	(249)	(1,118)
	10,977	11,027

7. COMMITMENTS AND CONTINGENCIES

a) Commitments

At March 31, 2017, Edmonton Airports had outstanding capital commitments in the amount of $16,435 (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.