FEDERAL BRIDGE CORPORATION
SOCIÉTÉ DES PONTS FÉDÉRAUX

QUARTERLY FINANCIAL REPORT

3rd QUARTER (Q3) – UNAUDITED

For the nine months ended December 31, 2022

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1.0 INTRODUCTION

This interim financial report outlines the significant activities and initiatives, risks and financial results of The Federal Bridge Corporation Limited (FBCL) for the nine-month period ended December 31, 2022. This interim financial report has been prepared in accordance with the requirements of the *Financial Administration Act* and the Standard on Quarterly Financial Reports for Crown Corporations issued by the Treasury Board Secretariat and with International Financial Reporting Standards (IFRS) 34, *Interim Financial Reporting*. It should be read in conjunction with the interim unaudited condensed consolidated financial statements and related notes, included herein. Unless otherwise indicated, all amounts are expressed in Canadian dollars.

1.1 Forward-looking statements

Readers are cautioned that this report includes certain forward-looking information and statements. These forward-looking statements contain information that is generally stated to be anticipated, expected or projected by FBCL. They involve known and unknown risks, uncertainties and other factors, which may cause the actual results and performance of FBCL to be materialy different from any future results and performance expressed or implied by such forward-looking information.

1.2 Materiality

In assessing what information is to be provided in the interim financial report, management applies the materiality principle as guidance for disclosure. Management considers information material if it is probable that its omission or misstatement, judged in the surrounding circumstances, would influence the economic decisions of FBCL's stakeholders.

2.0 CORPORATE OVERVIEW

FBCL is a federal Crown corporation that has been entrusted with the administration of Canada's interests in four international crossings between Ontario and the United States. Each bridge has unique geographic, cultural, climactic, trade, employment and administrative characteristics that offer unique challenges while delivering crucial benefits to their local communities. FBCL owns crossing assets and provides oversight to bridge operations, administers international agreements associated with the bridges, leads bridge engineering and inspection duties and manages bridge capital investment projects.

2.1 Mandate

FBCL's mandate, approved by the Minister of Transport, is to provide the highest level of stewardship so that its international bridges and associated structures are safe and efficient for users.

The business or undertaking of the Corporation is limited to the following:

a) The design, construction, acquisition, financing, maintenance, operation, management, development, repair, demolition or reconstruction of bridges or other related structures, facilities, works or properties, including approaches, easements, power or communication transmission equipment, pipelines integrated with any such bridge, other related structures, facilities, work, or property, linking the Province of Ontario in Canada to the State of New York or the State of Michigan in the United States of America, either alone, jointly or in cooperation with any other person, legal entity or governmental authority in Canada or in the United States of America;

b) The design, construction, acquisition, financing, maintenance, operation, management, development, repair, demolition or reconstruction of other bridges or other related structures, facilities, works or properties, as the Governor in Council may deem appropriate, on such terms and conditions as the Governor in Council may determine; and

2.1 Mandate (Cont'd)

c) Any business, undertaking or other activities incidental to any bridge, or other related structures, facilities, work or property contemplated in paragraph (a) or (b).

For the foregoing purposes, the Corporation has, subject to the *Financial Administration Act*, the *Canada Business Corporations Act*, and its mandated articles, as amended from time to time, the capacities and powers of a natural person.

2.2 Outlook

FBCL manages Canada's interest in four of the bridges linking Ontario with the United States. Each crossing is endowed with unique characteristics. The bridges are dynamic reflections of their regional communities and are subject to distinct co-ownership and administrative models. As a collective, they enhance FBCL's aim of generating a shared portfolio-wide capital reserve for asset maintenance and contingency management while still commanding a need for individualized consideration.

The Corporation has adopted a portfolio management approach to deliver its mandate. It is not a portfolio of corporations but rather one parent Crown corporation overseeing a portfolio of federal assets, which are used in pursuit of public policy objectives. Key aspects of the portfolio management approach include:

- Funds surplus to operating requirements used for capital re-investment in all portfolio bridges in support of public policy objectives;
- Revenues centrally managed, with each bridge established as a cost centre, including an appropriate corporate services allocation;
- Operational and maintenance expenditures of each bridge based on common policies;
- Integrated long-term capital plan developed as a basis for capital prioritisation and annual capital budget; and
- Shared internal services.

The establishment of this management approach provides a unique opportunity to look at all possibilities, both through adopting best practices and a comprehensive common approach within the portfolio and through identifying broader strategic opportunities. Additionally, this approach has assisted FBCL in its operation and oversight of its portfolio of bridges during the recent border restrictions that have been in effect at the Canada-U.S. border since March 2020. However, as of April 1, 2022 and October 1, 2022, many of these restrictions have been loosened or eliminated. These restrictions have affected FBCL's revenues greatly. FBCL's bridges have responded by reducing and deferring expenditures where prudent and safe. FBCL continues to monitor and assess the impact of lower than normal volumes on its plans.

As stewards of four of Canada's international bridge crossings, it is necessary to invest prudently in the maintenance, rehabilitation and at times, complete replacement of bridge and bridge plaza assets. For the current year, FBCL is receiving parliamentary appropriations, in whole or in part, for the completion of important capital works. These works include a bridge railing painting project in Sault Ste. Marie, the replacement of the toll collection system at Point Edward, as well as various equipment and projects at the Cornwall location. During the third quarter, there were no significant capital asset projects as all significant work was completed in the second quarter.

2.3 Significant Changes

As a result of COVID-19, the Canadian and U.S. federal governments enforced strict rules eliminating substantially all personal cross-border traveling commencing in the latter half of March 2020. Throughout the previous two fiscal years, FBCL experienced a significant decrease in Tolls and Leases revenues. On April 1, 2022, many of these restrictions were lifted and passenger traffic volumes began to increase. In October 2022 all restrictions into Canada were removed while the USA kept proof of COVID-19 vaccination as a requirement for entry. The elimination of these restrictions provided a further increase in passenger volumes. Over the course of the first three quarters of the fiscal year, passenger traffic, by bridge location, totaled between 51% - 75% of pre-pandemic traffic volumes. In the third quarter alone, passenger traffic has been between 58% - 81% of pre-pandemic traffic volumes, depending on bridge location. At a portfolio level, this has resulted in approximately 62% of pre-pandemic traffic for the first three quarters (Q1 – 58%, Q2 – 58%, Q3 – 69%). The fulsome effect on passenger traffic of the lessening of border restrictions will only be evident in the upcoming quarters as higher percentage increases in October and November over international toll bridges, in general, were offset by slight decreases in percentages for December. There remains much uncertainty in the forecast to return to pre-pandemic volumes and the timeframe of a complete recovery.

3.0 RISK MANAGEMENT

CORPORATE RISK

In line with good governance practices, FBCL updates and revises its Enterprise Risk Management on an ongoing basis, identifying and including any changes in FBCL's environment. In order to address the risks within FBCL's corporate risk profile, effective risk mitigation strategies and action plans are developed. These are done under the oversight of assigned members of executive management, to reduce the risk exposure to an acceptable and manageable level.

Management monitors progress on the implementation of the mitigation strategies developed as part of the Enterprise Risk Management and reports to the Board of Directors on a regular basis. The ongoing risk of decreased Tolls and Leasing revenue due to limited passenger volumes and the COVID-19 pandemic are considered significant risks as they directly affect FBCL's ability to meet its strategic objectives. Additionally, there is a high financial exposure at the Seaway International Bridge Corporation (SIBC) due to the volume of toll exempt passage and continued operating deficits. FBCL continues dialogue with the Government of Canada on possible funding options for FBCL and SIBC as well as reviews toll adjustments and other revenue generation sources.

FINANCIAL RISK

Since the implementation of border restrictions directly affects FBCL's ability to collect revenue from tolls and limits customers at leased Duty Free facilities, the financial impact is that all previous cash reserves have been used to finance the operations during fiscal 2021 and 2022. The current Corporate Plan includes three years of approved capital funding and limited operating funding for all locations due to extensively reduced passenger traffic volumes. Consequently, management continues to closely monitor the decrease in tolls by only incurring essential expenses. The approved capital funding permits the completion of only crucial work over the next three fiscal years.

In recent years, overlooking the impact of COVID-19, SIBC has been facing a major financial risk as paying passenger traffic volumes are sharply down due to an overall regional bi-national manufacturing decline, the value of the Canadian dollar and limited commercial traffic at that location. Operational efforts, however, remain the same as free passage traffic crossing the bi-national region remains high. The combination of these factors has strained SIBC financial resources for some time.

3.0 RISK MANAGEMENT (CONT'D)

S&P Global Ratings reaffirmed FBCL's long-term issuer credit and senior unsecured debt rating at 'A+'. In addition, the outlook for the rating has been upgraded from "negative" to "stable", highlighting the strong financial management that is in place at FBCL, its strong links with the federal government, and the expectation that the loosening of border restrictions "will continue to bolster traffic levels and EBIDA".

The overall level of FBCL's debt is forecasted to decline as balances are repaid at regular intervals. FBCL's strategy is to take on as little debt as necessary and to continue to make all loan and bond payments as they come due. It remains focused on maintaining a strong debt service coverage ratio in parallel. With the impact of COVID-19, FBCL continues to closely monitor its cash and investments to determine the most prudent path forward. In the fourth quarter of 2021-22, it was necessary for FBCL to withdraw a $10 million loan to help cover operating shortfalls anticipated in the current year.

While FBCL has some control over toll rates, it must be noted that most international bridges are managed jointly under international agreements with U.S. partners. From a revenue perspective, the ability to unilaterally change toll rates for additional revenue is subject to variances in governance policies between Canada and the United States.

On the expenditure front, whereas Canadian bridge owners must comply with the *Customs Act* (Section 6) and the *Health of Animals Act* to provide the CBSA and CFIA with facilities, similar expenses for the U.S. Customs and Border Protection organization are not the responsibility of the American bridge owners/operators. In addition, given the Crown agreements providing toll-exempt passage for members of the indigenous community, this section of the *Customs Act* is not applied at the bridge in Cornwall. The operational burden that would need to be financed through non-competitive tolling would effectively threaten the facility's financial sustainability.

4.0 QUARTERLY RESULTS

4.1 Results of Operations

SEASONAL TRENDS

Traffic on FBCL's portfolio of bridges has traditionally experienced seasonal variations. From a revenue perspective, the period of May to October has a greater number of transits. In the November to April timeframe, there are historically a lower number of transits resulting in lower toll revenues. This demand pattern is principally a result of leisure travellers, favourable weather and a preference for travel between the late spring and early fall months. However, revenues from April 1, 2020, onwards are significantly lower due to COVID-19 nearly eliminating all passenger travellers for more than two years with some improvement in volumes being experienced since April 1, 2022 and further improvement in volumes being experienced since October 1, 2022.

Economic conditions in Canada and the United States also have an important influence on international vehicle traffic by way of commercial truck traffic, which has a significantly higher toll rate. These economic conditions are less variable on a seasonal basis but more a result of the business climate in each country. The expectation of a prolonged worldwide recession could have an effect on FBCL's commercial trucking revenue at its locations, and management continues to monitor this.

In regards to its expenses, FBCL incurs important annual maintenance and asset rehabilitation costs during the construction season spanning the first three quarters of the fiscal year. These planned expenses can be influenced by varying weather conditions depending on the timing of the onset of the winter climate. Expenses for operations and administration are not considered to have important seasonal variations.

4.1 Results of Operations (Cont'd)

STATEMENT OF COMPREHENSIVE INCOME

Revenue and government funding ('000s)						
	For the three months ending			For the nine months ending		
	Dec 31 2022 (unaudited)	Dec 31 2021 (unaudited)	Variance	Dec 31, 2022 (unaudited)	Dec 31, 2021 (unaudited)	Variance
Tolls	7,533	6,479	1,054	22,603	18,769	3,834
Thousand Islands International Bridge	1,458	1,109	349	4,983	3,517	1,466
Leases and permits	1,015	518	497	2,669	1,325	1,344
Interest	155	9	146	224	31	193
Gain on investements	(23)	(1)	(22)	(3)	(13)	10
Other	34	32	2	175	146	29
Total revenue	**10,172**	**8,146**	**2,026**	**30,651**	**23,775**	**6,876**
Government funding	**1,004**	**4,424**	**(3,420)**	**2,988**	**14,786**	**(11,798)**

Tolls and Thousand Islands International Bridge: Toll revenues are affected by traffic volumes, by the Canadian dollar exchange rate vs U.S. dollar, and changes in toll rates.

Traffic volumes

During the third quarter of 2022-23, overall truck volumes have decreased by 2% and passenger car volumes have increased by 133%, when compared to the third quarter of 2021-22. Truck volumes, by bridge, varied between a decrease of 11% to an increase of 5% while passenger car volumes, per bridge, varied between an increase of 64% to 285%. From a year-to-date perspective, overall truck volumes have remained consistent and passenger car volumes have increased 156%. While passenger volumes have increased due to restrictions to enter into Canada being loosened in April and once more in October, passenger volumes overall are still only approximately 62% of pre-pandemic levels, year-to-date.

Given that the commercial traffic bases at the Sault Ste. Marie and Seaway International bridges normally constitute only 5% of traffic loads, these operations have been significantly impacted by COVID-19 restrictions to non-essential travel. Worsening the situation at the Seaway International Bridge is the requirement to maintain normal operating levels in support of the more than 1.6 million toll-exempt passages that depend on the bridge. In the third quarter, as compared to the prior year, paid passenger volumes at these locations have increased by 285% and 229%, respectively (year-to-date 423% and 164%, respectively). Commercial volumes at these locations are down by 11% and up by 5%, respectively (year-to-date down by 13% and up by 7%, respectively). The passenger volumes, on a year-to-date basis, when compared to the volumes pre-pandemic are lower by 49% and 41%, respectively (prior year-to-date – 90% and 78%, respectively).

For the Thousand Islands International Bridge, commercial vehicles typically make up about 20% of the crossing's users and the construction of the new U.S. Customs and Border Protection facilities on Wellesley Island helped with a vital source of cash flow. That project is now complete. The normally strong cross-border tourism industry in this region was considerably affected by the on-going border restrictions. In the third quarter, as compared to the prior year, passenger volumes are up by 64% (year-to-date 78% higher). Commercial volumes are down by 1% in the quarter (year-to-date down 1%). The passenger volumes, on a year-to-date basis, are down by 25% when compared to pre-pandemic (prior year-to-date 58%). A significant portion of these crossings, however, are local cross-border traffic that depend on the crossing for day-to-day life, and take advantage of a significantly lower commuter crossing toll rate.

4.1 Results of Operations (Cont'd)

Within the portfolio, the Blue Water Bridge is uniquely positioned to deal with this pandemic's impacts. As Canada's second busiest commercial border crossing, it benefits from a user base that is generally comprised of roughly 35-40% commercial vehicles. Initially, the pandemic caused dramatic reductions to commercial traffic, however commercial trends quickly returned to within seasonal and annually expected values. In the third quarter, as compared to the prior year, passenger volumes are up by 156% (year-to-date 270% higher). Commercial volumes are down by 4% in the quarter (year-to-date 1% higher). The passenger volumes, on a year-to-date basis, are still 44% below pre-pandemic volumes (prior year-to-date 85%).

Canadian vs. U.S. dollar exchange rate

The exchange rate for the third quarter of 2022-23 was 1.36 on average, whereas the exchange rate for the third quarter of 2021-22 was 1.26. FBCL reviews the currency parity of the toll rates at its bridge locations to ensure that the rates are fair in both currencies and may adjust the rates in order to minimize any foreign currency loss on toll revenues.

Changes in toll rates

Toll rates were updated at the bridges in Sault Ste. Marie and Cornwall effective April 1, 2019, and in Point Edward and Thousand Islands effective April 1, 2021.

Leases and permits: Usually, the most significant leases are from the Duty Free stores in Point Edward, Thousand Islands, and Sault Ste. Marie, of which a significant portion of these lease revenues are based on a percentage of sales of goods. With increased passenger traffic volumes, there is an increase in leasing revenues, yet overall leases continue to be approximately two thirds of pre-pandemic values, year-to-date.

Interest: With the withdrawal of the $10 million loan in Q4 of 2021-22, approximately 60% of the loan balance has been invested in investments and cash equivalents, thus earning higher interest as compared to the prior year.

Gain on investments, and Other: There are no significant changes when compared to the prior year.

Government funding: The government funding recognized in revenues consists of amortization of deferred capital funding in the amount of $0.9 million for the third quarter of 2022-23 ($0.9 million for the third quarter of 2021-22). Additionally, $0.1 million for the third quarter of 2022-23 relates to the Seaway International Bridge ($3.6 million for the third quarter of 2021-22 relating to the operations at all four bridge locations). From a year-to-date perspective, amortization of deferred capital funding and government funding for operations is $2.6 million and $0.4 million respectively ($2.9 million and $11.9 million respectively in 2021-22). In fiscal 2021-22, the Canadian Government provided funding to eliminate the deficit for the Seaway International Bridge, while this fiscal year the U.S. Government is providing that funding. Refer to the Reporting on Use of Parliamentary Appropriations section below for more information.

4.1 Results of Operations (Cont'd)

Operating and interest expense ('000s)

	For the three months ending			For the nine month ending		
	Dec 31, 2022 (unaudited)	Dec 31, 2021 (unaudited)	Variance	Dec 31, 2022 (unaudited)	Dec 31, 2021 (unaudited)	Variance
Operations	2,243	2,064	179	7,129	7,019	110
Thousand Islands International	1,777	1,332	445	5,228	4,221	1,007
Maintenance	3,574	3,540	34	10,478	10,482	(4)
CBSA & CFIA operations	2,046	1,853	193	5,879	5,601	278
Administration	1,791	1,744	47	5,513	5,494	19
Additional funding of SIBC operations	-	243	(243)	-	591	(591)
Total expenses	**11,431**	**10,776**	**655**	**34,227**	**33,408**	**819**
Interest expense	**692**	**728**	**(36)**	**2,142**	**2,277**	**(135)**

The Interim Unaudited Condensed Consolidated Statement of Comprehensive Income presents operating expenses by function as this represents how management monitors its expenses internally against budgets.

Operations: Operations expense relates to the collection of toll revenue, security and traffic management. For the third quarter, the amortization is higher by $0.2 million due to the new toll collection system being operational since mid-September 2022. There is no significant difference from a year-to-date perspective.

Thousand Islands International Bridge: The expenses represent FBCL's share of expenses as a result of the international agreement pertaining to the crossing at the Thousand Islands. The increase this year is a result of having a full maintenance crew to perform additional maintenance work deferred through the pandemic including painting and paving works, as well as the timing of when certain expenses were incurred.

Maintenance: Maintenance expenses relate to the maintenance, upkeep and repairs of FBCL's assets. There is no significant variance in expenses.

CBSA/CFIA: FBCL is required to provide facilities and certain maintenance of these facilities at some of its crossings to the CBSA and the CFIA, for which there is no related revenue. As both Sault Ste. Marie and Thousand Islands functional currency is the US dollar, the decrease in the Canadian dollar has caused an increased in overall costs.

Administration: Administration expenses relate to the management and oversight of the operations of the individual crossings and the Corporation. There is no significant variance in expenses.

Additional funding of SIBC operations: Historically, FBCL recognizes 50% of revenues and expenses of the Seaway International Bridge in accordance with the international agreements. In 2022-23, the operating deficit at this location is being eliminated by the U.S. Government and therefore this additional funding is recorded in revenues as Funding with respect to operating expense. In 2021-22 the remaining 50% of the deficit was funded by the Government of Canada and was therefore included as an expense.

Interest expense: As FBCL makes regular payments on its bank loans and bonds payable, the interest expense decreases.

4.1 Results of Operations (Cont'd)

STATEMENT OF FINANCIAL POSITION

Consolidated Statement of Financial Position ($000's)	December 31, 2022 (Unaudited)	March 31, 2022 (Audited)	Variance
Assets			
Financial assets	20,276	16,630	3,646
Non-financial assets	356,550	366,807	(10,257)
Total assets	**376,826**	**383,437**	**(6,611)**
Liabilities			
Current liabilities	17,572	19,157	(1,585)
Non-current liabilities	145,430	147,684	(2,254)
Total liabilities	**163,002**	**166,841**	**(3,839)**
Total equity	**213,824**	**216,596**	**(2,772)**

Financial Assets: Financial assets consist of cash and cash equivalents, investments, and receivables. Cash flow from operations is $9.0 million before considering changes in working capital. Of this $9.0 million, $1.7 million is used for changes in non-cash working capital as well as repayment of $3.6 million in debt.

Non-financial Assets: Non-financial assets consist primarily of property and equipment and investment properties and also include prepaid expenses, intangible assets and lessor inducement. Capital assets purchases are $4.9 million while depreciation of $14.4 million has been recorded.

Current Liabilities: The variance is made up a decrease of $2.1 million in trade and other payables, employee benefits and holdbacks offset by an increase of $0.2 million in the current portion of debt, deferred capital funding of $0.2 million, and $0.1 million in deferred revenue.

Non-current Liabilities: Deferred government funding has increased by $4.2 million for new capital project funding offset by $2.6 million amortized to revenue. In addition, one bond payment was made in July 2022 lowering the long term portion by $3.3 million as well as regular loan principal payments of $0.3 million.

4.2 Financial Performance against Corporate Plan

The 2022-23 to 2026-27 Corporate Plan was approved in the second quarter. The following is a summary of actual revenues and expenses as compared to the full 12 months of the 2022-23 plan.

REVENUE AND GOVERNMENT FUNDING

(in '000s)

	December 31, 2022 (9 months)	Corporate Plan (12 months)	Percentage
Tolls	22,603	25,863	87%
Thousand Islands International Bridge	4,983	3,938	127%
Leases and permits	2,669	2,082	128%
Interest	224	99	226%
Other	172	65	265%
Total revenue	30,651	32,047	96%
Government funding	2,988	4,568	65%

With the removal of certain restrictions on April 1, 2022 and further removal on October 1, 2022, toll revenues are trending higher than original budget. Duty free stores represent the most significant component of lease revenues and since the leases are primarily based on sales, the loosening of restrictions has also had a more favourable impact on lease revenues.

OPERATING AND INTEREST EXPENSE

(in '000s)

	December 31, 2022 (9 months)	Corporate Plan (12 months)	Percentage
Operations	3,973	5,937	67%
Thousand Islands International Bridge	3,958	5,037	79%
Maintenance	4,224	6,715	63%
CBSA & CFIA	2,778	4,245	65%
Administration	4,875	7,293	67%
Depreciation	14,419	20,008	72%
Total expense	34,227	49,235	70%
Interest expense	2,142	2,784	77%

The corporation monitors its expenditures very closely in order to ensure that cash remains available should unforeseen events occur such as the reimplementation of travel restrictions. All departments are currently less than 75% (in relation to third quarter financials) of the full Corporate Plan budget, except those at the Thousand Islands International Bridge. Due to stronger revenues at the Thousand Islands International Bridge (currently at 127% of budget), increased maintenance spending in the year is warranted and was made possible.

4.3 Reporting on Use of Appropriations

As part of the *Appropriations Act 2022-23* (Supplementary Estimates (A)) legislatively approved by the House of Commons on June 7, 2022, $5.3 million was granted to FBCL under vote 1. Of this amount, FBCL has claimed $4.2 million in appropriations in the first three quarters of 2022-23.

As part of the *Appropriations Act 2021-22* (Main Estimates) legislatively approved by the House of Commons on June 17, 2021, $18.5 million was granted to FBCL under vote 1. Of this amount, FBCL claimed $10.3 million in the first three quarters of 2021-22.

5.0 FBCL INTERIM UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended December 31, 2022

FBCL's interim unaudited condensed consolidated financial statements have been prepared by management, reviewed by the Finance and Audit Committee and approved by the Board of Directors. FBCL's external auditors have not audited nor reviewed these interim unaudited condensed consolidated statements.

5.1 Statement of Management Responsibility

Management of The Federal Bridge Corporation Limited is responsible for the preparation and fair presentation of these interim unaudited condensed consolidated financial statements in accordance with the Treasury Board of Canada *Standard on Quarterly Financial Reports for Crown Corporations* and International Financial Reporting Standard 34 *Interim Financial Reporting*, and for such internal controls as management determine are necessary to enable the preparation of the interim unaudited condensed consolidated financial statements. Management is also responsible for ensuring all other information in this interim financial report is consistent, where appropriate, with the restated interim unaudited condensed consolidated financial statements.

The Federal Bridge Corporation Limited completed the consolidation of the interim unaudited financial statements and establishes and maintains appropriate internal controls for that purpose. To prepare its interim unaudited condensed consolidated financial statements, the management of The Federal Bridge Corporation Limited relies on unaudited financial information provided by its wholly-owned subsidiary, The Seaway International Bridge Corporation Ltd., as well as unaudited financial information provided by its international partners. The financial information provided by the subsidiary and the international partners, as well as the internal controls established and maintained to collect such information, are the responsibility of each of these entities' management.

Based on our knowledge, these unaudited condensed consolidated financial statements present fairly, in all material respects, the financial position, results of operations and cash flows of the corporation, as at the date of and for the periods presented in the interim unaudited condensed consolidated financial statements.

Natalie Kinloch
Chief Executive Officer

Richard Iglinski
Chief Financial Officer

Ottawa, Canada
January 26, 2023

5.2 Interim Unaudited Condensed Consolidated Statement of Financial Position

as at December 31, 2022

(in thousands of Canadian dollars)

	Notes	December 31, 2022	March 31, 2022
		unaudited	
		$	$
Assets			
Current Assets			
Cash and cash equivalents		**13,947**	8,802
Investments		**4,050**	6,247
Trade and other receivables		**2,279**	1,581
Prepaids		**498**	1,269
Total Current Assets		**20,774**	17,899
Non-Current Assets			
Property and equipment	**6**	**338,398**	347,258
Investment properties		**17,438**	18,038
Intangible assets		**43**	60
Lessor inducement		**173**	182
Total Non-Current Assets		**356,052**	365,538
Total assets		**376,826**	383,437
Liabilities			
Current Liabilities			
Trade and other payables		**2,963**	4,702
Employee benefits		**867**	1,199
Holdbacks		**306**	380
Deferred revenue		**2,633**	2,493
Loans payable		**400**	400
Bonds payable		**6,521**	6,312
Lease liability		**226**	221
Deferred government funding		**3,656**	3,450
Total Current Liabilities		**17,572**	19,157
Non-Current Liabilities			
Deferred revenue		**950**	1,063
Loans payable		**9,267**	9,567
Bonds payable		**30,782**	34,094
Lease liability		**714**	900
Deferred capital funding		**95,362**	93,973
Employee benefits		**8,355**	8,087
Total Non-Current Liabilities		**145,430**	147,684
Equity			
Share capital - 2 shares @ no par value		**-**	-
Retained earnings		**213,854**	216,584
Accumulated other comprehensive income		**(30)**	12
Total Equity		**213,824**	216,596
Total Equity and Liabilities		**376,826**	383,437

5.3 Interim Unaudited Condensed Consolidated Statement of Comprehensive Income

for the three and nine month periods ended December 31, 2022

(in thousands of Canadian dollars)

	For the three months ended		For the nine months ended	
	December 31, 2022 (unaudited)	December 31, 2021 (unaudited)	December 31, 2022 (unaudited)	December 31, 2021 (unaudited)
	$	$	$	$
Revenue		(restated *)		(restated *)
Tolls and services	**7,533**	6,479	**22,603**	18,769
Thousand Islands International Bridge revenue	**1,458**	1,109	**4,983**	3,517
Leases and permits	**1,015**	518	**2,669**	1,325
Interest	**155**	9	**224**	31
Gain on investments	**(23)**	(1)	**(3)**	(13)
Other	**34**	32	**175**	146
Total Revenue	**10,172**	8,146	**30,651**	23,775
Expenses				
Operations	**2,243**	2,064	**7,129**	7,019
Thousand Islands International Bridge expenses	**1,777**	1,332	**5,228**	4,221
Maintenance	**3,574**	3,540	**10,478**	10,482
Canada Border Security Agency & Canadian Food Inspection Agency operations	**2,046**	1,853	**5,879**	5,601
Administration	**1,791**	1,744	**5,513**	5,494
Additional funding of SIBC operations	**-**	243	**-**	591
Total Expenses	**11,431**	10,776	**34,227**	33,408
Operating Loss Before Government Funding	**(1,259)**	(2,630)	**(3,576)**	(9,633)
Government Funding				
Amortization of deferred capital funding	**865**	855	**2,589**	2,901
Funding with respect to operating expense	**139**	3,569	**399**	11,885
Total Government Funding	**1,004**	4,424	**2,988**	14,786
Non-Operating Items				
Interest expense	**(692)**	(728)	**(2,142)**	(2,277)
Total Non-Operating Items	**(692)**	(728)	**(2,142)**	(2,277)
Net Income (loss)	**(947)**	1,066	**(2,730)**	2,876
Other Comprehensive Income				
Items that may be reclassified subsequently to statement of income (loss)				
Investments revaluation gain (loss) on available-for-sale investments	**(3)**	1	**(45)**	(2)
Cumulative loss (gain) reclassified to income on sale of available-for- sale investments	**23**	1	**3**	13
Total Other Comprehensive Income	**20**	2	**(42)**	11
Total Comprehensive Income (Loss) for the Period	**(927)**	1,068	**(2,772)**	2,887

*Accumulated amortization was updated as at March 31, 2022. Refer to the audited consolidated financial statement for additional information.

5.4 Interim Unaudited Condensed Consolidated Statement of Changes in Equity

for the nine month period ended December 31, 2022

(in thousands of Canadian dollars)

	Retained Earnings (unaudited)	Accumulated Other Comprehensive Income (unaudited)	Total (unaudited)
	$	$	$
Balance, April 1, 2021 (* Restated)	217,591	(8)	217,583
Total Comprehesive Income:			
Net income (* Restated)	2,876	-	2,876
Other Comprehesive Income:			
Revaluation gain on fair value through other comprehensive income investments	-	(2)	(2)
Cumulative gain reclassified to income on sale of fair value through other comprehensive income investments	-	13	13
Other Comprehesive Income total	-	11	11
Total Comprehesive Income	2,876	11	2,887
Balance at December 31, 2021	**220,467**	**3**	**220,470**
Balance, April 1, 2022	216,584	12	216,596
Total Comprehesive Income:			
Net income	(2,730)	-	(2,730)
Other Comprehesive Income:			
Revaluation loss on fair value through other comprehensive income investments	-	(45)	(45)
Cumulative loss reclassified to income on sale of fair value through other comprehensive income investments	-	3	3
Other Comprehesive Income total	-	(42)	(42)
Total Comprehesive Income	(2,730)	(42)	(2,772)
Balance at December 31, 2022	**213,854**	**(30)**	**213,824**

*Accumulated amortization was updated as at March 31, 2022. Refer to the audited consolidated financial statement for additional information.

5.5 Interim Unaudited Condensed Consolidated Statement of Cash Flows

for the three and nine month periods ended December 31, 2022

(in thousands of Canadian dollars)

	For the three months ended		*For the nine months ended*	
	December 31, 2022	**December 31, 2021**	**December 31, 2022**	**December 31, 2021**
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
			$	
Cash Flows from Operating Activities				
Net income (loss)	**(947)**	1,066	**(2,730)**	2,876
Adjustments for:				
Amortization of deferred capital funding	**(865)**	(855)	**(2,589)**	(2,901)
Depreciation of property and equipment	**4,622**	4,244	**13,798**	13,829
Depreciation of intangible assets	**6**	5	**17**	17
Depreciation of investment properties	**223**	180	**604**	533
(Gain) loss on disposal of investments	**(50)**	-	**3**	-
Change in employee benefits	**(43)**	(48)	**(64)**	246
	2,946	4,592	**9,039**	14,600
Changes in Non-cash Working Capital:				
Trade and other receivable	**3,229**	(308)	**(698)**	230
Lessor inducement	**3**	2	**9**	8
Prepaids	**487**	692	**771**	2,216
Trade and other payables	**(1,355)**	(357)	**(1,739)**	(968)
Holdbacks	**2**	86	**(74)**	56
Deferred government funding relating to operations	**-**	(634)	**-**	(2,035)
Deferred revenue	**28**	37	**27**	(21)
	2,394	(482)	**(1,704)**	(514)
Net Cash Generated by Operating Activities	**5,340**	4,110	**7,335**	14,086
Cash Flows from Investing Activities				
Payments for property and equipment	**(1,124)**	(2,195)	**(4,938)**	(5,289)
Payments for investment properties	**-**	-	**(4)**	(481)
Payments for intangible assets	**-**	2	**-**	(22)
Government funding related to acquisitions of property and equipment	**1,090**	(500)	**4,184**	400
Proceeds from disposal of property and equipment	**-**	-	**-**	-
Proceeds on sale of investments	**4,260**	28	**5,038**	66
Purchase of investments	**(2,738)**	(33)	**(2,886)**	(74)
Net Cash Generated by (Used for) Investing Activities	**1,488**	(2,698)	**1,394**	(5,400)
Cash Flows from Financing Activities				
Repayment of loans payable	**(100)**	-	**(300)**	(2,542)
Repayment of bonds payable	**-**	(3,005)	**(3,103)**	(5,914)
Repayment of lease liability	**(60)**	(77)	**(181)**	(148)
Net Cash Used for Financing Activities	**(160)**	(3,082)	**(3,584)**	(8,604)
Net increase/(decrease) in cash and cash equivalents	**6,668**	(1,670)	**5,145**	82
Cash and cash equivalents, beginning of period	**7,279**	4,591	**8,802**	5,020
Cash and Cash Equivalents, end of period	**13,947**	2,921	**13,947**	5,102

*Accumulated amortization was updated as at March 31, 2022. Refer to the audited consolidated financial statement for additional information.

5.6 Selected Notes to the Interim Unaudited Condensed Consolidated Financial Statements

1. AUTHORITY AND ACTIVITIES

The Federal Bridge Corporation Limited (the "Corporation") is a *Canada Business Corporations Act* (CBCA) corporation listed in Schedule III Part 1 of the *Financial Administration Act* (FAA). It is an agent of Her Majesty, not subject to income tax under the provisions of the *Income Tax Act*. It is a parent Crown Corporation that reports to the Parliament of Canada through the Minister of Transport. The Corporation resulted, on February 1, 2015, from an amalgamation between the legacy The Federal Bridge Corporation Limited (the "legacy FBCL"), which was a parent Crown corporation, with its subsidiary, St. Mary's River Bridge Company (SMRBC), on January 27, 2015, and with another parent Crown corporation Blue Water Bridge Authority (BWBA). This was done in accordance with the authorities provided by the *Economic Action Plan 2013 Act, No. 2.* The remaining planned amalgamation in this Act, with the Corporation's wholly owned subsidiary, The Seaway International Bridge Corporation Ltd. (SIBC), has not been realized to date.

The Corporation's primary activities involve the ownership and operation of four international bridges linking the Province of Ontario in Canada to the State of New York or the State of Michigan in the United States of America (U.S.). Moreover, the Corporation may also undertake other activities incidental to the bridge business.

The Corporation's wholly-owned subsidiary, SIBC, operates the Seaway International Bridge Crossing in Cornwall as a joint operation per agreement between the Corporation as Canadian owner and The St. Lawrence Seaway Development Corporation (SLSDC) as U.S. owner. As a Crown Corporation, SIBC is also subject to the same authorities as the Corporation. The Corporation is also a party to two other agreements for the operation of the international bridges. In regards to the Sault Ste. Marie International Bridge, this agreement is with the U.S. owner, the Michigan Department of Transportation (MDOT). The bridge oversight is through a joint international entity, Sault Ste. Marie Bridge Administration (SSMBA), and its operation is done by the International Bridge Authority (IBA), an entity of MDOT. The agreement applicable to the operations of the Thousand Islands International Bridge is also with the U.S. owner, the Thousand Islands Bridge Authority (TIBA), an entity of Jefferson County, State of New York. At the crossing between Point Edward, Ontario, and Port Huron, Michigan, the Corporation owns and operates the Canadian portion of the crossing. The U.S. side of the crossing is owned and operated by MDOT.

By Order in Council P.C. 2015-31 dated January 26, 2015, the Corporation was granted all necessary approvals of the *International Bridges and Tunnels Act* for the purposes of ownership and management of the international bridges under the Corporation's portfolio. The *Customs Act, section 6* requires the Corporation to provide, equip and maintain, free of charge, adequate buildings, accommodations or other facilities for the CBSA. A similar provision in the *Plant Protection Act* mandates similar support for the CFIA based at the land crossings. The subsidiary, SIBC, is also subject to the *Canada Marine Act* for the purposes of the management of the international bridge that crosses the St. Lawrence River.

The registered office of the Corporation is 55 Metcalfe, Suite 200, Ottawa, Ontario K1P 6L5.

2. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

The Corporation's interim unaudited condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting* (IAS 34) and do not include all of the information required for a full annual consolidated financial statements. The interim unaudited condensed consolidated financial statements should be read in conjunction with the Corporation's audited consolidated financial statements for the year ended March 31, 2022. These interim unaudited condensed consolidated financial statements follow the same accounting policies and methods of application as disclosed in Note 2 of the Corporation's audited consolidated financial statements for the year ended March 31, 2022.

3. SEASONALITY

Traffic on FBCL's portfolio of bridges has traditionally experienced seasonal variations. From a revenue perspective, the period of May to October has a greater number of transits. In the November to April timeframe, there are historically a lower number of transits resulting in lower toll revenues. This demand pattern is principally a result of leisure travellers, favourable weather and a preference for travel between the late spring and early fall months. However, revenues from April 1, 2020, onwards, are significantly lower due to COVID-19 pandemic.

Economic conditions in Canada and the United States also have an important influence on international vehicle traffic by way of commercial truck traffic, which has a significantly higher toll rate. These economic conditions are less variable on a seasonal basis but more a result of the business climate in each country.

In regards to its expenses, FBCL incurs important annual maintenance and asset rehabilitation costs during the construction season spanning the first three quarters of the fiscal year. These planned expenses can be influenced by varying weather conditions depending on the timing of the onset of the winter climate. Expenses for operations and administration are not considered to have important seasonal variations.

4. USE OF JUDGMENTS AND ESTIMATES

The preparation of the interim unaudited condensed consolidated financial statements in accordance with IFRS requires management to make judgments, estimates and assumptions that can significantly affect the amounts recognized in the consolidated financial statements. Actual results may differ from these estimates. Where these differ, the impact will be recorded in future periods. Significant judgments and estimates as at December 31, 2022, were consistent with those disclosed in Note 5 of the Corporation's audited consolidated financial statements for the year ended March 31, 2022.

5. FUTURE CHANGES IN ACCOUNTING POLICIES

There were no new standards and amendments to existing standards issued by the International Accounting Standards Board (IASB) during the nine month period that would affect the Corporation in the future other than those disclosed in Note 6 of the Corporation's audited consolidated financial statements for the year ended March 31, 2022.

6. PROPERTY AND EQUIPMENT

Cost	Land	Bridges and roads	Vehicles and equipment	Buildings	Property Improvements	Right-of-use Assets	Projects in progress	Total
	$	$	$	$	$	$	$	$
Balance, April 1, 2021	14,837	269,184	32,340	144,415	35,967	1,626	6,118	504,487
Additions	2	25	84	-	136	3	7,981	8,231
Disposals	(1)	-	(3,971)	(97)	(1,037)	-	-	(5,106)
Transfers	-	1,323	6,721	144	976	-	(9,839)	(675)
Balance, March 31, 2022	14,838	270,532	35,174	144,462	36,042	1,629	4,260	506,937
Additions	45	3	256	-	-	-	4,687	4,991
Disposals	-	-	(2,518)	-	-	(53)	-	(2,571)
Transfers	-	3,311	3,608	241	-	-	(7,160)	-
Balance, December 31, 2022	**14,883**	**273,846**	**36,520**	**144,703**	**36,042**	**1,576**	**1,787**	**509,357**

Accumulated depreciation	Land	Bridges and Roads	Vehicles and Equipment	Buildings	Property Improvements	Right-of-use Assets	Projects in Progress	Total
	$	$	$	$	$	$	$	$
Balance, April 1, 2021	-	83,114	16,672	31,876	14,124	420	-	146,206
Eliminated on disposal of assets	-	-	(3,971)	(97)	(1,037)	-	-	(5,105)
Depreciation	-	9,571	3,204	4,105	1,488	210	-	18,578
Balance, March 31, 2022	-	92,685	15,905	35,884	14,575	630	-	159,679
Eliminated on disposal of assets	-	-	(2,518)	-	-	-	-	(2,518)
Transfers	-	-	-	-	-	-	-	-
Depreciation	-	7,190	2,266	3,069	1,122	151	-	13,798
Balance, December 31, 2022	**-**	**99,875**	**15,653**	**38,953**	**15,697**	**781**	**-**	**170,959**
Net book value, December 31, 2022	**14,883**	**173,971**	**20,867**	**105,750**	**20,345**	**795**	**1,787**	**338,398**
Net book value, March 31, 2022	14,838	177,847	19,269	108,578	21,467	999	4,260	347,258

7. FINANCIAL INSTRUMENTS

Fair Value

The fair values of trade and other receivables, trade and other payables, holdbacks, and the current portion of the loans payable and bonds payable approximate their carrying value due to the short-term nature of these instruments.

Fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and,
- Level 3 inputs are unobservable inputs for the asset or liability.

The carrying values and fair values of the Corporation's remaining financial assets and liabilities are listed in the following table:

As at December 31			**2022**
	Value $	**Cost** $	Level
Financial instruments measured at fair value on a recurring basis			
Investments (fair value through other comprehensive income)	**2,050**	**2,050**	Level 2
Financial instruments measured at amortised costs			
Investments (amortised cost)	**2,000**	**2,000**	Level 2
Loans payable	**9,667**	**9,667**	Level 2
Bonds payable	**40,030**	**37,303**	Level 2

As at March 31			**2022**
	Value $	**Cost** $	Level
Financial instruments measured at fair value on a recurring basis			
Investments (fair value through other comprehensive income)	**5,954**	**5,954**	Level 2
Financial instruments measured at amortised costs			
Held-to-matutirty invesments	**293**	**293**	Level 2
Loans payable	**9,967**	**9,967**	Level 2
Bonds payable	**43,976**	**40,406**	Level 2