FEDERAL BRIDGE CORPORATION
SOCIÉTÉ DES PONTS FÉDÉRAUX

QUARTERLY FINANCIAL REPORT

3rd QUARTER (Q3) – UNAUDITED

For the nine months ended December 31, 2017

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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, 2017. 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 materially 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 responsible for Canadian federal interests at four of eleven international bridge locations in Ontario and is headquartered in Ottawa, Ontario. FBCL's responsibilities and relationships are varied and reflect the unique origin of each bridge. FBCL owns crossing assets and provides oversight to bridge operations, administering international agreements associated with the bridges, leading bridge engineering and inspection duties and management of bridge capital investment projects.

The diversity of the operations across the bridge portfolio is significant. The Blue Water Bridge has the most volume, the Seaway International Bridge Crossing has the most challenging operating environment and the demographics and traffic patterns at the Thousand Islands International Bridge and the Sault Ste. Marie International Bridge differ significantly.

Sault Ste. Marie, ON

Lansdowne, ON (Thousand Islands)

Point Edward, ON (Blue Water Bridge)

Cornwall, ON (Seaway International Bridge)

2.1 Mandate

FBCL's mandate 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 FBCL is:

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 structure, facility, 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

c) Any business, undertaking or other activities incidental to any bridge, or other related structure, facility, 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 these articles, as amended from time to time, the capacities and powers of a natural person.

2.2 Outlook

FBCL continues to be both a very mature organization, with some of its bridges having been built over 75 years ago, and at the same time a very young organization, with its current embodiment having only been formed in February of 2015. From the point of view of bridge operations on a location-by-location basis, FBCL's portfolio of crossings have performed well in the past and will continue to adapt to local issues and requirements as they arise. This gives FBCL a strong base from which to review its outlook.

From a consolidated entity point of view exciting times are underway and on the foreseeable horizon. Some large scale projects to improve and modernize crossings, which began in 2009, have been finalized while others are nearing ultimate completion, having opened new facilities in the third quarter, with minor works remaining. At the same time, other projects to ensure asset longevity are continually ongoing, and projects to update other facilities are being contemplated.

Significant construction projects in the quarter included:

a) With the completion the new Canada Border Service Agency (CBSA) integrated Traffic and Commercial Building in Lansdowne at the end of Q1, significant work was performed on phase two during Q2 and Q3. This project was completed in December 2017. These works included the demolition of the existing Traffic Building, construction of six remaining traffic primary inspection lanes and construction of the exterior areas. FBCL ensured no interruptions to international bridge operations during construction. The project was announced in April 2013, and was financed through the Gateways and Border Crossings Fund.

b) The Canadian Plaza Redevelopment in Sault Ste. Marie continued its construction, and in December 2017, the fourth building, the Commercial Building, was completed. Minor remaining exterior works will be completed in the spring and early summer of 2018. Through exhaustive planning efforts, FBCL ensured no interruptions to international bridge operations during construction. The project was announced in September 2009, and was financed through a government contribution agreement.

2.2 Outlook (Cont'd)

c) The Point Edward Master Plan was updated in 2016 in which key elements were identified as priorities and progress is currently underway to achieve results. Construction of an emergency return road is underway and improvements for emergency power generator load banks have been initiated, and the planning of the demolition of the former Administration Building and creation of a commercial vehicle parking area are ongoing. Additional projects are being contemplated for further plaza modernization.

d) In Cornwall, work to build a look-out pier, on one of the old North Channel Bridge piers continues and will provide a new vantage point for people in the Cornwall area to view their surroundings.

2.3 Significant Changes

On September 7, 2017, FBCL announced that, as part of its strategic review of business operations, the operations at its Currency Exchange located at the Blue Water Bridge in Point Edward will cease on February 28, 2018. The Currency Exchange, as a store front business, is an ancillary business to FBCL's core business mandate which is to build, maintain and operate bridges and associated infrastructure. FBCL has entered into a a lease agreement with an independent third-party to lease this location and FBCL's customers will benefit from additional amenities at this location, in addition to a seamless transition for the currency exchange business. Seven positions are impacted and all employees have been provided with options in accordance with their terms of employment and the collective agreement.

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, 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. There have been no new major risks identified during the nine months ended December 31, 2017.

FINANCIAL RISK

FBCL's funding model intends to generate sufficient revenue to cover disbursements including debt and to build necessary operational surpluses to fund repairs as well as most major capital projects. The current volatility in the Canadian dollar and economic outlook are impacting passenger traffic at all locations. To mitigate the risk of not achieving financial self-sufficiency, FBCL will continue with regular toll rate reviews with US partners, ongoing financial restraint measures, value engineering studies for capital projects, investments in technology, completion of the current capital improvement program at all bridges, and full consideration of other revenue opportunities. The debt repayment will also be slightly accelerated to improve the financial position and save on interest expenses in future years. While adjustments to the foreign exchange rate are made on a cyclical basis at each bridge, there have been no changes to toll rates or operations during the nine months ended December 31, 2017. The next accelerated debt repayment is scheduled for the fourth quarter of 2017-18.

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, a greater number of transits occur at international bridge crossings in the second and third quarters of the fiscal year (July through December) and result in higher toll revenues. In the first (April to June) and fourth (January to March) quarters, there are historically a lower number of transits resulting in lower toll revenues. This demand pattern is principally a result of leisure travellers and climate resulting in a preference for travel during the spring and summer months. However, 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 (April through December). These planned expenses can be influenced by varying weather conditions particularly in the third and fourth quarters with the onset of the winter climate. Expenses for operations and administration are not considered to have important seasonal variations.

STATEMENT OF FINANCIAL POSITION

Consolidated Statement of Financial Position ($000's)

	Dec 31, 2017	March 31, 2017	Variance
Assets			
Current assets	41,983	42,881	(898)
Non-current assets	405,295	391,451	13,844
Total assets	**447,278**	**434,332**	**12,946**
Liabilities			
Current liabilities	23,361	30,608	(7,247)
Non-current liabilities	184,105	166,022	18,083
Total liabilities	**207,466**	**196,630**	**10,836**
Total equity	**239,812**	**237,702**	**2,110**

Current Assets: Cash and cash equivalents and investments have increased by $9.4 million. FBCL has invested a significant portion of its cash into investment vehicles which will be used for future debt repayments and capital projects. Receivables have decreased by $10.0 million, due to the nearing to completion of most of FBCL's major capital projects, and subsequently lower claims due from the Government of Canada for the funding of these projects.

Non-Current Assets: Capital assets accounted for this increase, which resulted from $26.6 million in acquisitions offset by associated depreciation.

Current Liabilities: Trade and other payables, holdbacks and provisions have decreased by a net of $8.5 million in which the most significant portion relates to completion of the major capital projects. The current portion of deferred capital funding has increased by $1.3 million.

4.1 Results of Operations (Cont'd)

Non-Current Liabilities: Deferred capital funding has increased by $20.4 million and is entirely driven by government funding of the major capital projects (refer to section 4.3 for additional details). The non-current portion of bonds payable has decreased by $2.4 million as a payment occurred in Q2.

STATEMENT OF COMPREHENSIVE INCOME

Revenue and government funding ($000's)

	For the three months ending December 31			For the nine months ending December 31		
	Dec 31, 2017	Dec 31, 2016	Variance	Dec 31, 2017	Dec 31, 2016	Variance
Tolls	7,496	7,407	89	23,652	23,851	(199)
Thousand Islands International Bridge	1,635	1,448	187	5,082	5,140	(58)
Leases and permits	1,123	1,094	29	3,570	3,419	151
Interest	143	100	43	433	419	14
Foreign exchange gain	(138)	(386)	248	-	169	(169)
Currency exchange	249	107	142	793	1,027	(234)
Other	193	(1)	194	239	321	(82)
Total revenue	**10,701**	**9,769**	**932**	**33,769**	**34,346**	**(577)**
Government funding	**703**	**456**	**247**	**2,982**	**3,281**	**(299)**

Tolls and Thousand Islands International Bridge: Due to a strong third quarter, in terms of overall traffic, year-to-date, there has been an increase in total paid traffic across the four international bridges of 0.3% for the first three quarters, with variances between locations ranging from an increase of 5.0% to a decrease of 0.8%. Passenger traffic had a large increase in traffic in the third quarter as compared to the prior year, resulting in the year-to-date total increase of 0.7%. Commercial traffic crossings have lagged behind the prior year in all three quarters of the year, in total. This has resulted in a 1.1% decrease across the portfolio of bridges. Revenues in the third quarter have increased compared to the prior year, bringing the year-to-date tolls revenue within 0.9% of the prior year. Overall, the revenues are still lower than last year, despite the increase in overall traffic, but this is due to a stronger Canadian dollar and lower commercial vehicle crossings.

Leases and permits: Rental income from commercial tenants is greater at the end of the third quarter of 2017-18 as compared to 2016-17 due to favourable lease renewals and stronger revenues from FBCL's Duty Free Store tenants.

Currency exchange: The strengthening of the Canadian dollar has resulted in lower revenue than the prior year for the first three quarters. The third quarter results for the Currency Exchange show strong revenues this year, as opposed to last year, as the the facility was closed last year due to a labour disruption.

Government funding: Government funding includes amortization of deferred capital funding of $2.5 million ($0.2 million – Q3 2016-17) and funding with respect to provisions of $0.5 million ($3.1 million – Q3 2016-17). The amortization increase relates to the Lansdowne CBSA and Cornwall Brookdale projects which have been completed and in use for much of the fiscal year. For the provisions, refer to section 4.3 for additional details on government funding.

4.1 Results of Operations (Cont'd)

Operating and interest expense ($000's)

	For the three months ending December 31			For the nine months ending December 31		
	Dec 31, 2017	Dec 31, 2016	Variance	Dec 31, 2017	Dec 31, 2016	Variance
Operations	1,968	1,802	166	5,683	5,071	612
Thousand Islands International Bridge	1,640	1,505	135	5,011	4,734	277
Currency exchange	159	138	21	531	506	25
Maintenance	2,883	2,492	391	8,602	8,381	221
CBSA & CFIA operations	1,054	870	184	4,946	2,842	2,104
Administration	2,211	2,236	(25)	6,124	6,378	(254)
Total expenses	**9,915**	**9,043**	**872**	**30,897**	**27,912**	**2,985**
Interest expense	**1,159**	**1,206**	**(47)**	**3,602**	**3,781**	**(179)**

Operations: Expenses were consistent in Q3 2017-18 as compared to Q3 2016-17. Salaries were slightly higher in the first three quarters of 2017-18 ($0.3 million) as compared to the three first quarters of 2016-17 and additional expenses were incurred in the management of the toll system ($0.3 million).

Thousand Islands International Bridge: Amortization of capital assets is higher by $0.3 million in the first three quarters of 2017-18 compared to first three quarters of 2016-17.

Maintenance: There are several factors affecting the variance with the most significant being a $0.3 million decrease due to the timing of maintenance expenses at the Sault Ste. Marie location and a $0.5 million increase in amortization.

CBSA & CFIA operations: Amortization of capital assets is $2.3 million higher which consists of fully depreciating the old CBSA building in Lansdowne and amortization on the new CBSA building in Lansdowne which was opened at the end of Q1 2017-18 and the CBSA building in Sault Ste. Marie which opened in Q2 2016-17.

Administration: The difference in Administration spending, includes spending related to travel, amortization and higher consultant spending in the prior year largely related to higher IT assessments.

Interest expense: The decrease is due to the repayment of bank loans as they reach their respective renewal dates as well as regularly scheduled payments regarding the bonds payable. The latest bank loan repayment was in Q2 2016-17 for $3.5 million.

4.1 Results of Operations (Cont'd)

STATEMENT OF CASH FLOWS

Consolidated Statement of Cash Flow ($000's)

	For the three months ending December 31			For the nine months ending December 31		
	Dec 31, 2017	Dec 31, 2016	Variance	Dec 31, 2017	Dec 31, 2016	Variance
Net cash generated by operating activities	4,091	(841)	4,932	14,506	11,404	3,102
Net cash used by investing activities	1,858	(2,678)	4,536	(8,931)	(2,863)	(6,068)
Net cash used by financing activities	(138)	215	(353)	(2,643)	(5,973)	3,330
Net (decrease) increase in cash	**5,811**	**(3,304)**	**9,115**	**2,932**	**2,568**	**364**

Operating activities: Cash flow from operations reached $12.8 million in Q3 ($16.1 million – Q3 2016-17) in addition to changes in the working capital of $1.7 million (use of $4.7 million – Q3 2016-17).

Investing activities: By the end of Q3, FBCL has invested an additional $6.6 million (generation of $0.8 million – Q3 2016-17). Net cash has also been used relating to capital projects of $2.3 million (use of cash of $3.7 million – Q3 2016-17), when taking into account cash received for government funding of capital projects.

Financing activities: Financing activities relate solely to the principal repayment of loans and bonds payable.

4.2 Financial Performance Against Corporate Plan

The following is a summary of actual revenues and expenses as compared to the full 12-month 2017-18 Corporate Plan.

Revenue and government funding ($000's)

	Dec 31, 2017 (9 months)	Corporate Plan (12 months)	Percentage
Tolls	23,652	31,048	76%
Thousand Islands International Bridge	5,082	6,541	78%
Leases and permits	3,570	4,200	85%
Interest	433	641	68%
Foreign exchange gain	-	-	0%
Currency exchange	793	1,313	60%
Other	239	33	724%
Total revenue	**33,769**	**43,776**	**77%**
Government funding	**2,982**	**2,237**	**133%**

While revenues are more than 75% achieved for the year as compared to budget, due to seasonality, changes in the overall mix of traffic volumes, and a stronger Canadian dollar, it is anticipated that overall revenues will be marginally below budget at the end of the fiscal year.

4.2 Financial Performance Against Corporate Plan (Cont'd)

Operating and interest expenses ($000's)

	Dec 31, 2017 (9 months)	Corporate Plan (12 months)	Percentage
Operations	5,683	9,165	62%
Thousand Islands International Bridge	5,011	6,343	79%
Currency exchange	531	919	58%
Maintenance	8,602	11,836	73%
CBSA & CFIA operations	4,946	4,184	118%
Administration	6,124	7,368	83%
Total expenses	**30,897**	**39,815**	**78%**
Interest expense	**3,602**	**5,094**	**71%**

Overall expenses are approximately 78% of budget with the exception of CBSA and CFIA operations which is 118% of budget. This variance is due to actual amortization of the new and old CBSA buildings being greater than budget, as they have become operational sooner than originally anticipated.

4.3 Reporting on Use of Appropriations

FBCL parliamentary appropriations are currently only received in relation to its projects at the Cornwall and Lansdowne crossings, and certain additional CBSA requirements in Sault Ste. Marie and Lansdowne. The project in Sault Ste. Marie is funded by the Government of Canada, but through a contribution agreement.

($000's)

	Nine month period ending Dec 31	
	Dec 31, 2017	Dec 31, 2016
Main estimates	22,885	31,414
Additional Funding Requests	-	**3,221**
Reprofiling request		
from prior years	-	2,638
to future years	(3,172)	4,508
Funding available	**19,713**	**41,781**
Drawdown [1]		
actual	18,153	32,767
plan	**1,560**	**9,014**
Total Drawdown	**19,713**	**41,781**
Remaining appropriations	-	-

[1] FBCL is generally allocated funding only once expenses are incurred

Of the $19.7 million in spending forecast for the year, $17.0 million is forecast to be spent on projects at Lansdowne ($16.9 million had been drawn in the first three quarters), and $2.3 million is to be spent on Cornwall projects ($1.0 million has been drawn down in the first three quarters).

4.3 Reporting on Use of Appropriations (Cont'd)

In Sault Ste. Marie FBCL forecasts to draw $11.2M during the year, and $10.5 million has been drawn down during the first three quarters of the year. As part of this project, FBCL is also delivering $1.5 million of CBSA identified leasehold and furniture fit-up requirements (through appropriations) to meet the needs of their workforce. The spending forecast for the year is $0.5 million of which $0.2 million has been drawn down in the first three quarters.

5.0 FBCL INTERIM UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended December 31, 2017

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.

MDubé

Micheline Dubé
President and Chief Executive Officer

Natalie Kinloch

Natalie Kinloch
Chief Financial and Operating Officer

Ottawa, Canada
March 1, 2018

The Federal Bridge Corporation Limited

Consolidated Statement of Financial Position

as at December 31, 2017

(in thousands of Canadian dollars)

	December 31, 2017	March 31, 2017
	unaudited	
	$	$
Assets		
Current Assets		
Cash and cash equivalents	**11,663**	8,731
Investments	**27,256**	20,805
Trade and other receivables	**2,672**	12,696
Prepaids	**392**	649
Total Current Assets	**41,983**	42,881
Non-Current Assets		
Property and equipment	**379,060**	364,752
Investment properties	**19,160**	19,618
Intangible assets	**21**	16
Lessor inducement	**254**	265
Investments	**6,800**	6,800
Total Non-Current Assets	**405,295**	391,451
Total Assets	**447,278**	434,332
Liabilities		
Current Liabilities		
Trade and other payables	**4,630**	12,026
Employee benefits	**762**	820
Provisions	**783**	1,372
Holdbacks	**2,134**	2,663
Deferred revenue	**2,691**	2,698
Current portion of loans payable	**4,434**	4,578
Current portion of bonds payable	**4,707**	4,556
Current portion of deferred capital funding	**3,220**	1,895
Total Current Liabilities	**23,361**	30,608
Non-Current Liabilities		
Loans payable	**8,730**	8,988
Bonds payable	**59,523**	61,915
Employee benefits	**7,981**	7,573
Deferred revenue	**1,706**	1,820
Deferred capital funding	**101,686**	81,261
Provisions	**4,244**	4,194
Leasee inducement	**235**	271
Total Non-Current Liabilities	**184,105**	166,022
Equity		
Share capital - 2 shares @ no par value	**-**	-
Retained earnings	**239,987**	237,735
Accumulated other comprehensive income	**(175)**	(33)
Total Equity	**239,812**	237,702
Total Equity and Liabilities	**447,278**	434,332

The Federal Bridge Corporation Limited

Consolidated Statement of Comprehensive income
for the three and nine month periods ended December 31, 2017

(in thousands of Canadian dollars)

	For the three months ended		For the nine months ended	
	December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016
	$	$	$	$
Revenue				
Tolls and services	**7,496**	7,407	**23,652**	23,851
Leases and permits	**1,123**	1,094	**3,570**	3,419
Currency exchange	**249**	107	**793**	1,027
Thousand Islands International Bridge revenue	**1,635**	1,448	**5,082**	5,140
Interest	**143**	100	**433**	419
Foreign exchange gain	**(138)**	(386)	**-**	169
Other	**193**	(1)	**239**	321
Total Revenue	**10,701**	9,769	**33,769**	34,346
Expenses				
Operations	**1,968**	1,802	**5,683**	5,071
Thousand Islands International Bridge expenses	**1,640**	1,505	**5,011**	4,734
Currency exchange	**159**	138	**531**	506
Maintenance	**2,883**	2,492	**8,602**	8,381
Canada Border Security Agency & Canadian Food Inspection Agency operations	**1,054**	870	**4,946**	2,842
Administration	**2,211**	2,236	**6,124**	6,378
Total Expenses	**9,915**	9,043	**30,897**	27,912
Operating Income Before Government Funding	**786**	726	**2,872**	6,434
Government Funding				
Amortization of deferred capital funding	**703**	68	**2,514**	204
Funding with respect to decommissioning liability	**-**	388	**468**	3,077
Total Government Funding	**703**	456	**2,982**	3,281
Non-Operating Items				
Interest expense	**(1,159)**	(1,206)	**(3,602)**	(3,781)
Total Non-Operating Income	**(1,159)**	(1,206)	**(3,602)**	(3,781)
Net Income	**330**	(24)	**2,252**	5,934
Other Comprehensive Income				
Items that may be reclassified subsequently to statement of income (loss)				
Investments revaluation loss on available-for-sale investments	**(153)**	(277)	**(181)**	(147)
Cumulative gain reclassified to income on sale of available-for- sale investments	**297**	-	**39**	(11)
Total Other Comprehensive Income	**144**	(277)	**(142)**	(158)
Total Comprehensive Income for the Period	**474**	(301)	**2,110**	5,776

The Federal Bridge Corporation Limited

Consolidated Statement of Changes in Equity
for the nine month period ended December 31, 2017

(in thousands of Canadian dollars)

	Retained Earnings	Accumulated Other Comprehensive Income	Total
	$	$	$
Balance, April 1, 2016	238,723	80	238,803
Total Comprehesive Income:			
Net income	5,934	-	5,934
Other Comprehesive Income:			
Cumulative gain reclassified to income on sale of available-for-sale investments	-	(11)	(11)
Investments revaluation loss on available-for-sale investment	-	(147)	(147)
Other Comprehesive Income total	-	(158)	(158)
Total Comprehesive Income	5,934	(158)	5,776
Balance at December 31, 2016	**244,657**	**(78)**	**244,579**
Balance, April 1, 2017	237,735	(33)	237,702
Total Comprehesive Income:			
Net income	2,252	-	2,252
Other Comprehesive Income:			
Actuarial gains (losses)	-	-	-
Investments revaluation loss on available-for-sale investments			-
Cumulative gain reclassified to income on sale of available-for-sale investments	-	(181)	(181)
Investments revaluation loss on available-for-sale investment	-	39	39
Other Comprehesive Income total	-	(142)	(142)
Total Comprehesive Income	2,252	(142)	2,110
Balance at December 31, 2017	**239,987**	**(175)**	**239,812**

The Federal Bridge Corporation Limited

Consolidated Statement of Cash Flows
for the three and nine month periods ended December 31, 2017

(in thousands of Canadian dollars)

	For the three months ended		*For the nine months ended*	
	December 31, 2017	**December 31, 2016**	**December 31, 2017**	**December 31, 2016**
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
			$	
Cash Flows from Operating Activities				
Net income	**330**	(24)	**2,252**	5,934
Adjustments for:				
Amoritsation of deferred capital funding	**(703)**	(68)	**(2,514)**	(204)
Depreciation of property and equipment	**3,808**	3,037	**12,281**	9,186
Depreciation of intangible assets	**4**	2	**8**	7
Depreciation of investment properties	**153**	154	**458**	462
Loss on disposal of property and equipment	**-**	344	**-**	437
Change in employee benefits	**107**	131	**350**	288
	3,699	3,576	**12,835**	16,110
Changes in Non-cash Working Capital:				
Trade and other receivable	**3,412**	(3,171)	**10,024**	(7,128)
Lessor inducement	**4**	3	**11**	11
Prepaids	**154**	17	**257**	(384)
Trade and other payables	**(3,269)**	(1,023)	**(7,396)**	4,634
Provisions	**-**	15	**(539)**	(1,750)
Holdbacks	**155**	(307)	**(529)**	225
Leassee inducement	**(12)**	64	**(36)**	192
Deferred revenue	**(52)**	(15)	**(121)**	(506)
	392	(4,417)	**1,671**	(4,706)
Net Cash Generated by Operating Activities	**4,091**	(841)	**14,506**	11,404
Cash Flows from Investing Activities				
Payments for property and equipment	**(5,669)**	(18,228)	**(26,602)**	(43,660)
Government funding related to acquisitions of property and equipment	**3,595**	17,129	**24,264**	39,989
Proceeds on sale of investments	**9,467**	(1,579)	**17,951**	10,530
Purchase of investments	**(5,535)**	-	**(24,544)**	(9,722)
Net Cash Used for Investing Activities	**1,858**	(2,678)	**(8,931)**	(2,863)
Cash Flows from Financing Activities				
Repayment of loans payable	**(138)**	(346)	**(402)**	(4,088)
Repayment of bonds payable	**-**	215	**(2,241)**	(1,885)
Net Cash Used for Financing Activities	**(138)**	(131)	**(2,643)**	(5,973)
Net increase/(decrease) in cash and cash equivalents	**5,811**	(3,650)	**2,932**	2,568
Cash and cash equivalents, beginning of period	**5,852**	19,458	**8,731**	13,240
Cash and Cash Equivalents, end of period	**11,663**	15,808	**11,663**	15,808

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 customs and the Canada Border Services Agency (CBSA). Similar provisions in other Acts mandate the same kind of support for the Canadian Food Inspection Agency (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, 2017. 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, 2017.

3. SEASONALITY

Traffic on FBCL's portfolio of bridges has traditionally experienced seasonal variations. From a revenue perspective, a greater number of transits occur at international bridge crossings in the second and third quarters of the fiscal year and result in higher toll revenues. In the first and fourth quarters, there are historically a lower number of transits resulting in lower toll revenues. This demand pattern is principally a result of leisure travellers and climate resulting in a preference for travel during the spring and summer months. However, 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 particularly in the third and fourth quarters with 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 judgements, 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, 2017 were consistent with those disclosed in Note 4 of the Corporation's audited consolidated financial statements for the year ended March 31, 2017.

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 4 of the Corporation's audited consolidated financial statements for the year ended March 31, 2017.

6. PROPERTY AND EQUIPMENT

Cost	Land	Bridges and roads	Vehicles and equipment	Buildings	Property Improvements	Projects in progress	Total
	$	$	$	$		$	$
Balance, April 1, 2016	14,126	235,419	21,018	88,421	20,359	40,293	419,636
Additions	52	364	393	575	69	56,645	58,098
Disposals	-	(17,687)	(119)	(1,909)	-	-	(19,715)
Transfers	-	8,544	2,762	18,266	2,096	(31,354)	314
Balance, March 31, 2017	14,178	226,640	24,054	105,353	22,524	65,584	458,333
Additions	-	38	352	8	186	26,006	26,590
Disposals	-	(53)	-	(4,871)	-	-	(4,924)
Transfers	-	31,923	4,573	48,091	3,427	(88,014)	-
Balance, December 31, 2017	**14,178**	**258,548**	**28,979**	**148,581**	**26,137**	**3,576**	**479,999**

Accumulated depreciation	Land	Bridges and Roads	Vehicles and Equipment	Buildings	Property Improvements	Projects in Progress	Total
	$	$	$	$		$	$
Balance, April 1, 2016	-	54,751	10,428	20,186	13,539	-	98,904
Eliminated on disposal of assets	-	(17,687)	(119)	(1,841)	-	-	(19,647)
Transfers	-	-	-	767	-		767
Depreciation	-	7,457	1,678	3,741	681	-	13,557
Balance, March 31, 2017	-	44,521	11,987	22,853	14,220	-	93,581
Eliminated on disposal of assets	-	(52)	-	(4,871)	-	-	(4,923)
Transfers	-	-	-	-	-	-	-
Depreciation	-	5,921	1,383	4,377	600	-	12,281
Balance, December 31, 2017	**-**	**50,390**	**13,370**	**22,359**	**14,820**	**-**	**100,939**
Net book value, December 31, 2017	**14,178**	**208,158**	**15,609**	**126,222**	**11,317**	**3,576**	**379,060**
Net book value, March 31, 2017	14,178	182,119	12,067	82,500	8,304	65,584	364,752

During the quarter, the Corporation did not enter into significant contractual commitments to further the delivery of major capital projects.

7. PROVISIONS

	Cornwall[i]	Sault Ste. Marie[ii]	Lansdowne[iii]	Total
	$	$	$	$
Balance at April 1, 2017	4,194	161	1,211	5,566
Interest accretion	50	-	8	58
Reductions arising from payments	-	(114)	(483)	(597)
Balance at December 31, 2017	**4,244**	**47**	**736**	**5,027**
Less: Current portion	-	47	736	783
Long-term portion	4,244	-	-	4,244

i. The Corporation will be initiating the demolition of the in-water piers in Cornwall. This initiation will complete the demolition of the existing high-level bridge. There has been no change to this estimate when compared to the March 31, 2017 provision.

ii. The Corporation has initiated construction of a new Canadian Plaza in Sault Ste. Marie which in turn will result in the demolition of the existing assets. The demolition of these assets were completed in Q3. There has been no change to this estimate when compared to the March 31, 2017 provision however final revisions to the provision will be recorded in Q4. These cash flows are funded from government funding received at the time of demolition.

iii. The Corporation has initiated a project for the construction of a new customs plaza in Lansdowne, at the Thousand Islands International Bridge which in turn will result in the demolition of the existing assets. With the completion of the first phase of the new customs plaza in Q1, the Corporation continued with the demolition of the existing assets in Q2 and were completed in Q3.

Additionally, at the Lansdowne location, a provision for contaminated land has been recorded based on management's best estimate of the probable cash outflows related to the remediation of the site under redevelopment. There has been no change to this estimate when compared to the March 31, 2017 provision. However, final revisions will be recorded in Q4 once final testing on the soil has been conducted.

These cash flows are funded from government funding received at the time of demolition and remediation.

8. 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.

8. FINANCIAL INSTRUMENTS (continued)

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			**2017**
	Value **$**	**Cost** **$**	Level
Financial instruments measured at fair value on a recurring basis			
Available-for-sale investments	**19,928**	**19,928**	Level 2
Financial instruments measured at amortised costs			
Held-to-maturity investments	**14,129**	**14,129**	Level 1
Loans payable	**12,811**	**13,164**	Level 2
Bonds payable	**76,165**	**64,230**	Level 2

As at March 31			**2017**
	Value **$**	**Cost** **$**	Level
Financial instruments measured at fair value on a recurring basis			
Available-for-sale investments	**6,711**	**6,711**	Level 2
Financial instruments measured at amortised costs			
Held-to-maturity investments	**21,028**	**20,894**	Level 1
Loans payable	**13,601**	**13,566**	Level 2
Bonds payable	**82,773**	**66,471**	Level 2