

# **407** *International*

**407 INTERNATIONAL INC.**

**Interim Condensed Consolidated Financial Statements**

**March 31, 2024**

**407 INTERNATIONAL INC.**  
**INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
(in millions of Canadian dollars)  
(Unaudited)

	Notes	As at March 31, 2024	As at December 31, 2023
<b>Assets</b>			
Current assets			
Cash and cash equivalents	17	\$ 490.0	\$ 410.4
Restricted cash and investments	5	282.2	280.8
Trade receivables and other	8	333.9	322.4
Total current assets		<u>1,106.1</u>	<u>1,013.6</u>
Non-current assets			
Restricted cash and investments	5	570.9	565.7
Other receivable		2.0	2.0
Deferred tax assets		62.3	62.3
Intangible assets	7	1,428.6	1,432.7
Property, plant and equipment	6	2,508.6	2,521.6
Total non-current assets		<u>4,572.4</u>	<u>4,584.3</u>
<b>Total assets</b>		<u>\$ 5,678.5</u>	<u>\$ 5,597.9</u>
<b>Liabilities and equity</b>			
Current liabilities			
Trade and other payables		\$ 44.9	\$ 62.7
Contract liabilities		13.3	14.3
Accrued interest on long-term debt		109.0	112.9
Lease obligations	12	1.0	4.2
Long-term debt	11	286.6	286.3
Total current liabilities		<u>454.8</u>	<u>480.4</u>
Non-current liabilities			
Lease obligations	12	1.5	1.7
Deferred tax liabilities		590.2	590.1
Long-term debt	11	10,302.5	10,316.2
Total non-current liabilities		<u>10,894.2</u>	<u>10,908.0</u>
Total liabilities		<u>11,349.0</u>	<u>11,388.4</u>
Equity			
Issued capital	9	804.6	804.6
Reserve	10	8.3	8.5
Retained deficit		(6,483.4)	(6,603.6)
Total deficit		<u>(5,670.5)</u>	<u>(5,790.5)</u>
<b>Total liabilities and equity</b>		<u>\$ 5,678.5</u>	<u>\$ 5,597.9</u>

On behalf of the Board:

*(signed)*  
DAVID MCFADDEN  
Director

*(signed)*  
MICHAEL BERNASIEWICZ  
Director

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

**407 INTERNATIONAL INC.**  
**INTERIM CONDENSED CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME**  
(in millions of Canadian dollars, except per share amounts)  
(Unaudited)

	Notes	Three-month period ended	
		March 31	
		<u>2024</u>	<u>2023</u>
Revenues	14	\$ 329.8	\$ 294.9
Expenses	15	78.0	77.1
Interest expense		103.2	94.3
Interest income		(14.4)	(12.7)
Other expense		0.2	0.2
Other income		(0.2)	(0.2)
Interest and other expenses	11	<u>88.8</u>	<u>81.6</u>
Income before tax		163.0	136.2
Current income tax expense		42.7	35.7
Deferred income tax expense		0.1	0.4
Income tax expense		<u>42.8</u>	<u>36.1</u>
Net income		<u>\$ 120.2</u>	<u>\$ 100.1</u>
Net income		120.2	100.1
Other comprehensive loss:			
Reclassification to income of gains on cash flow hedges, net	10	<u>(0.2)</u>	<u>(0.2)</u>
Total comprehensive income		<u>\$ 120.0</u>	<u>\$ 99.9</u>
<b>Earnings per share</b>			
Net income per share, basic and diluted	9	<u>\$ 0.155</u>	<u>\$ 0.129</u>

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

**407 INTERNATIONAL INC.**  
**INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
(in millions of Canadian dollars)  
**(Unaudited)**

	<u>Issued capital</u>	<u>Reserve</u>	<u>Retained deficit</u>	<u>Total deficit</u>
Balance at January 1, 2024	\$ 804.6	\$ 8.5	\$ (6,603.6)	\$ (5,790.5)
Net income for the period	-	-	120.2	120.2
Other comprehensive loss for the period	<u>-</u>	<u>(0.2)</u>	<u>-</u>	<u>(0.2)</u>
Balance at March 31, 2024	<u>\$ 804.6</u>	<u>\$ 8.3</u>	<u>\$ (6,483.4)</u>	<u>\$ (5,670.5)</u>
Balance at January 1, 2023	\$ 804.6	\$ 9.3	\$ (6,220.9)	\$ (5,407.0)
Net income for the period	-	-	100.1	100.1
Other comprehensive loss for the period	<u>-</u>	<u>(0.2)</u>	<u>-</u>	<u>(0.2)</u>
Balance at March 31, 2023	<u>\$ 804.6</u>	<u>\$ 9.1</u>	<u>\$ (6,120.8)</u>	<u>\$ (5,307.1)</u>

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

**407 INTERNATIONAL INC.**  
**INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(in millions of Canadian dollars)  
(Unaudited)

	Notes	Three-month period ended March 31	
		2024	2023
<b>Cash flows from operating activities</b>			
Receipts from customers		\$ 312.6	\$ 308.3
Payments to suppliers and employees		(54.0)	(60.6)
Cash generated from operations		258.6	247.7
Interest received		13.4	9.8
Interest paid		(117.2)	(102.9)
Income tax paid		(49.0)	(45.0)
		<u>105.8</u>	<u>109.6</u>
<b>Cash flows from investing activities</b>			
Additions to property, plant and equipment		(11.2)	(7.2)
Additions to intangible assets		(0.9)	-
Advance payment		(3.1)	(0.9)
Restricted cash and investments	5	(5.7)	(10.8)
Non-trade receivables and other		2.0	4.7
		<u>(18.9)</u>	<u>(14.2)</u>
<b>Cash flows from financing activities</b>			
Repayment of long-term debt and credit facility		(3.9)	(3.6)
Repayment of lease obligations		(3.4)	(3.3)
		<u>(7.3)</u>	<u>(6.9)</u>
Increase in cash and cash equivalents		79.6	88.5
<b>Cash and cash equivalents, beginning of period</b>		<u>410.4</u>	<u>369.5</u>
<b>Cash and cash equivalents, end of period</b>		<u>\$ 490.0</u>	<u>\$ 458.0</u>
<b>Supplementary Cash Flow Information</b>			
Net change in financial liabilities	18	<u>(20.7)</u>	<u>(14.8)</u>

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

**407 INTERNATIONAL INC.**  
**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**Period ended March 31, 2024**  
**(in millions of Canadian dollars, except per share amounts)**

**1. GENERAL INFORMATION**

407 International Inc. and its subsidiaries (**Company**) are privately-held companies existing under the laws of Canada. The Company's address and principal place of business is 6300 Steeles Avenue West, Woodbridge, Ontario, L4H 1J1, Canada. The principal business of the Company is the ownership of 407 ETR Concession Company Limited (**407 ETR**) and, through 407 ETR, the operation, maintenance and management of Highway 407 ETR (**Highway**) along with the construction of extensions and certain deferred interchanges, lane widenings and additional interchanges under the 99-year Highway 407 Concession and Ground Lease Agreement (**CGLA**) with the Province of Ontario (**Province**) dated April 6, 1999. The interim condensed consolidated financial statements of the Company for the three-month period ended March 31, 2024 (**Financial Statements**) were approved by the Board of Directors of the Company (**Board**) on April 25, 2024.

**2. MATERIAL ACCOUNTING POLICIES**

**a) Statement of compliance and application of new International Financial Reporting Standards (IFRS)**

The Financial Statements are prepared on a going concern basis and have been presented in millions of Canadian dollars. These Financial Statements have been prepared in accordance with International Accounting Standards 34, Interim Financial Reporting ("IAS 34") as issued by the International Accounting Standards Board ("IASB").

The following amendment is effective for annual reporting periods beginning on or after January 1, 2024. The Company has assessed the impacts of the amendment and concluded no material impact on the Financial Statements.

**IAS 1 Presentation of Financial Statements – Non-current Liabilities with Covenants (IAS 1):**

IAS 1 requires a company to classify debt as non-current only if the company can avoid settling the debt in the 12 months after the reporting date. However, a company's ability to do so is often subject to complying with covenants.

The amendments to IAS 1 specify that covenants to be complied with after the reporting date do not affect the classification of debt as current or non-current at the reporting date. Instead, the amendments require a company to disclose information about these covenants in the notes to the financial statements.

**b) Basis of preparation**

The Financial Statements have been prepared using the same accounting policies and methods as were used for the Company's consolidated financial statements and the notes thereto for the years ended December 31, 2023 and 2022 (the "2023 Annual Financial Statements"). The Financial Statements should be read in conjunction with the 2023 Annual Financial Statements.

**c) Principles of consolidation**

The Financial Statements include the accounts of 407 International Inc., consolidated with those of its wholly-owned subsidiaries, 407 ETR, Canadian Tolling Company International Inc. (**Cantoll**) and 14374304 Canada Inc (**14374304 Inc.**). Cantoll was incorporated in December 2001 to assume ownership of an integrated computerized accounting, billing and customer relationship management system and new transponders, and is responsible for the development of its integrated automation systems and the implementation and management of roadside tolling technologies and back-office systems. 14374304 Inc. was incorporated in September 2022 to assist in the implementation of the Company's tax planning strategies. All inter-company transactions, balances, revenues and expenses have been eliminated on consolidation.

**407 INTERNATIONAL INC.**  
**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**Period ended March 31, 2024**  
**(in millions of Canadian dollars, except per share amounts)**

**3. FUTURE CHANGES TO ACCOUNTING POLICIES**

The Company has assessed the impacts of the amendments and concluded no material impact on the Financial Statements. The following amendments are effective for annual reporting periods beginning on or after January 1, 2025.

**IAS 21** *The effects of Changes in Foreign Exchange Rates – Lack of Exchangeability (IAS 21):*

The amendments in lack of exchangeability amend IAS 21 to specify when a currency is exchangeable into another currency and when it is not, how an entity determines the exchange rate to apply when a currency is not exchangeable and requires the disclosure of additional information when a currency is not exchangeable.

The effective period of the following amendment has yet to be determined by IASB.

**IFRS 10** *Consolidated Financial Statements and IAS 28* *Investments in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - (IFRS 10 and IFRS 28):*

The amendments relate to a sale or contribution of assets between an investor and its associate or joint venture. Specifically, gains or losses resulting from the loss of control of a subsidiary accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

**4. KEY SOURCES OF ESTIMATION UNCERTAINTY AND CRITICAL ACCOUNTING JUDGEMENT**

The preparation of the Financial Statements in conformity with IFRS requires Management to make certain judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities as at the date of the Financial Statements, the reported amounts of revenues and expenses of the reporting period, as well as disclosures made in the accompanying notes to the Financial Statements. Judgement is commonly used in determining whether a balance or transaction should be recognized in the consolidated financial statements, and estimates and assumptions are more commonly used in determining the measurement of recognized transactions and balances. However, judgements and estimates are often interrelated.

**a) Critical Estimates**

Toll revenues are recognized on the date trips are taken on the Highway. Certain exit and entrance transactions which are unbilled remain in queues to create the best match to form a complete trip. The unrated toll revenues in the queue are estimated using certain attributes of recently-rated trips which are then applied to the traffic transactions in the queue.

Contract revenues are recognized over time using an input method, based on costs incurred to date relative to total estimated costs at completion. The determination of anticipated costs for completing a contract is based on estimates that can be affected by a variety of factors such as potential variances in scheduling and cost of materials along with the availability and cost of qualified labour and subcontractors.

Depreciation of property, plant and equipment is estimated based on projected Vehicle Kilometres Travelled and estimated useful lives.

Deferred tax assets arising from the carry forward of unused tax losses and unused tax credits are recognized to the extent that it is probable that future taxable income will be available against which the unused tax losses and unused

**407 INTERNATIONAL INC.**  
**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**Period ended March 31, 2024**  
**(in millions of Canadian dollars, except per share amounts)**

**4. KEY SOURCES OF ESTIMATION UNCERTAINTY AND CRITICAL ACCOUNTING JUDGEMENT (continued)**

tax credits can be utilized or through tax planning transactions allowing such tax losses to be utilized. Projected taxable income is based on reasonable and prudent operating projections, assumptions and hypotheses. Taxable income is primarily impacted by traffic volume, toll rates, operating and maintenance expenses, interest income and interest expense. Based on these projections, the Company anticipates that it will generate sufficient taxable income to utilize existing tax losses and tax credits prior to their expiration dates. The carrying amount of deferred tax assets is reviewed at the end of each reporting period and derecognized to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the assets to be utilized in the future.

Senior Bonds, Series 04-A2 is accounted for as a derivative financial instrument and is measured at its fair value. Given that the market for this financial instrument is not active, fair value is established by using a valuation technique that employs the break-even inflation rate (**BEIR**) as a market proxy for future inflation and discounted cash flow analysis. BEIR is highly volatile and may lead to significant non-cash changes in the fair value of Senior

Bonds, Series 04-A2 that may not be representative of actual inflation paid or to be paid to the holders of Senior Bonds, Series 04-A2. Allowance for lifetime expected credit losses (**Lifetime ECL**) is estimated by the Company. See note 13(c) for additional information on the determination of the estimate.

These estimates and associated assumptions are based on past experience and other factors that are considered relevant and are reviewed on an on-going basis. Actual results could differ materially from these estimates.

**b) Significant Judgements**

The identification of cash-generating units involves judgement. Cash inflows which are generated from customers' use of the Highway are classified as a single cash-generating unit.

The Company has only one reportable segment. All non-current assets are located and revenues are generated in Canada.

**5. RESTRICTED CASH AND INVESTMENTS**

Pursuant to the Master Trust Indenture dated as of July 20, 1999 and effective as of May 5, 1999 between the Company, 407 ETR and The Trust Company of Bank of Montreal (now BNY Trust Company of Canada) (**Indenture**), the Company established the debt service funds, the operating and maintenance and renewal and replacement funds, and debt service reserve funds, all of which are fully funded with Qualified Investments (as defined in the Indenture). The current portion is expected to become unrestricted within the next twelve months.

Pursuant to an agreement to provide tolling, billing and back-office services relating to Highway 407 (**Tolling Services Agreement**), the Company established a Tolling Services Agreement segregated funds account which is funded with cash and cash equivalents.



**407 INTERNATIONAL INC.**  
**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**Period ended March 31, 2024**  
(in millions of Canadian dollars, except per share amounts)

**5. RESTRICTED CASH AND INVESTMENTS (continued)**

	As at	
	March 31, 2024	December 31, 2023
Current		
Debt service funds	\$ 115.5	\$ 116.0
Operating and maintenance reserve and renewal and replacement funds ( <b>O&amp;M and R&amp;R Funds</b> )	166.7	164.8
	<u>\$ 282.2</u>	<u>\$ 280.8</u>
Non-current		
Debt service reserve funds	\$ 564.4	\$ 559.2
Tolling Services Agreement segregated funds	6.5	6.5
	<u>\$ 570.9</u>	<u>\$ 565.7</u>
Total	<u>\$ 853.1</u>	<u>\$ 846.5</u>

Restricted cash and investments consist of:

	As at	
	March 31, 2024	December 31, 2023
Cash	\$ 164.7	\$ 150.5
Bankers' Acceptances	135.1	134.5
Guaranteed Investment Certificates	146.4	145.4
Bank Bonds	129.0	120.3
Federal Notes	74.8	74.9
Floating Rate Notes	2.5	2.5
Treasury Bills	85.7	163.9
Provincial Promissory Notes	114.9	54.5
	<u>\$ 853.1</u>	<u>\$ 846.5</u>

Cash movements in restricted cash and investments were as follows:

	Three-month period ended March 31	
	2024	2023
Contributions to debt service funds	\$ 118.6	\$ 111.6
Interest payments on long-term debt	(116.8)	(102.5)
Repayments of long-term debt	(3.9)	(3.6)
Interest received	7.7	5.3
	<u>\$ 5.6</u>	<u>\$ 10.8</u>

**407 INTERNATIONAL INC.**  
**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**Period ended March 31, 2024**  
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**6. PROPERTY, PLANT AND EQUIPMENT**

	Toll highway	Toll equipment	Back Office Systems	Transponders	Operations centre	Office equipment	Motor vehicles	Leased Equipment	Assets under construction	Total
<b>Cost</b>										
Balance at December 31, 2023	\$ 2,839.4	\$ 138.0	\$ 115.1	\$ 39.8	\$ 99.3	\$ 19.3	\$ 7.6	\$ 18.9	\$ 106.2	\$ 3,383.6
Additions	0.3		1.8	0.9					6.3	9.3
Retirements				(0.7)	-			(0.3)		(1.0)
Transfers		0.4	91.5		0.1				(92.0)	-
Balance at March 31, 2024	\$ 2,839.7	\$ 138.4	\$ 208.4	\$ 40.0	\$ 99.4	\$ 19.3	\$ 7.6	\$ 18.6	\$ 20.5	\$ 3,391.9
<b>Accumulated depreciation</b>										
Balance at December 31, 2023	\$ 580.8	\$ 86.1	\$ 94.7	\$ 29.9	\$ 35.4	\$ 15.3	\$ 6.8	\$ 13.0	\$ -	\$ 862.0
Depreciation expense	8.8	2.4	5.3	1.0	0.9	0.5	0.1	3.3		22.3
Retirements				(0.7)				(0.3)		(1.0)
Balance at March 31, 2024	\$ 589.6	\$ 88.5	\$ 100.0	\$ 30.2	\$ 36.3	\$ 15.8	\$ 6.9	\$ 16.0	\$ -	\$ 883.3
<b>Carrying amount, December 31, 2023</b>	<b>\$ 2,258.6</b>	<b>\$ 51.9</b>	<b>\$ 20.4</b>	<b>\$ 9.9</b>	<b>\$ 63.9</b>	<b>\$ 4.0</b>	<b>\$ 0.8</b>	<b>\$ 5.9</b>	<b>\$ 106.2</b>	<b>\$ 2,521.6</b>
<b>Carrying amount, March 31, 2024</b>	<b>\$ 2,250.1</b>	<b>\$ 49.9</b>	<b>\$ 108.4</b>	<b>\$ 9.8</b>	<b>\$ 63.1</b>	<b>\$ 3.5</b>	<b>\$ 0.7</b>	<b>\$ 2.6</b>	<b>\$ 20.5</b>	<b>\$ 2,508.6</b>

During the three-month period ended March 31, 2024, capitalized borrowing costs aggregating to \$0.4 (2023 - \$0.4), were included as additions to assets under construction. The average interest capitalization rate relating to the borrowing cost was 3.94% (2023 – 3.55%).

Assets under construction mainly include work in progress on highway improvement projects, back-office systems development projects, tolling and roadside equipment and buildings.

**7. INTANGIBLE ASSETS**

	Concession Rights	Licences	Total
<b>Cost</b>			
Balance at December 31, 2023	\$ 1,676.1	\$ 9.2	\$ 1,685.3
Additions		\$ 1.0	\$ 1.0
Retirements		\$ (4.3)	\$ (4.3)
Balance at March 31, 2024	\$ 1,676.1	\$ 5.9	\$ 1,682.0
<b>Accumulated amortization</b>			
Balance at December 31, 2023	\$ 243.4	\$ 9.2	\$ 252.6
Amortization expense	4.8	0.3	5.1
Retirements		(4.3)	(4.3)
Balance at March 31, 2024	\$ 248.2	\$ 5.2	\$ 253.4
<b>Carrying amount, December 31, 2023</b>	<b>\$ 1,432.7</b>	<b>\$ -</b>	<b>\$ 1,432.7</b>
<b>Carrying amount, March 31, 2024</b>	<b>\$ 1,427.9</b>	<b>\$ 0.7</b>	<b>\$ 1,428.6</b>

**407 INTERNATIONAL INC.**  
**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**Period ended March 31, 2024**  
(in millions of Canadian dollars, except per share amounts)

**8. TRADE RECEIVABLES AND OTHER**

	As at	
	March 31, 2024	December 31, 2023
Trade receivables	\$ 529.7	\$ 511.3
Allowance for Lifetime ECL	(213.6)	(208.1)
	316.1	303.2
Prepayments and other receivables	17.8	19.2
	\$ 333.9	\$ 322.4

Trade receivables are net of certain amounts that were billed to customers but excluded from revenues in accordance with the revenue recognition policy for toll and fee revenues.

Prepayments and other receivables includes prepaids, other non-trade related receivables and an advance payment to a supplier.

**Movement in Trade Receivables**

	Three-month period ended	
	March 31	
	2024	2023
Balance, beginning of period	\$ 511.3	\$ 453.3
Revenues (excluding contract)	329.8	290.5
Contract billings to customer	-	12.1
Bad debts written off, net of recoveries	(0.8)	(0.6)
Receipts from customers	(312.6)	(308.3)
Other	2.0	1.4
Balance, end of period	\$ 529.7	\$ 448.4

**Movement in Allowance for Lifetime ECL**

Changes in the Allowance for Lifetime ECL are as follows:

	Three-month period ended	
	March 31	
	2024	2023
Balance, beginning of period	\$ 208.1	\$ 207.8
Provision for Lifetime ECL expense	6.5	4.3
Bad debts written off, net of recoveries	(0.8)	(0.6)
Other adjustments	(0.2)	(0.1)
Balance, end of period	\$ 213.6	\$ 211.4

The provision for Lifetime ECL expense has been included in expenses and is net of any recoveries that were provided for in prior periods.

**407 INTERNATIONAL INC.**  
**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**Period ended March 31, 2024**  
(in millions of Canadian dollars, except per share amounts)

**9. ISSUED CAPITAL**

	As at	
	March 31, 2024	December 31, 2023
Share capital	\$ 775.0	\$ 775.0
Contributed surplus	29.6	29.6
	\$ 804.6	\$ 804.6
Share capital comprises:		
Authorized - Unlimited		
775,000,003 common shares issued and outstanding (\$ nil par value)		
(2023 - 775,000,003, \$ nil par value)		
	\$ 775.0	\$ 775.0

Payments of dividends per share were \$nil for the three-month period ended March 31, 2024 (2023 - \$nil).

**10. RESERVE**

***Cash flow hedging reserve***

	Three-month period ended	
	March 31	
	2024	2023
Balance, beginning of period	\$ 8.5	\$ 9.3
Other comprehensive loss	(0.2)	(0.2)
Balance, end of period	\$ 8.3	\$ 9.1

The cash flow hedging reserve represents the cumulative portion of gains and losses on hedging instruments deemed effective in cash flow hedges, net of unrecognized deferred taxes of \$0.2 (2023 - \$0.2) and will be reclassified to interest and other expenses over periods of up to 17 years of which approximately \$0.8 will be reclassified during the next 12 months.

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**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**Period ended March 31, 2024**  
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**11. LONG-TERM DEBT**

	As at	
	March 31, 2024	December 31, 2023
<b>Senior Bonds:</b>		
\$400.0, Series 99-A2, 6.47%, maturing July 27, 2029	395.7	395.5
\$300.0, Series 99-A3, 6.75%, maturing July 27, 2039	211.2	215.2
\$208.3, Series 99-A6, 5.328%, maturing December 1, 2026	354.7	355.3
\$208.3, Series 99-A7, 5.328%, maturing December 1, 2031	353.9	354.5
\$325.0, Series 00-A2, 5.29%, maturing December 1, 2039	366.4	368.7
\$340.0, Series 04-A3, 5.96%, maturing December 3, 2035	338.7	338.7
\$350.0, Series 11-A1, 4.45%, maturing November 15, 2041	347.8	347.7
\$400.0, Series 12-A1, 4.19%, maturing April 25, 2042	397.6	397.6
\$400.0, Series 12-A2, 3.98%, maturing September 11, 2052	395.8	395.7
\$200.0, Series 13-A1, 4.68%, maturing October 7, 2053	198.8	198.8
\$250.0, Series 14-A1, 3.35%, maturing May 16, 2024	250.0	249.9
\$150.0, Series 15-A1, 3.30%, maturing March 27, 2045	148.7	148.7
\$500.0, Series 15-A2, 3.83%, maturing May 11, 2046	496.6	496.4
\$500.0, Series 16-A1, 3.60%, maturing May 21, 2047	496.4	496.4
\$350.0, Series 16-A2, 2.43%, maturing May 4, 2027	349.3	349.2
\$250.0, Series 17-A1, 3.43%, maturing June 1, 2033	248.7	248.7
\$500.0, Series 17-A2, 3.65%, maturing September 8, 2044	496.4	496.4
\$500.0, Series 18-A1, 3.72%, maturing May 11, 2048	497.1	497.1
\$300.0, Series 19-A1, 3.14%, maturing March 6, 2030	298.7	298.7
\$500.0, Series 19-A2, 3.67%, maturing March 6, 2049	496.2	496.1
\$700.0, Series 20-A1, 2.84%, maturing March 7, 2050	694.7	694.7
\$350.0, Series 20-A2, 1.80%, maturing May 22, 2025	349.5	349.4
\$400.0, Series 20-A3, 2.59%, maturing May 22, 2032	398.0	398.0
\$500.0, Series 23-A1, 4.86%, maturing on July 31, 2053	495.5	495.5
<b>Other Senior Bonds:</b>		
\$162.3, Series 04-A2, 3.276%, maturing July 27, 2039 (note 13)	199.0	206.2
<b>Junior Bonds:</b>		
\$165.0, Series 00-B1, 7.125%, maturing July 26, 2040	164.5	164.4
<b>Subordinated Bonds:</b>		
\$480.0, Series 06-D1, 5.75%, maturing February 14, 2036	478.0	478.0
\$350.0, Series 22-D1, 4.2%, maturing February 14, 2028	348.3	348.2
\$325.0, Series 22-D2, 4.2%, maturing August 14, 2031	322.9	322.8
	<u>\$ 10,589.1</u>	<u>\$ 10,602.5</u>
<b>Financial liabilities carried at Fair Value Through Profit or Loss ("FVTPL")</b>		
Other Senior Bonds: Series 04-A2	<u>\$ 199.0</u>	<u>\$ 206.2</u>
<b>Financial liabilities carried at amortized cost</b>		
Senior Bonds	\$ 9,076.4	\$ 9,082.9
Junior Bonds	164.5	164.4
Subordinated Bonds	1,149.2	1,149.0
	<u>10,390.1</u>	<u>10,396.3</u>
	<u>\$ 10,589.1</u>	<u>\$ 10,602.5</u>
Current	\$ 286.6	\$ 286.3
Non-current	10,302.5	10,316.2
	<u>\$ 10,589.1</u>	<u>\$ 10,602.5</u>

**407 INTERNATIONAL INC.**  
**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**Period ended March 31, 2024**  
**(in millions of Canadian dollars, except per share amounts)**

**11. LONG-TERM DEBT (continued)**

**Interest and Other Expenses**

	Three-month period ended	
	March 31	
	2024	2023
Interest expense on bonds and credit facility	\$ 114.3	\$ 107.5
Non-cash inflation component of:		
Interest expense (recovery) RRBs	(3.5)	(0.5)
Interest expense (recovery), Senior Bond, Series 04-A2	(4.2)	(2.8)
Fair value adjustment (recovery), Senior Bond, Series 04-A2	(3.0)	(9.5)
Capitalized interest	(0.4)	(0.4)
Total interest expense on long-term debt	103.2	94.3
Interest income on financial assets designated as FVTPL	(14.4)	(12.7)
Other interest expense	0.2	0.2
Other income:		
Reclassification of gains and losses on cash flow hedges (note 11)	(0.2)	(0.2)
	<u>\$ 88.8</u>	<u>\$ 81.6</u>

**Senior Bonds**

All Senior Bonds are repayable at maturity except for Series 99-A3, which is repayable in fixed semi-annual scheduled installments of interest and principal of \$11.2. Senior Bonds are redeemable, in whole or in part, at the option of the Company. Interest is payable semi-annually.

On April 4, 2024, the Company issued \$250.0 of 4.89% Senior Bonds, Series 24-A1. The net proceeds of the bonds will be used, in part, to repay \$250.0 Senior Bonds, Series 14-A1, due May 16, 2024 and to fund a related debt service reserve fund.

**Real Return Bonds**

The Company issued Senior Bonds Series 99-A6 and Series 99-A7 in August 1999 with interest payable semi-annually and Senior Bonds amortizing Series 00-A2 in February 2000 (collectively, the **RRBs**).

As at March 31, 2024, the inflation compensation component of all RRBs was \$441.6 (2023 - \$445.0).

**Syndicated Credit Facility**

The Company has a credit agreement establishing a syndicated credit facility with four Canadian chartered banks (**Syndicated Credit Facility**). The Syndicated Credit Facility will be used to refinance existing debt, fund future operating and capital expenditures, make interest and tax payments and for general corporate purposes. The obligations under the Syndicated Credit Facility rank *pari passu* with the senior debt of the Company. The Syndicated Credit Facility is a sustainability linked loan with three key performance Indicators (**KPIs**) (greenhouse gas, board diversity and employee health and safety) and related targets in which to be measured against on an annual basis. Annual favourable or unfavourable pricing adjustments to the drawn and undrawn portion of the Syndicated Credit Facility will be made depending on if the targets for each KPI have been met. The amount available to be drawn under the Syndicated Credit Facility is \$800.0. The Syndicated Credit Facility bears interest at floating rates based, at the option of the Company, on the prime rate for Canadian dollar loans, and the Term Canadian Overnight Repo Rate Average (**CORRA**) advances, plus an applicable fixed margin. The Company paid an upfront fee in respect of the Syndicated Credit Facility and is also obligated to pay a commitment fee, calculated on the undrawn portion of the Syndicated Credit Facility.

As at March 31, 2024, the Company had no outstanding balance (2023 – \$nil) under the Syndicated Credit Facility.

**407 INTERNATIONAL INC.**  
**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**Period ended March 31, 2024**  
(in millions of Canadian dollars, except per share amounts)

**11. LONG-TERM DEBT (continued)**

**Current Portion of Long-Term Debt**

As at March 31, 2024, the current portion of long-term debt of \$286.6 (2023 - \$286.3) includes Senior Bonds, Series 14-A1 \$250.0, which are scheduled to mature on May 16, 2024 (2023 - \$249.9), Series 99-A3 \$8.2 (2023 - \$7.9), Series 00-A2 \$15.2 (2023 - \$15.2), and Series 04-A2 \$13.2 (2023 - \$13.3).

**12. LEASE OBLIGATIONS**

The Company entered into leases for the use of snow clearing equipment, computer equipment, office equipment and vehicles. Finance leases expire on various dates, at which time the Company has the right, but not the obligation, to purchase the equipment.

Minimum lease payments in the aggregate and for the next five years and thereafter are as follows:

	Minimum lease payments		Present value of minimum lease payments	
	March 31, 2024	December 31, 2023	March 31, 2024	December 31, 2023
2024	\$ 1.2	4.4	\$ 1.0	4.3
2025	0.7	0.8	0.7	0.7
2026	0.5	0.5	0.4	0.5
2027	0.2	0.3	0.2	0.2
2028	0.1	0.1	0.1	0.1
2029 and thereafter	0.1	0.1	0.1	0.1
	2.8	6.2	2.5	5.9
Less future finance charges at rates varying between 0.97% to 9.29%	(0.3)	(0.3)	-	-
Present value of minimum lease payments	\$ 2.5	\$ 5.9	\$ 2.5	\$ 5.9
			March 31, 2024	December 31, 2023
Current portion of lease obligations			\$ 1.0	\$ 4.2
Non-current portion of lease obligations			1.5	1.7
			\$ 2.5	\$ 5.9

**13. FINANCIAL INSTRUMENTS**

**a) Fair Value of Financial Instruments**

**Current financial assets and liabilities**

Current financial assets are amounts that are expected to be settled within one year. Current financial liabilities are settled at the contractual maturity date within one year. The carrying amounts approximate fair value because of the short-term nature of these instruments.

**407 INTERNATIONAL INC.**  
**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**Period ended March 31, 2024**  
(in millions of Canadian dollars, except per share amounts)

**13. FINANCIAL INSTRUMENTS (continued)**

**Non-current restricted cash and investments**

The Company compares and uses publicly-available quotations to determine the fair values. The carrying amounts approximate fair values.

**Long-term debt**

The fair value of the long-term debt (including the current portion) as at March 31, 2024 was \$10,007.0 (2023 - \$9,584.1) determined using publicly-available quotations provided by a major Canadian financial institution, except for Senior Bonds, Series 04-A2, which was determined by using a valuation technique. These instruments are Level 2.

**Senior Bonds, Series 04-A2**

Senior Bonds, Series 04-A2 is a derivative financial instrument and is reported at fair value. The fair value of Senior Bonds, Series 04-A2 as at March 31, 2024 was \$199.0 (2023 - \$206.2) which was determined by using a valuation technique which estimated future inflation of 1.7% (2023 - 1.7%) based on the BEIR and applied a nominal discount rate of 4.7% (2023 - 4.5%). During the three-month period ended March 31, 2024, the fair value of Senior Bonds, Series 04-A2 increased by \$2.7 (2023 - \$0.6 decrease) due to the change in the Company's corporate spread. As at March 31, 2024, a 10 basis points decrease in the nominal discount rate would increase the fair value of Senior Bonds, Series 04-A2 by approximately \$1.9 (2023 - \$1.6).

**Fair value hierarchy**

The following table summarizes the fair value hierarchy under which financial instruments are valued.

Level 1 of the fair value hierarchy includes unadjusted quoted prices in active markets for identical assets or liabilities. Level 2 includes inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 3 includes inputs for the asset or liability that are not based on observable market data.

	<b>Assets Measured at Fair Value</b>					
	<b>As at March 31, 2024</b>			<b>As at December 31, 2023</b>		
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
<b>Financial assets measured at FVTPL</b>						
Cash and cash equivalents	\$ 490.0	\$ -	\$ -	\$ 410.4	\$ -	\$ -
Restricted cash and investments	853.1	-	-	846.5	-	-
	<u>\$ 1,343.1</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,256.9</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Total fair value</b>			<u>\$ 1,343.1</u>			<u>\$ 1,256.9</u>
	<b>Liabilities Measured at Fair Value</b>					
	<b>As at March 31, 2024</b>			<b>As at December 31, 2023</b>		
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
<b>Financial liabilities measured at FVTPL</b>						
Senior Bonds, Series 04-A2	\$ -	\$ 199.0	\$ -	-	\$ 206.2	\$ -
	<u>\$ -</u>	<u>\$ 199.0</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 206.2</u>	<u>\$ -</u>
<b>Total fair value</b>			<u>\$ 199.0</u>			<u>\$ 206.2</u>



**407 INTERNATIONAL INC.**  
**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**Period ended March 31, 2024**  
**(in millions of Canadian dollars, except per share amounts)**

**13. FINANCIAL INSTRUMENTS (continued)**

**b) Capital Risk Management**

The Company defines its capital as follows:

1. Long-term debt, including the current portion; and
2. Cash and cash equivalents.

The Company's objectives when managing capital are to:

1. Maintain a capital structure and an appropriate credit rating that provides financing options to the Company when a financing or a refinancing need arises to ensure access to capital, on commercially reasonable terms, without exceeding its debt capacity or resulting in a downgrade to the credit ratings of the existing indebtedness;
2. Maintain financial flexibility in order to preserve its ability to meet financial obligations, including debt servicing payments and dividend payments;
3. Satisfy covenants set out in the Indenture and the indentures supplemental thereto (**Supplemental Indentures**); and
4. Deploy capital to provide an appropriate investment return to its shareholders.

The Company's financial strategy is designed and formulated to maintain a flexible capital structure consistent with the objectives stated above and to respond to changes in economic conditions. In order to maintain or adjust its capital structure, the Company may issue additional debt, issue debt to replace existing debt with similar or different characteristics, and adjust the amount of dividends paid to shareholders. The Company's financing and refinancing decisions are made on a specific transaction basis and depend upon such factors as the Company's needs, and market and economic conditions at the time of the transaction.

Under the terms of the Indenture and Supplemental Indentures, the Company may not incur additional indebtedness that would result in a downgrade to the credit ratings of certain of its existing indebtedness. The Company may only make interest payments relating to subordinated debt and dividend payments to shareholders upon the satisfaction of certain financial covenants. The Board reviews the level of dividends paid to the Company's shareholders. The Company was in compliance with all its financial covenants as at December 31, 2023 and March 31, 2024.

There were no changes in the Company's approach to capital management during the three-month period ended March 31, 2024.

**407 INTERNATIONAL INC.**  
**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**Period ended March 31, 2024**  
(in millions of Canadian dollars, except per share amounts)

**13. FINANCIAL INSTRUMENTS (continued)**

**c) Risks Arising from Financial Instruments**

**Credit Risk**

Financial assets that are exposed to credit risk consist primarily of cash and cash equivalents, trade receivables and other and restricted cash and investments.

The Company is exposed to credit loss in the event of non-performance by counterparties to derivative instruments that have a positive fair value, cash and cash equivalents, short-term investments and restricted cash and investments. The Company manages this risk by dealing with reputable organizations having high-quality credit ratings from independent credit rating agencies. The Board sets exposure limits and these are monitored on an on-going basis.

Concentration of credit risk with respect to trade receivables is minimized due to the millions of accounts comprising the Company's customer base. The amounts disclosed in the statements of financial position are net of the allowance for Lifetime ECL and certain amounts that are billed to customers but excluded from revenues in accordance with the Company's revenue recognition policy for toll and fee revenues. The amounts are estimated based on prior experience, anticipated collection strategies and ultimate recovery of balances for which collection is uncertain.

Trade receivables and other are aged as follows:

	<b>As at</b>	<b>As at</b>
	<b>March 31, 2024</b>	<b>December 31, 2023</b>
Unbilled	\$ 89.6	\$ 81.2
0-60 days	87.8	89.5
61-90 days	9.2	11.8
91-120 days	7.9	9.8
121-150 days	7.3	8.1
151+ days	114.3	102.7
Sub total <sup>1</sup>	<u>316.1</u>	<u>303.1</u>
Other <sup>2</sup>	17.8	19.3
	<u>\$ 333.9</u>	<u>\$ 322.4</u>

1. Amounts are net of allowance for Lifetime ECL and certain amounts that were billed to customers but excluded from revenues in accordance with revenue recognition policy for toll and fee revenues.

2. Other consists of prepaids, other non-trade related receivables and an advance payment to supplier.

In accordance with the revenue recognition policy, toll revenues are recognized on the date trips are taken on the Highway. Tolls and other charges are recorded in trade receivables as "Unbilled" until invoiced.

**407 INTERNATIONAL INC.**  
**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**Period ended March 31, 2024**  
**(in millions of Canadian dollars, except per share amounts)**

**13. FINANCIAL INSTRUMENTS (continued)**

The provision for Lifetime ECL is based principally on historical collection rates and Management's expectation of success rates for collection of overdue accounts by the Ontario Registrar of Motor Vehicles (**Registrar**) through refusing to renew or issue vehicle licence plate permits until outstanding amounts are paid or settled (**License Plate Denial**) as well as Management's expectation of success rates for collection through collection agencies and legal proceedings. When a licence plate associated with a customer's unpaid 407 ETR account becomes unattached from the vehicle or expired, the Registrar is required to refuse to renew another single vehicle permit issued to the same customer or issue a vehicle permit to that customer. The legislation affording 407 ETR the right to Licence Plate Denial requires that a series of notices be sent to customers with delinquent accounts. This process takes a minimum of 150 days from the date an invoice is sent until a customer is subject to Licence Plate Denial, followed by up to two years before a customer's licence plate is subject to renewal. The Licence Plate Denial process, together with other collection strategies, aids in the collection of net trade receivables that are more than 151 days past due. The provision for Lifetime ECL could materially change and may result in significant changes to trade receivable balances as Management continues to monitor the collection of outstanding 407 ETR charges through the Licence Plate Denial process with the Ontario Ministry of Transportation (**MTO**), as well as collections through collection agencies and legal proceedings.

In addition to the collection of 407 ETR customers' overdue accounts through the Licence Plate Denial process, Management continues to assign certain delinquent accounts to third party collection agencies utilizing various programs, employ internal collections staff and take legal action when necessary. In conducting collections litigation, 407 ETR may from time to time receive judicial decisions that impact its ability to recover delinquent amounts through civil proceedings and could result in a material change to the provision of overdue accounts.

Management continuously monitors the collection of overdue accounts included in the allowance for Lifetime ECL. In determining the allowance for Lifetime ECL, the Company considers a number of factors affecting the likelihood of collection. In determining the collectability of customer accounts, the Company does not obtain information about the credit quality of customers whose accounts are not overdue or not impaired.

An increase of 1 percent in the weighted-average provision rate would have increased the provision for Lifetime ECL by approximately \$3.3 (2023 - \$2.9) and decreased net income by approximately \$2.4 (2023 - \$2.2) for the three-month period ended March 31, 2024.

**Interest Rate Risk**

As at March 31, 2024, all long-term debt is fixed rate debt (except for the inflation-linked bonds as described below); therefore, changes in interest rates do not impact interest payments on its current bonds but may impact the fair value of such long-term debt.

The Company also manages this risk by investing its cash and cash equivalents and restricted cash and investments in debt instruments with credit ratings equal to or higher than those required by the Indenture. A decrease of 25 basis points in interest rates would have decreased interest income by approximately \$0.8 (2023 - \$0.7) and net income by approximately \$0.6 (2023 - \$0.5) for the three-month period ended March 31, 2024.

**407 INTERNATIONAL INC.**  
**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**Period ended March 31, 2024**  
(in millions of Canadian dollars, except per share amounts)

**13. FINANCIAL INSTRUMENTS (continued)**

**Inflation Risk**

The Company is exposed to inflation risk as interest expense and debt service payments relating to RRBs and Senior Bonds, Series 04-A2 are linked to the Consumer Price Index (CPI). An increase of 50 basis points in the CPI would have increased interest expense by approximately \$7.5 (2023 - \$7.5), decreased net income by approximately \$5.5 (2023 - \$5.5) and increased debt service payments by approximately \$nil (2023 - \$0.1) for the three-month period ended March 31, 2024. BEIR is highly volatile and may lead to significant changes in the fair value of Senior Bonds, Series 04-A2 that may not be representative of actual inflation paid or to be paid to the Senior Bonds, Series 04-A2 bondholders. An increase of 10 basis points in the BEIR would have increased interest expense by approximately \$3.5 (2023 - \$3.8) and decreased net income by approximately \$2.6 (2023 - \$2.8) for the three-month period ended March 31, 2024. A decrease of 10 basis points in the BEIR would have reduced interest expense by approximately \$3.5 (2023 - \$3.7) and increased net income by approximately \$2.5 (2023 - \$2.7) for the three-month period ended March 31, 2024. This inflation risk is partially mitigated by the Company's right to increase toll rates.

**d) Liquidity Risk**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. Cash flow projections are prepared by Management and reviewed by the Board to ensure sufficient continuity of funding. The Company manages its liquidity risk by dispersing the contractual maturity dates of its financial liabilities, thereby ensuring the Company is not exposed to excessive refinancing risk during any given year. Further, the Company maintains an optimal level of liquidity through maximizing cash flows by actively pursuing the collection of its trade receivables, and by controlling the level of operating and capital expenditures. Cash and cash equivalents, short-term investments and restricted cash and investments are invested in highly-liquid interest-bearing investments.

The following are the commitments, contractual maturities and related interest obligations as at March 31, 2024:

	<u>Less than 1 year</u>	<u>1 to 2 years</u>	<u>2 to 3 years</u>	<u>3 to 4 years</u>	<u>4 to 5 years</u>	<u>Beyond 5 years</u>
Trade and other payables	\$ 44.9	\$ -	\$ -	\$ -	\$ -	\$ -
Contract liabilities	13.3	-	-	-	-	-
Lease obligations	1.0	0.7	0.4	0.2	0.1	0.1
Interest payments on lease obligations	0.2	-	0.1	-	-	-
Long-term debt	273.4	374.8	731.4	377.8	29.4	8,668.2
Derivative financial liability	13.2	13.2	13.2	13.2	13.2	138.7
Interest payments on long-term debt	434.0	425.3	420.7	395.5	374.0	4,633.7
	<u>\$ 780.0</u>	<u>\$ 814.0</u>	<u>\$ 1,165.8</u>	<u>\$ 786.7</u>	<u>\$ 416.7</u>	<u>\$ 13,440.7</u>

**407 INTERNATIONAL INC.**  
**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**Period ended March 31, 2024**  
(in millions of Canadian dollars, except per share amounts)

**14. REVENUES**

	Three-month period ended March 31	
	2024	2023
Revenues		
Tolling	\$ 308.6	\$ 264.4
Fee	21.2	26.1
Contract	-	4.4
	<u>\$ 329.8</u>	<u>\$ 294.9</u>
Timing of revenue recognition		
At a point in time		
Tolling	\$ 308.6	\$ 264.4
Fee	7.9	13.0
	<u>\$ 316.5</u>	<u>\$ 277.4</u>
Over time		
Fee	\$ 13.3	\$ 13.1
Contract	-	4.4
	<u>\$ 13.3</u>	<u>\$ 17.5</u>
Total	<u>\$ 329.8</u>	<u>\$ 294.9</u>

**15. EXPENSES**

	Three-month period ended March 31	
	2024	2023
Systems operations	\$ 14.4	\$ 15.0
Customer operations	18.3	17.1
Highway operations	9.8	10.0
General and administration	8.1	8.6
Contract expenses	-	1.9
<b>Operating expenses</b>	<u>50.6</u>	<u>52.6</u>
Depreciation and amortization	27.4	24.5
	<u>\$ 78.0</u>	<u>\$ 77.1</u>

Systems operations costs include staff salaries and other costs for developing, operating and maintaining the Company's tolling system, office computer network and integrated automation systems.

Customer operations include costs incurred to operate the Company's call centre and customer relations group. These costs include account management salaries, transponder distribution, billing, customer address system access fees, ombudsman services and the collection of overdue accounts. Also included in customer operations is provision for Lifetime ECL.

Highway operations costs relate to operating activities such as the maintenance of major elements of the highway system including roadway surfaces, bridges, culverts, drainage and lighting, together with seasonal maintenance, highway patrol operations, road safety enforcement and police enforcement.

**407 INTERNATIONAL INC.**  
**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**Period ended March 31, 2024**  
**(in millions of Canadian dollars, except per share amounts)**

**15. EXPENSES (continued)**

General and administration expenses include public relations, finance, administration, facilities, human resources, business process, legal, audit and executive costs.

Contract expenses in 2023 related to the reconfiguration of the road-side tolling technology in connection with the removal of tolls on Highways 412 and 418. The contract was completed on June 1, 2023.

Depreciation and amortization expenses reflect the expense of property, plant and equipment and intangible assets over their respective useful lives. Substantially all of the depreciation and amortization expenses relate to highway operations and systems operations assets.

Total expenses include employee salary and benefits of \$14.0 (2023 – \$13.6), of which \$0.4 (2023 - \$0.4) relate to short-term benefits of key management personnel for the three-month period ended March 31, 2024. Key management personnel of the Company include the President and Chief Executive Officer and the Chief Financial Officer. Short-term benefits of key management personnel include wages, annual incentives and other benefits. The Company does not provide for share-based payments or other long-term benefits, but does provide post-employment benefits and termination benefits.

**16. COMMITMENTS AND CONTINGENCIES**

**Future Commitments**

The Company has commitment of \$124.4 for years 2025 to 2033 to a related party, Webber Infrastructure Management Canada Limited, a subsidiary of a shareholder's parent company, for winter maintenance costs included in operating costs.

**Claims and Contingencies**

From time to time, in the ordinary course of business, the Company is a defendant or party to a number of pending or threatened legal actions and proceedings. It is not possible to determine the ultimate outcome of such matters; however, based on all currently available information, Management believes that liabilities, if any, arising from pending litigation will not have a material adverse effect on the financial position or results of operations of the Company.

Under Schedule 22 of the CGLA, certain Highway 407 ETR traffic levels are measured against annual minimum traffic thresholds for each of the 24 segments of the Highway, which escalate annually up to a prescribed lane capacity. If annual traffic level measurements are below the corresponding traffic threshold, an amount calculated under Schedule 22 is payable to the Province in the following year (**Schedule 22 Payment**).

The Company and the Province are in agreement that the COVID-19 pandemic is considered a Force Majeure event under the provisions of the CGLA, such that annual minimum Traffic Thresholds are inapplicable as it relates to any Schedule 22 payments by the Company for 2020 and until the end of the Force Majeure event. The toll rate increase by 407 ETR effective February 1, 2024, terminates the Force Majeure event, such that any Schedule 22 Payment applies for the year 2025, and would be payable to the Province in 2026. No Schedule 22 Payment applies for the year 2024.

**407 INTERNATIONAL INC.**  
**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**Period ended March 31, 2024**  
(in millions of Canadian dollars, except per share amounts)

**17. CASH AND CASH EQUIVALENTS**

	As at	
	March 31, 2024	December 31, 2023
Cash and cash equivalents consist of:		
Cash	\$ 195.1	\$ 198.6
Bankers' Acceptances	8.1	30.6
Government Treasury Bills	166.5	136.2
Federal Promissory Notes	120.3	45.0
	<u>\$ 490.0</u>	<u>\$ 410.4</u>

Pursuant to the Indenture, the Company maintains a minimum cash balance of \$10.0 to fund working capital requirements. This amount is included as Cash and cash equivalents.

**18. SUPPLEMENTARY CASH FLOW INFORMATION**

Net increase/(decrease) in financial liabilities:

	Three-month period ended	
	March 31	
	2024	2023
Long-term debt	\$ (13.4)	\$ (15.4)
Lease obligations	(3.4)	(3.0)
Accrued interest on long-term debt	(3.9)	3.6
	<u>\$ (20.7)</u>	<u>\$ (14.8)</u>
Cash and non-cash movements in financial liabilities:		
Cash movements:		
Repayment of bonds in long-term debt	(3.9)	(3.6)
Interest paid	(117.2)	(102.9)
Repayment of lease obligations	(3.4)	(3.3)
	<u>\$ (124.5)</u>	<u>\$ (109.8)</u>
Non-cash movements:		
Interest expense on long-term debt and credit facility	\$ 114.3	\$ 107.5
Interest expense - RRBs	(3.5)	(0.5)
Interest expense - Senior Bonds, Series 04-A2	(4.2)	(2.8)
Fair value adjustment - Senior Bonds, Series 04-A2	(3.0)	(9.5)
Decrease in accrued financing charges	0.2	-
Leased equipment additions	-	0.3
	<u>\$ 103.8</u>	<u>\$ 95.0</u>
Total net change	<u>\$ (20.7)</u>	<u>\$ (14.8)</u>

**407 INTERNATIONAL INC.**  
**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**Period ended March 31, 2024**  
(in millions of Canadian dollars, except per share amounts)

**19. RELATED PARTY TRANSACTIONS**

The following are the shareholders of the Company as at March 31, 2024:

- Cintra 4352238 Investments Inc., a wholly-owned subsidiary of Cintra Global S.E.
- MICI Inc., a subsidiary of Canada Pension Plan Investment Board (**CPPIB**), also known as CPP Investments
- 7577702 Canada Inc., a subsidiary of CPP Investments
- Ramp Canada Roads LP, a subsidiary of CPP Investments
- CPPIB Ramp Canada Roads Inc., a subsidiary of CPP Investments
- AtkinsRéalis Highway Holdings Inc. (formerly SNC-Lavalin Highway Holdings Inc.), a wholly-owned subsidiary of AtkinsRéalis Canada Inc. (formerly SNC-Lavalin Inc.).

The Company entered into the following transactions with related parties:

Related Party	Relationship	Classification in the Financial Statements	Nature of transaction with the related party	Three-month period ended March 31	
				2024	2023
Cintra Servicios de Infraestructuras SA	Subsidiary of shareholder	Operating expenses	Payment for administration costs	\$ 0.2	\$ 0.1

The transactions with related parties were measured at the exchange amounts, which is the consideration agreed to by the parties.

Amounts owed to related parties were as follows:

Related Party	Relationship	Classification in the Financial Statements	As at	
			March 31, 2024	December 31, 2023
Cintra Servicios de Infraestructuras SA	Subsidiary of shareholder	Trade and other payables	\$ 0.3	\$ 0.4

The following are the wholly-owned subsidiaries of the Company as at March 31, 2024:

- 407 ETR
- Cantoll
- 14374304 Inc.

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note.



**407 INTERNATIONAL INC.**  
**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**Period ended March 31, 2024**  
**(in millions of Canadian dollars, except per share amounts)**

**20. GUARANTEES**

In the normal course of business, the Company, including certain of its subsidiaries, enters into agreements that may involve providing certain guarantees or indemnifications to third parties and others. These include, but are not limited to:

*a) Director/officer indemnification agreements*

The Company entered into indemnification agreements with current and former directors and officers to indemnify them, to the extent permitted by law, against any and all charges, costs, expenses, amounts paid in settlement and damages incurred by the directors and officers as a result of any lawsuit, or any judicial, administrative, or investigative proceeding in which the directors and officers are sued as a result of their service. These indemnification claims will be subject to any statutory or other legal limitation period. The nature of the indemnification agreements prevents Management from making a reasonable estimate of the maximum potential amount the Company could be required to pay counterparties. The Company has purchased directors' and officers' liability insurance.

*b) Other indemnification agreements*

The Company provides indemnification agreements to counterparties in transactions such as purchase contracts, service agreements, design-build agreements, and licensing agreements. These indemnification agreements require the Company to compensate the counterparties for costs incurred as a result of litigation claims that may be suffered by the counterparty as a consequence of the transaction. The terms of these indemnification agreements will vary based on the contract. The nature of the indemnification agreements prevents Management from making a reasonable estimate of the maximum potential amount the Company may be required to pay to counterparties because such limits are not set out in the agreements with these counterparties. Management attempts to limit its liability in respect of indemnifications provided to third parties in its contractual agreements.

**21. SEASONAL NATURE OF THE BUSINESS**

The Company's results for the three-month period ended March 31, 2024 are not necessarily indicative of the results that may be expected for the full year due to seasonal variations in traffic volumes. The Company has historically experienced a higher volume of travellers on the Highway during the third quarter as a result of leisure and recreational travellers, while the winter months in the first and fourth quarters generally result in lower trip volumes. Operating expenses remain relatively steady throughout the year. The Company's interest expense on the RRBs and Senior Bond, Series 04-A2 is calculated based on changes in the CPI; as such, interest expense in respect of these bonds will fluctuate due to the volatility and seasonal nature of the CPI.