407 INTERNATIONAL INC.

Interim Condensed Consolidated Financial Statements

June 30, 2023

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

	Notes	As at June 30, 2023	As at December 31, 2022
Assets			
Current assets			
Cash and cash equivalents	17	$ 416.7	$ 369.5
Restricted cash and investments	5	256.3	248.6
Trade receivables and other	8	325.5	264.9
Total current assets		998.5	883.0
Non-current assets			
Restricted cash and investments	5	540.2	530.7
Other receivable		2.0	2.0
Deferred tax assets		66.8	60.1
Intangible assets	7	1,442.8	1,452.8
Property, plant and equipment	6	2,504.9	2,519.5
Total non-current assets		4,556.7	4,565.1
Total assets		$ 5,555.2	$ 5,448.1
Liabilities and equity			
Current liabilities			
Trade and other payables		$ 60.3	$ 62.1
Contract liabilities		11.9	14.9
Accrued interest on long-term debt		100.9	100.6
Lease obligations	12	1.2	4.6
Long-term debt	11	284.8	33.5
Total current liabilities		459.1	215.7
Non-current liabilities			
Lease obligations	12	1.5	1.6
Deferred tax liabilities		584.3	579.5
Long-term debt	11	9,812.2	10,058.3
Total non-current liabilities		10,398.0	10,639.4
Total liabilities		10,857.1	10,855.1
Equity			
Issued capital	9	804.6	804.6
Reserve	10	8.9	9.3
Retained deficit		(6,115.4)	(6,220.9)
Total deficit		(5,301.9)	(5,407.0)
Total liabilities and equity		$ 5,555.2	$ 5,448.1

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 June 30 2023	Three-month period ended June 30 2022	Six-month period ended June 30 2023	Six-month period ended June 30 2022
Revenues	14	$ 405.3	$ 336.1	$ 700.2	$ 572.7
Expenses	15	73.6	65.6	150.7	131.9
Interest expense		132.8	123.5	227.1	218.5
Interest income		(11.9)	(2.6)	(24.6)	(3.9)
Other expense		1.5	0.6	1.7	(0.4)
Other income		(0.2)	(0.2)	(0.4)	(0.4)
Interest and other expenses	11	122.2	121.3	203.8	213.8
Income before tax		209.5	149.2	345.7	227.0
Current income tax expense		56.4	38.4	92.1	57.9
Deferred income tax expense		(2.3)	0.7	(1.9)	1.8
Income tax expense		54.1	39.1	90.2	59.7
Net income		$ 155.4	$ 110.1	$ 255.5	$ 167.3
Net income		155.4	110.1	255.5	167.3
Other comprehensive loss:					
Reclassification to income of gains on cash flow hedges, net	10	(0.2)	(0.2)	(0.4)	(0.4)
Total comprehensive income		$ 155.2	$ 109.9	$ 255.1	$ 166.9
Earnings per share					
Net income per share, basic and diluted	9	$ 0.201	$ 0.142	$ 0.330	$ 0.216

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)

	Issued capital	Reserve	Retained deficit	Total deficit
Balance at January 1, 2023	$ 804.6	$ 9.3	$ (6,220.9)	$ (5,407.0)
Payment of dividends	-	-	(150.0)	(150.0)
Net income for the period	-	-	255.5	255.5
Other comprehensive loss for the period	-	(0.4)	-	(0.4)
Balance at June 30, 2023	$ 804.6	$ 8.9	$ (6,115.4)	$ (5,301.9)
Balance at January 1, 2022	$ 804.6	$ 10.1	$ (5,906.2)	$ (5,091.5)
Net income for the period	-	-	167.3	167.3
Other comprehensive loss for the period	-	(0.4)	-	(0.4)
Balance at June 30, 2022	$ 804.6	$ 9.7	$ (5,738.9)	$ (4,924.6)

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 June 30		Six-month period ended June 30	
		2023	2022	2023	2022
Cash flows from operating activities					
Receipts from customers		$ 324.5	$ 267.3	$ 632.8	$ 515.1
Payments to suppliers and employees		(50.0)	(35.4)	(110.6)	(86.2)
Cash generated from operations		274.5	231.9	522.2	428.9
Interest received		10.8	1.8	20.6	2.9
Interest paid		(111.7)	(110.5)	(214.6)	(203.3)
Income tax paid		(43.0)	(16.2)	(88.0)	(38.2)
		130.6	107.0	240.2	190.3
Cash flows from investing activities					
Additions to property, plant and equipment		(12.7)	(13.4)	(19.9)	(26.8)
Advance payment		-	-	(0.9)	(2.4)
Restricted cash and investments	5	(3.0)	4.8	(13.8)	(4.8)
Non-trade receivables and other		(1.2)	0.5	3.5	2.4
		(16.9)	(8.1)	(31.1)	(31.6)
Cash flows from financing activities					
Proceeds from credit facility		-	77.0	-	77.0
Debt issue costs		(0.1)	-	(0.1)	-
Repayment of long-term debt and credit facility		(4.2)	(81.0)	(7.8)	(84.4)
Repayment of lease obligations		(0.7)	(2.5)	(4.0)	(5.7)
Dividends paid to shareholders		(150.0)	-	(150.0)	-
		(155.0)	(6.5)	(161.9)	(13.1)
Increase (decrease) in cash and cash equivalents		(41.3)	92.4	47.2	145.6
Cash and cash equivalents, beginning of period		458.0	360.2	369.5	307.0
Cash and cash equivalents, end of period		$ 416.7	$ 452.6	$ 416.7	$ 452.6
Supplementary Cash Flow Information					
Net change in financial liabilities	18	16.8	8.4	$ 2.0	$ 4.2

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

1. GENERAL INFORMATION

407 International Inc. and its subsidiaries (the "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 (the "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 (the "Concession Agreement") with the Province of Ontario (the "Province") dated April 6, 1999. The interim condensed consolidated financial statements of the Company for the three and six-month periods ended June 30, 2023(the "Financial Statements") were approved by the Board of Directors of the Company (the "Board") on July 13, 2023.

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. The Financial Statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting ("IAS 34") as issued by the International Accounting Standards Board ("IASB").

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, 2022 and 2021 (the "2022 Annual Financial Statements"). The Financial Statements should be read in conjunction with the 2022 Annual Financial Statements.

b) Basis of preparation

The Financial Statements have been prepared on the historical cost basis except for certain financial instruments which are measured at fair value. Historical cost is based on the fair value of consideration given or received in exchange for assets.

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.

3. FUTURE CHANGES TO ACCOUNTING POLICIES

The following amendment is effective for annual reporting periods beginning on or after January 1, 2024. The Company has assessed the impacts of the amendments 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.

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 ("VKTs") and estimated useful lives.

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

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 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, and 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 ("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) Judgement

The identification of cash-generating units involves judgement. Cash inflows which are generated from customers' use of 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) (the "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 (the "Tolling Agreement"), the Company established a Tolling Agreement segregated funds account which is funded with cash and cash equivalents.

(in millions of Canadian dollars, except per share amounts)

5. RESTRICTED CASH AND INVESTMENTS (continued)

	As at			
	June 30, 2023		December 31, 2022	
Current				
Debt service funds	$	107.1	$	102.5
Operating and maintenance reserve and renewal and replacement funds ("O&M and R&R Funds")		149.2		146.1
	$	256.3	$	248.6
Non-current				
Debt service reserve funds	$	533.7	$	524.2
Tolling Services Agreement segregated funds		6.5		6.5
	$	540.2	$	530.7
Total	$	796.5	$	779.3

Restricted cash and investments consist of:

	As at			
	June 30, 2023		December 31, 2022	
Cash	$	179.5	$	176.6
Bankers' Acceptances		89.7		74.2
Guaranteed Investment Certificates		150.4		148.3
Bank Bonds		158.3		187.0
Federal Notes		69.1		54.1
Floating Rate Notes		33.1		33.1
Treasury Bills		60.3		102.1
Provincial Promissory Notes		56.1		3.9
	$	796.5	$	779.3

Cash movements in restricted cash and investments were as follows:

	Three-month period ended June 30				Six-month period ended June 30			
	2023		2022		2023		2022	
Contributions to debt service funds	$	112.1	$	105.8	$	223.7	$	210.4
Interest payments on long-term debt		(111.3)		(110.0)		(213.7)		(202.4)
Repayments of long-term debt		(4.2)		(4.0)		(7.8)		(7.4)
Interest received		6.4		1.4		11.6		2.2
Establishment of debt service reserve funds		-		2.0		-		2.0
	$	3.0	$	(4.8)	$	13.8	$	4.8

(in millions of Canadian dollars, except per share amounts)

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
Cost										
Balance at December 31, 2022	$ 2,811.9	$ 133.7	$ 185.7	$ 39.0	$ 99.1	$ 17.1	$ 6.8	$ 22.9	$ 82.9	$ 3,399.1
Additions				1.0	0.3	0.2		0.4	22.2	24.1
Retirements	-	(0.1)		(1.1)		(0.2)		(1.8)		(3.2)
Transfers	1.8								(1.8)	-
Balance at June 30, 2023	$ 2,813.7	$ 133.6	$ 185.7	$ 38.9	$ 99.4	$ 17.1	$ 6.8	$ 21.5	$ 103.3	$ 3,420.0
Accumulated depreciation										
Balance at December 31, 2022	$ 545.5	$ 76.0	$ 158.9	$ 28.1	$ 32.7	$ 14.7	$ 6.7	$ 17.0	$ -	$ 879.6
Depreciation expense	19.1	5.1	5.4	2.4	1.9	0.8		4.0		38.7
Retirements		(0.1)		(1.1)		(0.2)		(1.8)		(3.2)
Balance at June 30, 2023	$ 564.6	$ 81.0	$ 164.3	$ 29.4	$ 34.6	$ 15.3	$ 6.7	$ 19.2	$ -	$ 915.1
Carrying amount, December 31, 2022	$ 2,266.4	$ 57.7	$ 26.8	$ 10.9	$ 66.4	$ 2.4	$ 0.1	$ 5.9	$ 82.9	$ 2,519.5
Carrying amount, June 30, 2023	$ 2,249.1	$ 52.6	$ 21.4	$ 9.5	$ 64.8	$ 1.8	$ 0.1	$ 2.3	$ 103.3	$ 2,504.9

During the three and six month periods ended June 30, 2023, capitalized borrowing costs aggregating to $0.5 and $0.9 respectively (2022 - $0.3 and $0.6, respectively), were included as additions to assets under construction. The average interest capitalization rate relating to the borrowing cost was 3.62% for the three and six month periods ended June 30, 2023 (2022 – 3.25%).

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

7. INTANGIBLE ASSETS

	Concession Rights	Licences	Total
Cost			
Balance at December 31, 2022	$ 1,676.1	$ 9.2	$ 1,685.3
Balance at June 30, 2023	$ 1,676.1	$ 9.2	$ 1,685.3
Accumulated amortization			
Balance at December 31, 2022	$ 224.2	$ 8.3	$ 232.5
Amortization expense	9.6	0.4	10.0
Balance at June 30, 2023	$ 233.8	$ 8.7	$ 242.5
Carrying amount, December 31, 2022	$ 1,451.9	$ 0.9	$ 1,452.8
Carrying amount, June 30, 2023	$ 1,442.3	$ 0.5	$ 1,442.8

(in millions of Canadian dollars, except per share amounts)

8. TRADE RECEIVABLES AND OTHER

	As at	
	June 30, 2023	December 31, 2022
Trade receivables	$ 510.1	$ 453.3
Allowance for Lifetime ECL	(203.9)	(207.8)
	306.2	245.5
Prepayments and other receivables	19.3	19.4
	$ 325.5	$ 264.9

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.

Movement in Trade Receivables

	Three-month period ended June 30		Six-month period ended June 30	
	2023	2022	2023	2022
Balance, beginning of period	$ 448.3	$ 365.3	$ 453.3	$ 382.6
Revenues (excluding contract)	396.0	336.1	686.3	572.7
Contract billings to customer	1.3	-	13.4	-
Bad debts written off, net of recoveries	(13.0)	(0.8)	(13.6)	(2.1)
Receipts from customers	(324.5)	(267.3)	(632.8)	(515.1)
Other	2.0	(0.1)	3.5	(4.9)
Balance, end of period	$ 510.1	$ 433.2	$ 510.1	$ 433.2

Movement in Allowance for Lifetime ECL

Changes in the Allowance for Lifetime ECL are as follows:

	Three-month period ended June 30		Six-month period ended June 30	
	2023	2022	2023	2022
Balance, beginning of period	$ 211.4	$ 198.7	$ 207.8	$ 196.6
Provision for Lifetime ECL expense	5.8	5.0	10.2	8.5
Bad debts written off, net of recoveries	(13.0)	(0.8)	(13.6)	(2.1)
Other adjustments	(0.3)	(0.5)	(0.5)	(0.6)
Balance, end of period	$ 203.9	$ 202.4	$ 203.9	$ 202.4

(in millions of Canadian dollars, except per share amounts)

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

9. ISSUED CAPITAL

	As at	
	June 30, 2023	**December 31, 2022**
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) (2022 - 775,000,003, $ nil par value)	$ 775.0	$ 775.0

Payments of dividends per share for the three and six month periods ended June 30, 2023 were $0.194 (2022 - $nil).

10. RESERVE

Cash flow hedging reserve

	Three-month period ended June 30		Six-month period ended June 30	
	2023	**2022**	**2023**	**2022**
Balance, beginning of period	$ 9.1	$ 9.9	$ 9.3	$ 10.1
Other comprehensive loss	(0.2)	(0.2)	(0.4)	(0.4)
Balance, end of period	$ 8.9	$ 9.7	$ 8.9	$ 9.7

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 (2022 - $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.

(in millions of Canadian dollars, except per share amounts)

11. LONG-TERM DEBT

	As at			
	June 30, 2023		December 31, 2022	
Senior Bonds:				
$400.0, Series 99-A2, 6.47%, maturing July 27, 2029	$	395.2	$	394.9
$300.0, Series 99-A3, 6.75%, maturing July 27, 2039		218.8		222.4
$208.3, Series 99-A6, 5.328%, maturing December 1, 2026		350.3		344.3
$208.3, Series 99-A7, 5.328%, maturing December 1, 2031		349.4		343.6
$325.0, Series 00-A2, 5.29%, maturing December 1, 2039		370.6		371.2
$340.0, Series 04-A3, 5.96%, maturing December 3, 2035		338.6		338.6
$350.0, Series 11-A1, 4.45%, maturing November 15, 2041		347.7		347.6
$400.0, Series 12-A1, 4.19%, maturing April 25, 2042		397.6		397.5
$400.0, Series 12-A2, 3.98%, maturing September 11, 2052		395.7		395.7
$200.0, Series 13-A1, 4.68%, maturing October 7, 2053		198.8		198.7
$250.0, Series 14-A1, 3.35%, maturing May 16, 2024		249.8		249.7
$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		496.4		496.3
$500.0, Series 16-A1, 3.60%, maturing May 21, 2047		496.3		496.3
$350.0, Series 16-A2, 2.43%, maturing May 4, 2027		349.1		349.0
$250.0, Series 17-A1, 3.43%, maturing June 1, 2033		248.7		248.6
$500.0, Series 17-A2, 3.65%, maturing September 8, 2044		496.3		496.3
$500.0, Series 18-A1, 3.72%, maturing May 11, 2048		497.0		497.0
$300.0, Series 19-A1, 3.14%, maturing March 6, 2030		298.6		298.5
$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		694.6		694.6
$350.0, Series 20-A2, 1.80%, maturing May 22, 2025		349.2		349.0
$400.0, Series 20-A3, 2.59%, maturing May 22, 2032		397.9		397.7
Other Senior Bonds:				
$162.3, Series 04-A2, 3.276%, maturing July 27, 2039 (note 14 (a))		202.7		206.8
Junior Bonds:				
$165.0, Series 00-B1, 7.125%, maturing July 26, 2040		164.4		164.4
Subordinated Bonds:				
$480.0, Series 06-D1, 5.75%, maturing February 14, 2036		477.8		477.9
$350.0, Series 22-D1, 4.2%, maturing February 14, 2028		347.8		347.9
$325.0, Series 22-D2, 4.2%, maturing August 14, 2031		322.8		322.5
	$	10,097.0	$	10,091.8
Financial liabilities carried at Fair Value Through Profit or Loss ("FVTPL")				
Other Senior Bonds: Series 04-A2	$	202.7	$	206.8
Financial liabilities carried at amortized cost				
Senior Bonds	$	8,581.5	$	8,572.3
Junior Bonds		164.4		164.4
Subordinated Bonds		1,148.4		1,148.3
		9,894.3		9,885.0
	$	10,097.0	$	10,091.8
Current	$	284.8	$	33.5
Non-current		9,812.2		10,058.3
	$	10,097.0	$	10,091.8

(in millions of Canadian dollars, except per share amounts)

11. LONG-TERM DEBT (continued)

Interest and Other Expenses

	Three-month period ended June 30		Six-month period ended June 30	
	2023	2022	2023	2022
Interest expense on bonds and credit facility	$ 109.5	$ 103.5	$ 217.0	$ 204.3
Non-cash inflation component of:				
Interest expense RRBs	15.7	30.2	15.2	38.8
Interest expense (recovery), Senior Bond, Series 04-A2	4.5	11.7	1.7	13.5
Fair value adjustment (recovery), Senior Bond, Series 04-A2	3.6	(21.6)	(5.9)	(37.5)
Capitalized interest	(0.5)	(0.3)	(0.9)	(0.6)
Total Interest Expense on Long-term debt	132.8	123.5	227.1	218.5
Interest income on financial assets designated as FVTPL	(11.9)	(2.6)	(24.6)	(3.9)
Other interest expense	1.5	0.6	1.7	(0.4)
Other income:				
Reclassification of gains and losses on cash flow hedges (note 11)	(0.2)	(0.2)	(0.4)	(0.4)
	$ 122.2	$ 121.3	$ 203.8	$ 213.8

Real Return Bonds

As at June 30, 2023, the inflation compensation component of all real return bonds ("RRBs") was $432.7 (2022 - $417.5).

Syndicated Credit Facility

The Company has a credit agreement establishing a syndicated credit facility with four Canadian chartered banks (the "Syndicated Credit Facility"). The Syndicated Credit Facility is a sustainability linked loan with three key performance Indicators ("KPIs") (green house 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 whether or not the targets for each KPI have been met. The amount available to be drawn under the Syndicated Credit Facility is $800.0.

As at June 30, 2023, the Company had no outstanding balance (2022 – $nil) under the Syndicated Credit Facility.

Current Portion of Long-Term Debt

As at June 30, 2023, the current portion of long-term debt of $284.8 (2022 - $33.5) includes Senior Bonds, Series 14-A1 ($249.8), which are scheduled to mature on May 16, 2024 (2022 - $nil), $7.6 Senior Bonds, Series 99-A3 (2022 - $7.4), $14.7 Senior Bonds, Series 00-A2 (2022 - $14.0), $12.7 Senior Bonds, Series 04-A2 (2022 - $12.1).

(in millions of Canadian dollars, except per share amounts)

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	
	June 30, 2023	December 31, 2022	June 30, 2023	December 31, 2022
Remainder 2023	$ 1.3	$ 4.7	$ 1.2	$ 4.6
2024	0.7	0.8	0.6	0.7
2025	0.4	0.5	0.4	0.4
2026	0.3	0.2	0.3	0.2
2027	0.1	0.1	0.1	0.1
2028 and thereafter	0.1	0.2	0.1	0.2
	2.9	6.5	2.7	6.2
Less future finance charges at rates varying between 0% to 8.76%	(0.2)	(0.3)	-	-
Present value of minimum lease payments	$ 2.7	$ 6.2	$ 2.7	$ 6.2

	June 30, 2023	December 31, 2022
Current portion of lease obligations	$ 1.2	$ 4.6
Non-current portion of lease obligations	1.5	1.6
	$ 2.7	$ 6.2

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.

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 June 30, 2023 was $9,516.9 (2022 - $9,352.4) 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.

(in millions of Canadian dollars, except per share amounts)

13. FINANCIAL INSTRUMENTS (continued)

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 June 30, 2023 was $202.7 (2022 - $206.8) which was determined by using a valuation technique which estimated future inflation of 1.8% (2022 – 2.1%) based on the BEIR and applied a nominal discount rate of 4.8% (2022 – 5.0%). During the six month period ended June 30, 2023, the fair value of Senior Bonds, Series 04-A2 increased by $2.1 (2022 - $7.5 decrease) due to the change in the Company's corporate spread. As at June 30, 2023, a 10 basis points decrease in the nominal discount rate would increase the fair value of Senior Bonds, Series 04-A2 by approximately $1.7 (2022 - $2.2).

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.

	Assets Measured at Fair Value					
	As at June 30, 2023			As at December 31, 2022		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Financial assets measured at FVTPL						
Cash and cash equivalents	$ 416.7	$ -	$ -	$ 369.5	$ -	$ -
Restricted cash and investments	796.5	-	-	779.3	-	-
	$ 1,213.2	$ -	$ -	$ 1,148.8	$ -	$ -
Total fair value			$ 1,213.2			$ 1,148.8

	Liabilities Measured at Fair Value					
	As at June 30, 2023			As at December 31, 2022		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Financial liabilities measured at FVTPL						
Senior Bonds, Series 04-A2	$ -	$ 202.7	$ -	$ -	$ 206.8	$ -
	$ -	$ 202.7	$ -	$ -	$ 206.8	$ -
Total fair value			$ 202.7			$ 206.8

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 (the "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, 2022 and June 30, 2023.

There were no changes in the Company's approach to capital management during the three and six month periods ended June 30, 2023.

(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:

	As at June 30, 2023	As at December 31, 2022
Unbilled	$ 108.3	$ 72.8
0-60 days	94.8	85.8
61-90 days	12.2	13.0
91-120 days	6.8	9.4
121-150 days	7.9	9.1
151+ days	76.2	55.4
Sub total [1]	306.2	245.5
Other [2]	19.3	19.4
	$ 325.5	$ 264.9

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.

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 (the "Registrar") through refusing to renew or issue vehicle licence plate permits until outstanding amounts are paid or settled ("Licence 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 (the "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 $4.1 and $7.0 (2022 - $3.4 and $5.7) and decreased net income by approximately $3.0 and $5.2 (2022 - $2.5 and $4.2) for the three and six month periods ended June 30, 2023, respectively.

Interest Rate Risk

As at June 30, 2023, 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 $0.7 and $1.5 (2022 - $0.7 and $1.4) and net income by approximately $0.5 and $1.1 (2022 - $0.5 and $1.0) for the three and six month periods ended June 30, 2023, respectively.

(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 $7.4 (2022 - $7.1), decreased net income by approximately $5.4 (2022 - $5.2) and increased debt service payments by approximately $0.4 and $0.5 (2022 - $0.4 and $0.6) for the three and six month periods ended June 30, 2023, respectively. 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 $3.7 (2022 - $3.9) and decreased net income by approximately $2.7 (2022 - $2.9) for the three and six month periods ended June 30, 2023, respectively. A decrease of 10 basis points in the BEIR would have reduced interest expense by approximately $3.7 (2022 - $3.9) and increased net income by approximately $2.7 (2022 - $2.9) for the three and six month periods ended June 30, 2023, respectively. 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 June 30, 2023:

	Less than 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Beyond 5 years
Trade and other payables	$ 60.3					
Contract liabilities	11.9					
Lease obligations	1.2	0.6	0.4	0.3	0.1	0.1
Interest payments on lease obligations	0.1	0.1	-	-	-	-
Long-term debt	272.3	373.6	25.0	727.3	378.0	7,480.4
Derivative financial liability	12.7	12.7	12.7	12.7	12.7	146.4
Interest payments on long-term debt	394.2	384.5	376.9	366.0	345.8	3,862.8
	$ 752.7	$ 771.5	$ 415.0	$ 1,106.3	$ 736.6	$ 11,489.7

(in millions of Canadian dollars, except per share amounts)

14. REVENUES

	Three-month period ended June 30		Six-month period ended June 30	
	2023	2022	2023	2022
Revenues				
Tolling	$ 367.4	$ 311.4	$ 631.8	$ 525.1
Fee	28.5	24.7	54.6	47.6
Contract	9.4	-	13.8	-
	$ 405.3	$ 336.1	$ 700.2	$ 572.7
Timing of revenue recognition				
At a point in time				
Tolling	$ 367.5	$ 311.4	$ 631.8	$ 525.1
Fee	14.8	12.4	27.8	23.0
	$ 382.3	$ 323.8	$ 659.6	$ 548.1
Over time				
Fee	$ 13.6	$ 12.3	$ 26.8	$ 24.6
Contract	9.4	-	13.8	-
	$ 23.0	$ 12.3	$ 40.6	$ 24.6
Total	$ 405.3	$ 336.1	$ 700.2	$ 572.7

15. EXPENSES

	Three-month period ended June 30		Six-month period ended June 30	
	2023	2022	2023	2022
Systems operations	$ 13.8	$ 10.7	$ 28.8	$ 20.8
Customer operations	18.9	17.8	36.0	33.3
Highway operations	5.7	5.0	15.7	14.6
General and administration	7.9	8.3	16.5	15.2
Contract	3.1	-	5.0	-
Operating expenses	49.4	41.8	102.0	83.9
Depreciation and amortization	24.2	23.8	48.7	48.0
	$ 73.6	$ 65.6	$ 150.7	$ 131.9

Systems operations expenses 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 expenses include costs to operate the customer service centre and service existing customer relationships as well as general inquiries. These costs include the call centre, customer service centre, account management, transponder distribution, billing, customer address system access fees, ombudsman services, collection of overdue accounts and the provision for Lifetime ECL.

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

15. EXPENSES (continued)

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

Contract expenses include costs for work performed in completing contract obligations.

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 $12.9 and $26.6 (2022 – $12.2 and $22.6), of which $0.2 and $0.6 (2022 - $0.3 and $0.7) relate to short-term benefits of key management personnel for the three and six month periods ended June 30, 2023, respectively. 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

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 Concession Agreement (“Schedule 22”), 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 traffic level measurement are below the corresponding traffic threshold, an amount calculated under Schedule 22 is payable to the Province.

Due to the COVID-19 pandemic and related Province-wide shutdowns and stay-at-home orders, traffic on Highway 407 ETR has been significantly lower. The Company and the Province are in agreement that the COVID-19 pandemic is considered a Force Majeure event under the provisions of the Concession Agreement, 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 Company and the Province are also in agreement that the Force Majeure event terminates when the traffic volumes on Highway 407 ETR reach pre-pandemic levels (measured as the average of 2017 to 2019), or when there is an increase in toll rates or user charges. Upon the termination of the Force Majeure event, the Company will be subject to a Schedule 22 payment, if applicable, commencing the subsequent year.

(in millions of Canadian dollars, except per share amounts)

17. CASH AND CASH EQUIVALENTS

	As at	
	June 30, 2023	December 31, 2022
Cash and cash equivalents consist of:		
Cash	$ 225.6	$ 171.3
Government Treasury Bills	86.7	178.3
Federal Promissory Notes	104.4	19.9
	$ 416.7	$ 369.5

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 June 30		Six-month period ended June 30	
	2023	2022	2023	2022
Long-term debt	$ 20.6	$ 17.2	$ 5.2	$ 9.3
Lease obligations	(0.5)	(0.8)	(3.5)	(4.3)
Accrued interest on long-term debt	(3.3)	(8.0)	0.3	(0.8)
	$ 16.8	$ 8.4	$ 2.0	$ 4.2

Cash and non-cash movements in financial liabilities:

	Three-month period ended June 30		Six-month period ended June 30	
	2023	2022	2023	2022
Cash movements:				
Proceeds from credit facilities in long-term debt	$ -	$ 77.0	$ -	$ 77.0
Repayment of bonds in long-term debt	(4.2)	(4.0)	(7.8)	(7.4)
Repayment of credit facilities in long-term debt	-	(77.0)	-	(77.0)
Interest paid	(111.7)	(110.5)	(214.6)	(203.3)
Debt issue costs paid	(0.1)	-	(0.1)	-
Repayment of lease obligations	(0.7)	(2.5)	(4.0)	(5.7)
	$ (116.7)	$ (117.0)	$ (226.5)	$ (216.4)
Non-cash movements:				
Interest expense on long-term debt and credit facility	$ 109.5	$ 103.5	$ 217.0	$ 204.3
Interest expense - RRBs	15.7	30.2	15.2	38.8
Interest expense (recovery) - Senior Bonds, Series 04-A2	4.5	11.7	1.7	13.5
Fair value adjustment - Senior Bonds, Series 04-A2	3.6	(21.6)	(5.9)	(37.5)
Leased equipment additions	0.2	1.6	0.5	1.5
	$ 133.5	$ 125.4	$ 228.5	$ 220.6
Total net change	$ 16.8	$ 8.4	$ 2.0	$ 4.2

(in millions of Canadian dollars, except per share amounts)

19. RELATED PARTY TRANSACTIONS

The following are the shareholders of the Company as at June 30, 2023:

- 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
- SNC-Lavalin Highway Holdings Inc., a wholly-owned subsidiary of SNC-Lavalin Group 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 June 30 2023	Three-month period ended June 30 2022	Six-month period ended June 30 2023	Six-month period ended June 30 2022
Cintra Servicios de Infraestructuras SA	Subsidiary of shareholder	Operating expenses	Payment for administration costs	$ 0.2	$ 0.3	$ 0.4	$ 0.5

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 June 30, 2023	As at December 31, 2022
Cintra Servicios de Infraestructuras SA	Subsidiary of shareholder	Trade and other payables	$ 0.6	$ 0.3

The following are the wholly-owned subsidiaries of the Company as at June 30, 2023:

- 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.

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 and six month periods ended June 30, 2023 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 travelers on the Highway during the second and 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.