

407 *International*

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2024

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

	Notes	As at September 30, 2024	As at December 31, 2023
Assets			
Current assets			
Cash and cash equivalents	14	\$ 677.7	\$ 410.4
Restricted cash and investments	5	309.3	280.8
Trade receivables and other	8	448.1	322.4
Total current assets		1,435.1	1,013.6
Non-current assets			
Restricted cash and investments	5	572.2	565.7
Other receivable		2.0	2.0
Deferred tax assets		62.3	62.3
Intangible assets	7	1,418.5	1,432.7
Property, plant and equipment	6	2,503.3	2,521.6
Total non-current assets		4,558.3	4,584.3
Total assets		\$ 5,993.4	\$ 5,597.9
Liabilities and equity			
Current liabilities			
Trade and other payables		\$ 94.5	\$ 62.7
Contract liabilities		13.6	14.3
Accrued interest on long-term debt		113.0	112.9
Lease obligations		1.1	4.2
Syndicated Credit Facility	9	240.0	-
Long-term debt	9	388.3	286.3
Total current liabilities		850.5	480.4
Non-current liabilities			
Lease obligations		1.7	1.7
Deferred tax liabilities		590.8	590.1
Long-term debt	9	10,221.7	10,316.2
Total non-current liabilities		10,814.2	10,908.0
Total liabilities		11,664.7	11,388.4
Equity			
Issued capital		804.6	804.6
Reserve		7.9	8.5
Retained deficit		(6,483.8)	(6,603.6)
Total deficit		(5,671.3)	(5,790.5)
Total liabilities and equity		\$ 5,993.4	\$ 5,597.9

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 September 30		Nine month period ended September 30	
		2024	2023	2024	2023
Revenues	11	\$ 487.1	\$ 419.4	\$ 1,267.2	\$ 1,119.6
Expenses	12	82.7	73.3	238.1	224.0
Interest expense		133.3	114.7	370.9	341.8
Interest income		(19.1)	(17.2)	(50.3)	(41.9)
Other expense		1.1	0.3	1.5	2.1
Other income		(0.2)	(0.2)	(0.6)	(0.6)
Interest and other expenses	9	115.1	97.6	321.5	301.4
Income before tax		289.3	248.5	707.6	594.2
Current income tax expense		76.7	58.9	187.1	151.0
Deferred income tax expense		0.3	7.1	0.7	5.2
Income tax expense		77.0	66.0	187.8	156.2
Net income		\$ 212.3	\$ 182.5	\$ 519.8	\$ 438.0
Other comprehensive loss:					
Reclassification to income of gains on cash flow hedges, net		(0.2)	(0.2)	(0.6)	(0.6)
Total comprehensive income		\$ 212.1	\$ 182.3	\$ 519.2	\$ 437.4
Earnings per share					
Net income per share, basic and diluted		\$ 0.274	\$ 0.235	\$ 0.671	\$ 0.565

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, 2024	\$ 804.6	\$ 8.5	\$ (6,603.6)	\$ (5,790.5)
Payment of dividends	-	-	(400.0)	(400.0)
Net income for the period	-	-	519.8	519.8
Other comprehensive loss for the period	-	(0.6)	-	(0.6)
Balance at September 30, 2024	\$ 804.6	\$ 7.9	\$ (6,483.8)	\$ (5,671.3)
Balance at January 1, 2023	\$ 804.6	\$ 9.3	\$ (6,220.9)	\$ (5,407.0)
Payment of dividends	-	-	(300.0)	(300.0)
Net income for the period	-	-	438.0	438.0
Other comprehensive loss for the period	-	(0.6)	-	(0.6)
Balance at September 30, 2023	\$ 804.6	\$ 8.7	\$ (6,082.9)	\$ (5,269.6)

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 September 30		Nine month period ended September 30	
		2024	2023	2024	2023
Cash flows from operating activities					
Receipts from customers		\$ 442.5	\$ 396.0	\$ 1,123.4	\$ 1,028.8
Payments to suppliers and employees		(46.9)	(42.4)	(148.4)	(153.0)
Cash generated from operations		395.6	353.6	975.0	875.8
Interest received		18.6	19.5	46.4	40.0
Interest paid		(118.5)	(105.1)	(348.1)	(319.7)
Income tax paid		(52.5)	(50.1)	(150.5)	(138.1)
		243.2	217.9	522.8	458.0
Cash flows from investing activities					
Additions to property, plant and equipment		(17.9)	(23.5)	(43.1)	(43.3)
Additions to intangible assets		-	-	(0.9)	-
Advance payment		-	(0.1)	(3.1)	(1.0)
Restricted cash and investments	5	(11.6)	(50.2)	(31.6)	(64.0)
Non-trade receivables and other		0.3	2.3	2.4	5.8
		(29.2)	(71.5)	(76.3)	(102.5)
Cash flows from financing activities					
Proceeds from long-term debt and credit facility		240.0	549.4	489.6	549.4
Debt issue costs		(0.3)	(3.4)	(2.4)	(3.5)
Repayment of long-term debt and credit facility		(4.0)	(53.8)	(262.3)	(61.6)
Repayment of lease obligations		(0.3)	(0.4)	(4.1)	(4.4)
Dividends paid to shareholders		(225.0)	(150.0)	(400.0)	(300.0)
		10.4	341.8	(179.2)	179.9
Increase in cash and cash equivalents		224.4	488.2	267.3	535.4
Cash and cash equivalents, beginning of period		453.3	416.7	410.4	369.5
Cash and cash equivalents, end of period		\$ 677.7	\$ 904.9	\$ 677.7	\$ 904.9
Supplementary Cash Flow Information					
Net change in financial liabilities	15	250.6	501.8	244.5	503.8

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 September 30, 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 with the Province of Ontario dated April 6, 1999.

The interim condensed consolidated financial statements of the Company for the three and nine month periods ended September 30, 2024 (**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.

2. BASIS OF PRESENTATION AND MATERIAL ACCOUNTING POLICIES

The Financial Statements were approved by the Board of Directors of the Company (**Board**) on October 24, 2024.

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 as issued by the International Accounting Standards Board.

The Financial Statements should be read in conjunction with and 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 (**2023 Annual Financial Statements**) except as described below.

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.

407 INTERNATIONAL INC.
NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
Period ended September 30, 2024
(in millions of Canadian dollars, except per share amounts)

3. FUTURE CHANGES TO ACCOUNTING POLICIES

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 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.

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 IAS 28):*

The amendments relate to gains or losses resulting from the remeasurement of investments or resulting from the loss of control of a subsidiary accounted for using the equity method, recognised in the parent's profit or loss only to the extent of the unrelated investors' interests.

The Company has assessed the impacts of the amendments and concluded no material impact on the Financial Statements.

IFRS 18 *Presentation and Disclosure in the Financial Statements (IFRS 18):*

IFRS 18 replaces the guidance in IAS 1, Presentation of Financial Statements and sets out requirements for presentation and disclosure of information, focusing on providing relevant information to users of the financial statements and will be effective for annual reporting periods beginning on or after January 1, 2027. The standard introduces new defined subtotals to be presented in the Consolidated Statements of Income, disclosure of management-defined performance measures and requirements for grouping of information.

The Company is currently assessing the impact of adopting this standard.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY AND CRITICAL ACCOUNTING JUDGEMENT

The preparation of the Financial Statements in conformity with International Financial Reporting Standards (**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.

There have been no significant changes relating to accounting judgments, estimates and assumptions in the preparation of the Financial Statements from those judgments, estimates and assumptions disclosed in note 4 to the 2023 Annual Financial Statements.

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

407 INTERNATIONAL INC.
NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Period ended September 30, 2024
(in millions of Canadian dollars, except per share amounts)

5. RESTRICTED CASH AND INVESTMENTS (CONTINUED)

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.

	September 30, 2024	December 31, 2023
Current		
Debt service funds	\$ 122.2	\$ 116.0
Debt service reserve funds	16.9	-
Operating and maintenance reserve and renewal and replacement funds (O&M and R&R Funds)	170.2	164.8
	\$ 309.3	\$ 280.8
Non-current		
Debt service reserve funds	\$ 565.7	\$ 559.2
Tolling Services Agreement segregated funds	6.5	6.5
	\$ 572.2	\$ 565.7
Total	\$ 881.5	\$ 846.5

Restricted cash and investments consist of:

	September 30, 2024	December 31, 2023
Cash	\$ 229.4	\$ 150.5
Bankers' Acceptances	27.8	134.5
Guaranteed Investment Certificates	147.9	145.4
Bank Bonds	98.6	120.3
Federal Notes	84.5	74.9
Floating Rate Notes	28.1	2.5
Treasury Bills	200.8	163.9
Provincial Promissory Notes	64.4	54.5
Total	\$ 881.5	\$ 846.5

Cash movements in restricted cash and investments were as follows:

	Three month period ended September 30		Nine month period ended September 30	
	2024	2023	2024	2023
Contributions to debt service funds	\$ 120.0	\$ 116.2	\$ 359.7	\$ 340.0
Contributions to refunding bond fund	-	-	250.0	-
Interest payments on long-term debt	(117.0)	(104.5)	(345.8)	(318.2)
Repayments of long-term debt	(4.0)	(3.8)	(262.3)	(11.6)
Interest received	12.6	10.5	27.7	22.0
Establishment of debt service reserve fund	-	31.8	16.0	31.8
Release of debt service reserve fund	-	-	(13.7)	-
Total	\$ 11.6	\$ 50.2	\$ 31.6	\$ 64.0

407 INTERNATIONAL INC.
NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
Period ended September 30, 2024
(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, 2023	\$ 2,839.4	\$ 138.0	\$ 115.1	\$ 39.8	\$ 99.3	\$ 19.3	\$ 7.6	\$ 18.9	\$ 106.2	\$ 3,383.6
Additions	0.6	-	1.9	2.8	-	0.2	0.3	1.0	38.5	45.3
Retirements	-	(1.3)	-	(2.1)	-	-	-	(6.0)	-	(9.4)
Transfers	-	4.2	93.2	-	0.3	-	-	-	(97.7)	-
Balance at September 30, 2024	\$ 2,840.0	\$ 140.9	\$ 210.2	\$ 40.5	\$ 99.6	\$ 19.5	\$ 7.9	\$ 13.9	\$ 47.0	\$ 3,419.5
Accumulated depreciation										
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	31.3	7.3	12.9	3.2	2.8	1.3	0.3	4.5	-	63.6
Retirements	-	(1.3)	-	(2.1)	-	-	-	(6.0)	-	(9.4)
Balance at September 30, 2024	\$ 612.1	\$ 92.1	\$ 107.6	\$ 31.0	\$ 38.2	\$ 16.6	\$ 7.1	\$ 11.5	\$ -	\$ 916.2
Carrying amount, September 30, 2024	\$ 2,227.9	\$ 48.8	\$ 102.6	\$ 9.5	\$ 61.4	\$ 2.9	\$ 0.8	\$ 2.4	\$ 47.0	\$ 2,503.3
Carrying amount, December 31, 2023	\$ 2,258.6	\$ 51.9	\$ 20.4	\$ 9.9	\$ 63.9	\$ 4.0	\$ 0.8	\$ 5.9	\$ 106.2	\$ 2,521.6

During the three and nine month periods ended September 30, 2024, capitalized borrowing costs aggregating to \$0.1 and \$0.6 respectively (2023 - \$0.5 and \$1.4, respectively), were included as additions to assets under construction. The average interest capitalization rate relating to the borrowing cost were 5.07% and 4.23% for the three and nine month periods ended September 30, 2024 respectively (2023 – 3.75% and 3.67%, respectively).

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
Cost					
Balance at December 31, 2023	\$	1,676.1	\$	9.2	\$ 1,685.3
Additions	\$	-	\$	0.9	\$ 0.9
Retirements	\$	-	\$	(4.3)	\$ (4.3)
Balance at September 30, 2024	\$	1,676.1	\$	5.8	\$ 1,681.9
Accumulated amortization					
Balance at December 31, 2023	\$	243.4	\$	9.2	\$ 252.6
Amortization expense		14.4		0.7	15.1
Retirements		-		(4.3)	(4.3)
Balance at September 30, 2024	\$	257.8	\$	5.6	\$ 263.4
Carrying amount, September 30, 2024	\$	1,418.3	\$	0.2	\$ 1,418.5
Carrying amount, December 31, 2023	\$	1,432.7	\$	-	\$ 1,432.7

407 INTERNATIONAL INC.
NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Period ended September 30, 2024
(in millions of Canadian dollars, except per share amounts)

8. TRADE RECEIVABLES AND OTHER

Movement in Trade Receivables

	Three month period ended September 30		Nine month period ended September 30	
	2024	2023	2024	2023
Balance, beginning of period	\$ 611.9	\$ 510.1	\$ 511.3	\$ 453.3
Revenues (excluding contract)	487.1	419.4	1,267.2	1,105.8
Contract billings to customer	-	-	-	13.4
Bad debts written off, net of recoveries	(1.3)	(1.0)	(3.3)	(14.5)
Receipts from customers	(442.5)	(396.0)	(1,123.4)	(1,028.8)
Other	4.1	4.7	7.5	8.0
Balance, end of period	\$ 659.3	\$ 537.2	\$ 659.3	\$ 537.2

Movement in Allowance for Lifetime expected credit losses (Lifetime ECL)

	Three month period ended September 30		Nine month period ended September 30	
	2024	2023	2024	2023
Balance, beginning of period	\$ 221.3	\$ 203.9	\$ 208.1	\$ 207.8
Provision for Lifetime ECL expense	9.8	7.0	25.4	17.2
Bad debts written off, net of recoveries	(1.3)	(1.0)	(3.3)	(14.5)
Other adjustments	-	(0.5)	(0.4)	(1.1)
Balance, end of period	\$ 229.8	\$ 209.4	\$ 229.8	\$ 209.4

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

	September 30, 2024	December 31, 2023
Trade receivables	\$ 659.3	\$ 511.3
Allowance for Lifetime ECL	(229.8)	(208.1)
	429.5	303.2
Prepayments and other receivables	18.6	19.2
	\$ 448.1	\$ 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 include prepaids, other non-trade related receivables and an advance payment to a supplier.

At September 30, 2024, the Company had \$569.3 (2023 - \$472.3) in trade receivables that were 90 days past due against which the Company has recorded an allowance for expected credit losses of \$420.4 (2023 - \$351.7).

407 INTERNATIONAL INC.
NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
Period ended September 30, 2024
(in millions of Canadian dollars, except per share amounts)

9. LONG-TERM DEBT

	September 30, 2024	December 31, 2023
Senior Bonds:		
\$400.0, Series 99-A2, 6.47%, maturing July 27, 2029	\$ 396.0	\$ 395.5
\$300.0, Series 99-A3, 6.75%, maturing July 27, 2039	207.5	215.2
\$208.3, Series 99-A6, 5.328%, maturing December 1, 2026	363.2	355.3
\$208.3, Series 99-A7, 5.328%, maturing December 1, 2031	362.4	354.5
\$325.0, Series 00-A2, 5.29%, maturing December 1, 2039	367.5	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	-	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	496.5	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	349.4	349.2
\$250.0, Series 17-A1, 3.43%, maturing June 1, 2033	248.8	248.7
\$500.0, Series 17-A2, 3.65%, maturing September 8, 2044	496.5	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	298.8	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	694.8	694.7
\$350.0, Series 20-A2, 1.80%, maturing May 22, 2025	349.7	349.4
\$400.0, Series 20-A3, 2.59%, maturing May 22, 2032	398.1	398.0
\$500.0, Series 23-A1, 4.86%, maturing on July 31, 2053	495.6	495.5
\$250.0, Series 24-A1, 4.89%, maturing on April 4, 2054	247.5	-
Other Senior Bonds:		
\$162.3, Series 04-A2, 3.276%, maturing July 27, 2039 (note 10)	206.4	206.2
Syndicated Credit Facilities		
	240.0	-
Junior Bonds:		
\$165.0, Series 00-B1, 7.125%, maturing July 26, 2040	164.5	164.4
Subordinated Bonds:		
\$480.0, Series 06-D1, 5.75%, maturing February 14, 2036	478.1	478.0
\$350.0, Series 22-D1, 4.22%, maturing February 14, 2028	348.5	348.2
\$325.0, Series 22-D2, 4.45%, maturing August 14, 2031	323.1	322.8
	\$ 10,850.0	\$ 10,602.5
Financial liabilities carried at Fair Value Through Profit or Loss ("FVTPL")		
Other Senior Bonds: Series 04-A2	\$ 206.4	\$ 206.2
Financial liabilities carried at amortized cost		
Senior Bonds	\$ 9,329.4	\$ 9,082.9
Junior Bonds	164.5	164.4
Subordinated Bonds	1,149.7	1,149.0
	10,643.6	10,396.3
	\$ 10,850.0	\$ 10,602.5
Current	\$ 628.3	\$ 286.3
Non-current	10,221.7	10,316.2

407 INTERNATIONAL INC.
NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Period ended September 30, 2024
(in millions of Canadian dollars, except per share amounts)

9. LONG-TERM DEBT (CONTINUED)

Interest and Other Expenses

	Three-month period ended September 30		Nine-month period ended September 30	
	2024	2023	2024	2023
Interest expense on bonds and credit facility	\$ 120.2	\$ 114.7	\$ 352.4	\$ 331.7
Non-cash inflation component of:				
Interest expense (recovery) RRBs	8.5	10.2	18.9	25.4
Interest expense (recovery), Senior Bond, Series 04-A2	0.9	1.9	-	3.6
Fair value adjustment (recovery), Senior Bond, Series 04-A2	3.8	(11.6)	0.2	(17.5)
Capitalized interest	(0.1)	(0.5)	(0.6)	(1.4)
Total interest expense on long-term debt	133.3	114.7	370.9	341.8
Interest income on financial assets designated as FVTPL	(19.1)	(17.2)	(50.3)	(41.9)
Other interest expense	1.1	0.3	1.5	2.1
Reclassification of gains and losses on cash flow hedges	(0.2)	(0.2)	(0.6)	(0.6)
Total	\$ 115.1	\$ 97.6	\$ 321.5	\$ 301.4

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 were used, in part, to repay \$250.0 Senior Bonds, Series 14-A1, which matured on May 16, 2024, and to fund a related debt service reserve fund.

Subsequent to quarter end, on October 9, 2024, the Company issued \$500.0 of 4.54% Senior Bonds, Series 24-A2. The net proceeds of the bonds were used, in part, to repay \$240.0 outstanding balance on the Syndicated Credit Facility (as defined below) on October 9, 2024, to fund a related debt service reserve fund and for general corporate purposes.

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 September 30, 2024, the inflation compensation component of all RRBs was \$463.9 (2023 - \$445.0).

Syndicated Credit Facility

Refer to note 11 to the 2023 Annual Financial Statements for information on the credit agreement establishing a syndicated credit facility with four Canadian chartered banks (the **Syndicated Credit Facility**).

As at September 30, 2024, the Company had \$240.0 outstanding balance (2023 – \$nil) under the Syndicated Credit Facility.

407 INTERNATIONAL INC.
NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Period ended September 30, 2024
(in millions of Canadian dollars, except per share amounts)

9. LONG-TERM DEBT (CONTINUED)

Current Portion of Long-Term Debt

As at September 30, 2024, the current portion of long-term debt of \$628.3 (2023 - \$286.3) includes Senior Bonds, Series 20-A2 \$349.7, which are scheduled to mature on May 22, 2025 (2023 - \$nil), \$240.0 outstanding balance under the Syndicated Credit Facility (2023-\$nil), Series 14-A1 (\$nil) as the bonds series matured on May 16, 2024 (2023 -\$249.9), Series 99-A3 \$8.4 (2023 - \$7.9), Series 00-A2 \$16.0 (2023 - \$15.2), and Series 04-A2 \$14.2 (2023 - \$13.3).

10. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Refer to note 14 to the 2023 Annual Financial Statements for information on the Company's risks and risk management strategy. There were no changes in the Company's risks and approach to risk management during the three and nine month periods ended September 30, 2024.

Fair Value Measurement

	Assets Measured at Fair Value					
	As at September 30, 2024			As at December 31, 2023		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Financial assets measured at FVTPL						
Cash and cash equivalents	\$ 677.7	\$ -	\$ -	\$ 410.4	\$ -	\$ -
Short-term investments		-	-	-	-	-
Restricted cash and investments	881.5	-	-	846.5	-	-
Total fair value	\$1,559.2	\$ -	\$ -	\$1,256.9	\$ -	\$ -

	Liabilities Measured at Fair Value					
	As at September 30, 2024			As at December 31, 2023		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Financial liabilities measured at FVTPL						
Senior Bonds, Series 04-A2	\$ -	\$ 206.4	\$ -	-	\$ 206.2	\$ -
Total fair value	\$ -	\$ 206.4	\$ -	\$ -	\$ 206.2	\$ -

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. There were no transfers within the fair value hierarchy during the three and nine month periods ended September 30, 2024.

The fair value of the long-term debt (including the current portion) as at September 30, 2024 was \$10,375.7 (2023 - \$9,408.9) 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 is a derivative financial instrument and is reported at fair value. The fair value of Senior Bonds, Series 04-A2 as at September 30, 2024 was \$206.4 (2023 - \$206.2) which was determined by using a valuation technique which estimated future inflation of 1.6% (2023 - 1.7%) based on the BEIR and applied a nominal discount rate of 4.2% (2023 -

407 INTERNATIONAL INC.
NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Period ended September 30, 2024
(in millions of Canadian dollars, except per share amounts)

10. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

4.5%). During the nine month period ended September 30, 2024, the fair value of Senior Bonds, Series 04-A2 increased by \$2.8 (2023 - \$1.8 increase) due to the change in the Company's corporate spread.

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. For 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.

11. REVENUES

	Three month period ended September 30		Nine month period ended September 30	
	2024	2023	2024	2023
Revenues				
Tolling	\$ 461.9	\$ 394.6	\$ 1,197.5	\$ 1,026.3
Fee	25.2	24.8	69.7	79.5
Contract	-	-	-	13.8
Total	\$ 487.1	\$ 419.4	\$ 1,267.2	\$ 1,119.6

12. EXPENSES

	Three month period ended September 30		Nine month period ended September 30	
	2024	2023	2024	2023
Systems operations	\$ 16.1	\$ 13.6	\$ 45.7	\$ 42.4
Customer operations	24.3	21.9	64.5	57.9
Highway operations	6.7	5.2	22.5	20.9
General and administration	9.0	8.3	26.7	24.8
Contract expenses	-	-	-	5.0
Operating expenses	56.1	49.0	159.4	151.0
Depreciation and amortization	26.6	24.3	78.7	73.0
Total	\$ 82.7	\$ 73.3	\$ 238.1	\$ 224.0

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.

Total expenses include employee salary and benefits of \$14.2 and \$42.3 (2023 – \$13.1 and \$39.6), of which \$0.2 and \$0.8 (2023 - \$0.3 and \$0.9) relate to short-term benefits of key management personnel for the three and nine month periods ended September 30, 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.

407 INTERNATIONAL INC.
NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Period ended September 30, 2024
(in millions of Canadian dollars, except per share amounts)

13. COMMITMENTS, CONTINGENCIES AND GUARANTEES

The following are the commitments, contractual maturities and related interest obligations as at September 30, 2024:

	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	\$ 94.5	\$ -	\$ -	\$ -	\$ -	\$ -
Contract liabilities	13.6	-	-	-	-	-
Lease obligations	1.1	0.6	0.5	0.3	0.2	0.1
Interest payments on lease obligations	0.1	0.1	0.1	-	-	-
Long-term debt	614.4	25.9	741.1	379.0	430.7	8,518.0
Derivative financial liability	14.1	14.1	14.1	14.1	14.1	141.4
Interest payments on long-term debt	443.0	435.0	423.8	352.1	429.6	4,756.1
Total	\$ 1,180.8	\$ 475.7	\$ 1,179.6	\$ 745.5	\$ 874.6	\$ 13,415.6

The Company has commitment of \$124.4 for years 2025 to 2033 to a related party, Webber Infrastructure Management Canada Limited, a subsidiary of the parent company for Cintra 4352238 Investments Inc., a wholly-owned subsidiary of Cintra Global S.E., for winter maintenance costs included in operating costs.

Refer to notes 17 and 21 to the 2023 Annual Financial Statements for information on the Company's contingencies and guarantees. There were no changes to the contingencies and guarantees during the three and nine month periods ended September 30, 2024.

14. CASH AND CASH EQUIVALENTS

	September 30, 2024	December 31, 2023
Cash and cash equivalents consist of:		
Cash	\$ 237.9	\$ 198.6
Bankers' Acceptances	-	30.6
Government Treasury Bills	365.1	136.2
Federal Promissory Notes	74.7	45.0
Total	\$ 677.7	\$ 410.4

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.

407 INTERNATIONAL INC.
NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Period ended September 30, 2024

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

15. SUPPLEMENTARY CASH FLOW INFORMATION

Net increase/(decrease) in financial liabilities:

	Three month period ended September 30		Nine month period ended September 30	
	2024	2023	2024	2023
Long-term debt	\$ 250.3	\$ 493.3	\$ 247.5	\$ 498.5
Lease obligations	0.7	(0.1)	(3.1)	(3.6)
Accrued interest on long-term debt	(0.4)	8.6	0.1	8.9
	\$ 250.6	\$ 501.8	\$ 244.5	\$ 503.8

Cash and non-cash movements in financial liabilities:

Cash movements:

Proceeds from issuance of bonds in long-term debt	\$ -	\$ 499.4	\$ 249.6	\$ 499.4
Proceeds from Credit Facilities in long-term debt	240.0	50.0	240.0	50.0
Repayment of bonds in long-term debt	(4.0)	(3.8)	(262.3)	(11.6)
Repayment of Credit Facilities in long-term debt	-	(50.0)	-	(50.0)
Interest paid	(118.5)	(105.1)	(348.1)	(319.7)
Debt issue costs paid	(0.3)	(3.4)	(2.4)	(3.5)
Repayment of lease obligations	(0.3)	(0.4)	(4.1)	(4.4)
	\$ 116.9	\$ 386.7	\$ (127.3)	\$ 160.2

Non-cash movements:

Interest expense on long-term debt and credit facility	\$ 120.2	\$ 114.7	\$ 352.4	\$ 331.7
Interest expense - RRBs	8.5	10.2	18.9	25.4
Interest expense - Senior Bonds, Series 04-A2	0.9	1.9	-	3.6
Fair value adjustment - Senior Bonds, Series 04-A2	3.8	(11.6)	0.2	(17.5)
Decrease in accrued financing charges	(0.6)	(0.3)	(0.6)	(0.3)
Leased equipment additions	0.9	0.2	0.9	0.7
	\$ 133.7	\$ 115.1	\$ 371.8	\$ 343.6
Total net change	\$ 250.6	\$ 501.8	\$ 244.5	\$ 503.8

16. RELATED PARTY TRANSACTIONS

Transactions with related parties are measured at their exchange amounts, which is the consideration agreed to by the parties. For the three and nine months ended September 30, 2024 the Company paid \$0.2 and \$0.6 (2023 - \$0.2 and \$0.7) for administration costs included in operating expenses to a subsidiary of its shareholder, Cintra. Amounts owed to Cintra Servicios de Infraestructuras S.A., are \$0.6 (2023 - \$0.4) and included in current liabilities as at September 30, 2024. 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.

17. SEASONAL NATURE OF THE BUSINESS

The Company's results for the three and nine month periods ended September 30, 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 consumer price index (**CPI**); as such, interest expense in respect of these bonds will fluctuate due to the volatility and seasonal nature of the CPI.