

407 *International*

Audited Consolidated Financial Statements

December 31, 2025, and 2024

Independent Auditor's Report

To the Shareholders and the Board of Directors of
407 International Inc.

Opinion

We have audited the consolidated financial statements of 407 International Inc. (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2025 and December 31, 2024, and the consolidated statements of income and comprehensive income, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including material accounting policy information (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2025 and December 31, 2024, and its financial performance and its cash flows for the years then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board ("IASB").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises of Management's Discussion and Analysis.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS Accounting Standards as issued by the IASB, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Company as a basis for forming an opinion on the financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Erez Seiler.

/s/ Deloitte LLP

Chartered Professional Accountants
Licensed Public Accountants
February 18, 2026
Toronto, Ontario

407 INTERNATIONAL INC
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
Years ended December 31, 2025 and 2024
(in millions of Canadian dollars)

	Notes	As at December 31	
		2025	2024
Assets			
Current assets			
Cash and cash equivalents	19	\$ 351.1	\$ 352.3
Restricted cash and investments	6	396.7	367.8
Trade receivables and other	9	450.2	442.6
Total current assets		1,198.0	1,162.7
Non-current assets			
Restricted cash and investments	6	673.1	608.6
Other receivable		-	2.0
Deferred tax assets	13	68.8	62.3
Intangible assets	8	1,398.1	1,418.3
Property, plant and equipment	7	2,484.2	2,502.7
Total non-current assets		4,624.2	4,593.9
Total assets		\$ 5,822.2	\$ 5,756.6
Liabilities and equity			
Current liabilities			
Trade and other payables		\$ 151.8	\$ 117.9
Contract liabilities		28.9	15.0
Accrued interest on long-term debt		132.0	120.3
Lease obligations	14	3.3	5.3
Long-term debt	12	412.3	388.7
Total current liabilities		728.3	647.2
Non-current liabilities			
Lease obligations	14	1.6	1.5
Deferred tax liabilities	13	600.6	592.8
Long-term debt	12	11,381.1	10,714.2
Total non-current liabilities		11,983.3	11,308.5
Total liabilities		12,711.6	11,955.7
Equity			
Issued capital	10	804.6	804.6
Reserve	11	6.9	7.7
Retained deficit		(7,700.9)	(7,011.4)
Total deficit		(6,889.4)	(6,199.1)
Total liabilities and equity		\$ 5,822.2	\$ 5,756.6

On behalf of the Board:

(signed)
ROB MACISAAC
 Director

(signed)
MICHAEL BERNASIEWICZ
 Director

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

407 INTERNATIONAL INC.
CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME
Years ended December 31, 2025 and 2024
(in millions of Canadian dollars, except per share amounts)

	Notes	2025	2024
Revenues	16	\$ 2,008.5	\$ 1,705.2
Expenses	17	431.5	333.6
Interest expense		523.8	494.2
Interest income		(51.7)	(65.8)
Other expense		1.0	1.8
Other income		(0.8)	(0.8)
Interest and other expenses	12	472.3	429.4
Income before tax		1,104.7	942.2
Current income tax expense	13	293.0	247.3
Deferred income tax expense	13	1.2	2.7
Income tax expense		294.2	250.0
Net income		\$ 810.5	\$ 692.2
Net income		810.5	692.2
Other comprehensive loss:			
Reclassification to income of gains on cash flow hedges, net	11	(0.8)	(0.8)
Total comprehensive income		\$ 809.7	\$ 691.4
Earnings per share			
Net income per share, basic and diluted	10	\$ 1.046	\$ 0.893

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

407 INTERNATIONAL INC.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
Years ended December 31, 2025 and 2024
(in millions of Canadian dollars)

	Issued capital	Reserve	Retained deficit	Total deficit
Balance at January 1, 2025	\$ 804.6	\$ 7.7	\$ (7,011.4)	\$ (6,199.1)
Payment of dividends	-	-	(1,500.0)	(1,500.0)
Net income for the year	-	-	810.5	810.5
Other comprehensive loss for the year	-	(0.8)	-	(0.8)
Balance at December 31, 2025	\$ 804.6	\$ 6.9	\$ (7,700.9)	\$ (6,889.4)
Balance at January 1, 2024	\$ 804.6	\$ 8.5	\$ (6,603.6)	\$ (5,790.5)
Payment of dividends	-	-	(1,100.0)	(1,100.0)
Net income for the year	-	-	692.2	692.2
Other comprehensive loss for the year	-	(0.8)	-	(0.8)
Balance at December 31, 2024	\$ 804.6	\$ 7.7	\$ (7,011.4)	\$ (6,199.1)

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

407 INTERNATIONAL INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years ended December 31, 2025 and 2024
(in millions of Canadian dollars)

	Notes	2025	2024
Cash flows from operating activities			
Receipts from customers		\$ 1,958.6	\$ 1,555.2
Payments to suppliers and employees		(225.0)	(196.4)
Cash generated from operations		1,733.6	1,358.8
Interest received		51.4	60.4
Interest paid		(495.8)	(463.7)
Income tax paid		(305.0)	(199.5)
		984.2	756.0
Cash flows from investing activities			
Additions to property, plant and equipment		(60.9)	(57.9)
Additions to intangible assets		(1.1)	(0.9)
Advance payment		(0.1)	(3.1)
Restricted cash and investments	6	(94.0)	(124.9)
Non-trade receivables and other		3.4	1.3
		(152.7)	(185.5)
Cash flows from financing activities			
Proceeds from long-term debt and credit facility		1,449.1	989.2
Debt issue costs		(7.4)	(6.0)
Repayment of long-term debt and credit facility		(767.9)	(506.9)
Repayment of lease obligations		(6.5)	(4.9)
Dividends paid to shareholders		(1,500.0)	(1,100.0)
		(832.7)	(628.6)
Decrease in cash and cash equivalents		(1.2)	(58.1)
Cash and cash equivalents, beginning of year		352.3	410.4
Cash and cash equivalents, end of year		\$ 351.1	\$ 352.3
Supplementary Cash Flow Information			
Net change in financial liabilities	20	700.3	508.7

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

407 INTERNATIONAL INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Years ended December 31, 2025 and 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 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 dated April 6, 1999. The consolidated financial statements of the Company for the year ended December 31, 2025 (**Financial Statements**) were approved by the Board of Directors of the Company (**Board**) on February 18, 2026.

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.

2. BASIS OF PRESENTATION

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 IFRS[®] Accounting Standards as issued by the International Accounting Standards Board.

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.

3. MATERIAL ACCOUNTING POLICIES

a) Revenue recognition

Toll revenues

The Company recognizes toll revenues, net of promotional discounts, future adjustments and amounts deemed to be uncollectible, from both transponder and video customers' use of Highway 407 ETR on the date trips are taken.

Fee revenues

Various fees and charges are also included in revenues, net of amounts deemed to be uncollectible. Account and other fees are recognized when incurred by the customer, and late payment charges are recognized once the account is delinquent and the late payment charges are applied to the account.

407 INTERNATIONAL INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Years ended December 31, 2025 and 2024
(in millions of Canadian dollars, except per share amounts)

3. MATERIAL ACCOUNTING POLICIES (continued)

Transponder lease fees are recognized over the term of the lease and service fees are recognized as the services are performed for the customer.

Contract revenues

Contract revenues are recognized either over a period of time or at a point in time depending on which method reflects the transfer of control of the goods or services underlying the performance obligations in the contract. In most cases the performance obligation is satisfied over time using the input method for measuring progress towards completion of the performance obligation, based on the ratio of actual cumulative costs incurred to date over the total anticipated costs to complete the contract.

b) Financial assets

All financial assets are recognized and derecognized on their trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit and loss (**FVTPL**), for which transaction costs are expensed immediately.

Cash and cash equivalents

Cash and cash equivalents include short-term highly-liquid interest-bearing investments with original maturities of three months or less. Cash and cash equivalents are classified as FVTPL and are carried at fair value.

Restricted cash and investments

Restricted cash and investments include highly-liquid interest-bearing investments with original maturities of 10 years or less. Restricted cash and investments are designated as FVTPL and are carried at fair value.

c) Contract liabilities

Contract liabilities consist of the unexpired portion of the transponder lease fee received in advance from customers, and the net contract liability from contract revenues. The net contract liability is the cumulative amount received and contractually receivable that exceeds the right to consideration resulting from the progress towards completion of the performance obligation under the contract.

d) Embedded derivatives

Derivatives embedded in other financial liabilities or contracts are separated from their host contracts and accounted for as derivatives when their economic characteristics and risks are not closely related to those of the host contract; the terms of the embedded derivative are the same as those of a free standing derivative; and the combined instrument or contract is not measured at fair value with changes in fair value recognized in interest and other expenses. These embedded derivatives are measured at fair value with changes therein recognized in interest and other expenses.

407 INTERNATIONAL INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Years ended December 31, 2025 and 2024
(in millions of Canadian dollars, except per share amounts)

3. MATERIAL ACCOUNTING POLICIES (continued)

e) Comprehensive income

Comprehensive income is composed of net income and other comprehensive loss (OCL). OCL includes the effective portion of the change in fair value of designated cash flow hedges less any amounts reclassified to interest and other expenses in the period that the underlying hedged item is also recorded in interest and other expenses.

f) Transaction costs

Transaction costs related to FVTPL financial assets and FVTPL financial liabilities are expensed to interest and other expenses as incurred. Transaction costs related to all other financial assets or financial liabilities are netted against the carrying value of the asset or liability upon initial recognition and are then amortized over the expected life of the instrument using the effective interest method.

g) Financial liabilities

Financial liabilities are classified at amortized cost or FVTPL.

Derivatives

Derivatives are measured at fair value and are reported as assets where they have a positive fair value to the Company and as liabilities where they have a negative fair value to the Company. The change in fair value during the period is recorded in interest and other expenses.

Effective interest method

The effective interest method of amortization is used to account for transaction costs or fees, premiums or discounts earned or incurred for financial instruments that are classified as financial assets at amortized cost or financial liabilities at amortized cost.

Long-term debt

Long-term debt is classified as financial liabilities at amortized cost and is calculated using the amortized cost method, except for Senior Bonds, Series 04-A2, which is a derivative financial liability classified at FVTPL.

h) Other financial instruments

Trade receivables are classified as financial assets and are accounted for at amortized cost. Trade and other payables are classified as financial liabilities and are accounted for at amortized cost.

i) Property, plant and equipment

Property, plant and equipment are recorded at cost less accumulated depreciation and net of any impairment loss. Property, plant and equipment are tested for impairment whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable. Impairment loss is measured as the amount by which the carrying amount of an asset exceeds the higher of: (i) its fair value less costs to sell; and (ii) its value in use. On an annual basis,

407 INTERNATIONAL INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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(in millions of Canadian dollars, except per share amounts)

3. MATERIAL ACCOUNTING POLICIES (continued)

the Company reviews the useful lives, depreciation methods and depreciation rates of its property, plant and equipment.

Depreciation charges are recorded using methods and rates determined to depreciate the cost of property, plant and equipment over their estimated useful lives as follows:

Toll highway	
– Bridge structures, bridge deck, storm sewer culverts, grading, granular, asphalt & concrete pavement (base) and drainage	50-99 years projected Vehicle Kilometres Travelled (VKTs)
– Large galvanized steel drainage, small steel culverts, bridge bearings and joints	25-30 years projected VKTs
– Asphalt & concrete pavement (top coat)	8-15 years projected VKTs
– Tolling civil and electrical, barriers and guide rails, catch basins and outlets, gantries, signage, landscaping, fencing and utilities relocation	10-99 years straight-line
– Highway tools, cameras, and inspection stations	5-15 years straight-line
– Concrete pavement joints	12 years projected VKTs
Back office systems	5-10 years straight-line
Toll equipment	4-35 years straight-line
Transponders	5 years straight-line
Operations centre	30 years straight-line
Office equipment	3 years straight-line
Motor vehicles	3-10 years straight-line
Leased equipment	1-10 years straight-line

j) Lessee accounting

The Company assesses whether a contract is or contains a lease, at inception of a contract. The Company recognizes a right-of-use asset and a corresponding lease liability with respect to all lease agreements in which it is the lessee. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses its incremental borrowing rate.

The lease liability is subsequently measured by increasing its carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect lease payments made. The right-of-use asset is depreciated over the shorter of the lease term and the useful life of the underlying asset.

The Company allocates the consideration in the contract to lease and non-lease components based on the stand-alone price of the lease component and aggregate stand-alone price of the non-lease components.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognized as an expense in the period in which the event or condition that triggers those payments occurs and are presented as such in the statements of income and comprehensive income.

407 INTERNATIONAL INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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(in millions of Canadian dollars, except per share amounts)

3. MATERIAL ACCOUNTING POLICIES (continued)

k) Interest capitalization

Interest expense on debt attributable to the construction of property, plant and equipment is capitalized during the construction or development period as part of the cost of the related qualifying asset. All other borrowing costs are expensed as incurred.

Qualifying assets are assets that necessarily take a substantial period of time to get ready for use or sale. Borrowing costs are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

The interest capitalization amount is calculated based on effective interest rates related to the specific borrowings to fund the construction of these qualifying assets. Construction costs incurred are allocated based on specific borrowings and the amount of capitalized interest is calculated at rates specific to the costs incurred for these assets.

l) Intangible assets and concession rights

Definite life intangible assets are recorded at cost less accumulated amortization and net of any impairment loss. Intangible assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable. Impairment loss is measured as the amount by which the carrying amount of an asset exceeds the higher of: (i) its fair value less costs to sell; and (ii) its value in use.

Concession rights are amortized over the remaining term of the CGLA on a straight-line basis.

A license and related intellectual property relating to roadside maintenance of the tolling system are amortized over their terms and useful lives of five years on a straight-line basis.

m) Income taxes

Current tax

The tax currently payable is based on taxable income for the year. Taxable income differs from accounting income as reported in the consolidated income statements as a result of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. Liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the Financial Statements and the corresponding tax bases used in the computation of taxable income. Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable income will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable income nor the accounting income.

407 INTERNATIONAL INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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(in millions of Canadian dollars, except per share amounts)

3. MATERIAL ACCOUNTING POLICIES (continued)

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets arising from deductible temporary differences associated with such investments are only recognized to the extent that it is probable that there will be sufficient taxable income against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to be applicable in the period in which the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

n) Impairment of Financial Instruments

The Company recognizes a loss allowance on a forward-looking basis at an amount equal to the lifetime expected credit loss (**Lifetime ECL**) on trade receivables. Lifetime ECL represents the expected credit losses that will result from all probable non-payment events over the expected life of the financial asset.

Lifetime ECL is estimated using historical credit loss experiences, historical collection rates and Management of the Company's (**Management**) expectation of success rates for collection of overdue accounts by the Ontario Registrar of Motor Vehicles (**Registrar**) through refusing to renew or issue vehicle permits until outstanding amounts are paid (**Licence Plate Denial**) as well as Management's expectation of collection rates through collection agencies and legal proceedings.

Management also incorporates forward-looking information, which increases the degree of judgement as to how changes in certain economic factors will affect the Lifetime ECL. The methodologies and assumptions, including forecasts of future economic conditions, are reviewed regularly and the Lifetime ECL is revised accordingly.

407 INTERNATIONAL INC.
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(in millions of Canadian dollars, except per share amounts)

4. FUTURE CHANGES TO ACCOUNTING POLICIES

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

IFRS 18 replaces IAS 1, Presentation of Financial Statements (**IAS 1**), carrying forward many of the requirements in IAS 1 unchanged and complementing them with new requirements. The standard will introduce changes to the presentation of the statement of income and comprehensive income, as well as the statement of cash flows. In the Statement of Income and Comprehensive Income, the Company will present additional line items and subtotals, including an operating profit or loss subtotal. Enhanced disaggregation of income and expenses will also be required. In the Statement of Cash Flows, changes in classification and presentation of certain cash flows will affect the grouping and labelling of operating, investing, and financing activities.

IFRS 18 is required to be applied retrospectively for annual reporting periods beginning on or after January 1, 2027, with earlier application permitted. The Company has completed its assessment of the impact of IFRS 18 on its financial reporting and expects to adopt the standard at its effective date using the transition provisions provided in the standard. Comparative information will be restated to reflect the requirements of IFRS 18.

IFRS 7 and IFRS 9 Amendments to the Classification and Measurement of Financial Instruments which amended IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: Disclosures (Amendments to IFRS 9 and IFRS 7)

The Amendments to IFRS 9 and IFRS 7 clarify the requirements related to the date of recognition and derecognition of financial assets and financial liabilities, with an exception for derecognition of financial liabilities settled via an electronic transfer, clarify the requirements for assessing contractual cash flow characteristics of financial assets and clarify the characteristics of non-recourse loans and contractually linked instruments. The amendment is effective for annual reporting periods beginning on or after January 1, 2026. The Company has assessed the impact of the amendments and concluded no material impact on the Financial Statements.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY AND CRITICAL ACCOUNTING JUDGEMENT

The preparation of the Financial Statements in conformity with IFRS Accounting Standards requires management of the Company 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 Highway 407 ETR. 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.

Depreciation of property, plant and equipment is estimated based on projected VKTs and estimated useful lives.

407 INTERNATIONAL INC.
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(in millions of Canadian dollars, except per share amounts)

5. 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, 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 is estimated by the Company. See note 15(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 Highway 407 ETR 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.

6. RESTRICTED CASH AND INVESTMENTS

The Company, along with its financial advisors, developed a financing plan referred to as the Capital Markets Platform, capable of accommodating a variety of corporate debt instruments. All indebtedness incurred under the Capital Markets Platform is secured under the Indenture which establishes a common security and a set of common covenants given by the Company and 407 ETR for the benefit of all its lenders. The security comprises a leasehold mortgage on 407 ETR's leasehold interest in Highway 407 ETR, a security interest in all real and personal property of the Company, a security interest in all real and personal property of 407 ETR related to Highway 407 ETR and a security interest in all real and personal property of Cantoll and 14374304 Inc. Such security interests include the following:

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6. RESTRICTED CASH AND INVESTMENTS (continued)

- i. a specific assignment of each of the Company's and 407 ETR's interest in and rights under all Project Agreements (as defined in the Indenture) and other material agreements;
- ii. an assignment of revenues and a security interest in all funds and accounts that are required to be maintained pursuant to the Indenture and any Supplemental Indenture (as defined in the Indenture); and
- iii. a pledge of, or a security interest in, the shares of 407 ETR, Cantoll and 14374304 Inc. owned by the Company.

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 Computershare Advantage Trust 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 was funded with cash and cash equivalents. The Tolling Services Agreement expired on December 31, 2025 and the segregated fund account was closed.

	As at December 31	
	2025	2024
Current		
Debt service funds	\$ 148.4	\$ 130.6
Debt service reserve funds	12.2	17.1
Operating and maintenance reserve and renewal and replacement funds (O&M and R&R Funds)	236.1	220.1
	\$ 396.7	\$ 367.8
Non-current		
Debt service reserve funds	\$ 673.1	\$ 602.1
Tolling Services Agreement segregated funds	-	6.5
	\$ 673.1	\$ 608.6
Total	\$ 1,069.8	\$ 976.4

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6. RESTRICTED CASH AND INVESTMENTS (continued)

Restricted cash and investments consist of:

	2025		2024
Cash	\$ 208.2	\$	261.7
Deposit Notes	31.8		23.5
Guaranteed Investment Certificates	131.4		149.5
Bank Bonds	58.5		106.1
Federal Notes	115.5		92.3
Floating Rate Notes	197.4		30.5
Treasury Bills	157.6		246.2
Provincial Promissory Notes	169.4		66.6
Total	\$ 1,069.8	\$	976.4

Cash movements in restricted cash and investments were as follows:

	2025		2024
Contributions to debt service funds	\$ 522.7	\$	485.5
Contributions to refunding bond fund	350.0		250.0
Interest payments on long-term debt	(490.9)		(460.0)
Repayments of long-term debt	(367.9)		(266.9)
Interest received	29.9		34.9
Increase in O&M and R&R funds	11.5		48.5
Release of segregated reserve fund	(7.6)		-
Increase in debt service reserve funds (net)	46.3		32.9
Total	\$ 94.0	\$	124.9

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7. PROPERTY, PLANT AND EQUIPMENT

	Toll highway	Toll equipment	Back Office Systems	Transponders	Operations centre	Office equipment	Motor vehicles	Leased Equipment	Assets under construction	Total
<i>Cost</i>										
Balance at December 31, 2024	\$ 2,867.3	\$ 142.3	\$ 222.1	\$ 40.5	\$ 100.6	\$ 20.4	\$ 12.5	\$ 18.4	\$ 13.6	\$ 3,437.7
Additions	0.1	-	0.1	4.1	0.6	7.4	17.3	4.7	37.1	71.4
Retirements	(22.4)	-	(0.2)	(2.9)	-	(0.8)	(2.6)	(12.4)	-	(41.3)
Transfers	30.2	1.9	8.1	-	1.4	0.5	-	-	(42.0)	0.0
Balance at December 31, 2025	\$ 2,875.3	\$ 144.2	\$ 230.1	\$ 41.7	\$ 102.6	\$ 27.4	\$ 27.2	\$ 10.7	\$ 8.7	\$ 3,467.8
<i>Accumulated depreciation</i>										
Balance at December 31, 2024	\$ 620.8	\$ 94.6	\$ 112.3	\$ 30.8	\$ 39.2	\$ 17.0	\$ 7.3	\$ 13.0	\$ -	\$ 935.0
Depreciation expense	44.7	8.7	17.9	3.9	4.0	2.3	2.7	5.6	-	89.6
Retirements	(22.1)	-	(0.2)	(2.9)	-	(0.8)	(2.6)	(12.4)	-	(41.0)
Balance at December 31, 2025	\$ 643.4	\$ 103.3	\$ 130.0	\$ 31.7	\$ 43.2	\$ 18.5	\$ 7.4	\$ 6.1	\$ -	\$ 983.6
<i>Carrying amount, December 31, 2024</i>	<i>\$ 2,246.5</i>	<i>\$ 47.7</i>	<i>\$ 109.8</i>	<i>\$ 9.7</i>	<i>\$ 61.4</i>	<i>\$ 3.4</i>	<i>\$ 5.2</i>	<i>\$ 5.4</i>	<i>\$ 13.6</i>	<i>\$ 2,502.7</i>
<i>Carrying amount, December 31, 2025</i>	<i>\$ 2,231.8</i>	<i>\$ 40.9</i>	<i>\$ 100.1</i>	<i>\$ 10.0</i>	<i>\$ 59.5</i>	<i>\$ 9.0</i>	<i>\$ 19.8</i>	<i>\$ 4.6</i>	<i>\$ 8.7</i>	<i>\$ 2,484.2</i>

During 2025, capitalized borrowing costs aggregating to \$0.4 (2024 - \$0.9), were included as additions to assets under construction. The average interest capitalization rate relating to the borrowing cost was 4.3% (2024 – 4.46%).

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

8. INTANGIBLE ASSETS

	Concession Rights	Licences	Total
<i>Cost</i>			
Balance at December 31, 2024	\$ 1,676.1	\$ 10.7	\$ 1,686.8
Retirements	-	(0.9)	(0.9)
Balance at December 31, 2025	\$ 1,676.1	\$ 9.8	\$ 1,685.9
<i>Accumulated amortization</i>			
Balance at December 31, 2024	\$ 262.7	\$ 5.8	\$ 268.5
Amortization expense	19.3	1.0	20.3
Retirements	-	(0.9)	(0.9)
Balance at December 31, 2025	\$ 282.0	\$ 5.9	\$ 287.8
<i>Carrying amount, December 31, 2024</i>	<i>\$ 1,413.4</i>	<i>\$ 4.9</i>	<i>\$ 1,418.3</i>
<i>Carrying amount, December 31, 2025</i>	<i>\$ 1,394.1</i>	<i>\$ 3.9</i>	<i>\$ 1,398.1</i>

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9. TRADE RECEIVABLES AND OTHER

Movement in Trade Receivables

	2025		2024
Balance, beginning of the year	\$ 681.3	\$	511.3
Revenues (excluding contract)	2,002.5		1,705.2
Contract billings to customer	17.1		-
Bad debts written off, net of recoveries	(9.8)		(13.3)
Receipts from customers	(1,958.6)		(1,555.2)
Other	14.6		33.3
Balance, end of the year	\$ 747.1	\$	681.3

Movement in Allowance for Lifetime Expected Credit Loss (Lifetime ECL)

Changes in the Allowance for Lifetime ECL are as follows:

	2025		2024
Balance, beginning of the year	\$ 259.3	\$	208.1
Provision for Lifetime ECL expense	64.9		43.1
Bad debts written off, net of recoveries	(9.8)		(13.3)
Other adjustments	(1.4)		21.4
Balance, end of the year	\$ 313.0	\$	259.3

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

	2025		2024
Trade receivables	\$ 747.1	\$	681.3
Allowance for Lifetime ECL	(313.0)		(259.3)
	434.1		422.0
Prepayments and other receivables	16.1		20.6
Total	\$ 450.2	\$	442.6

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 December 31, 2025, the Company had \$460.4 (2024 - \$401.5) in trade receivables that were 90 days past due against which the Company has recorded an allowance for expected credit losses of \$276.8 (2024 - \$231.3).

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10. ISSUED CAPITAL

	As at December 31			
	2025		2024	
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)				
(2024 - 775,000,003, \$ nil par value)	\$	775.0	\$	775.0

Payments of dividends per share were \$1.935 for 2025 (2024 - \$1.419).

11. RESERVE

Cash flow hedging reserve

	2025		2024	
Balance, beginning of year	\$	7.7	\$	8.5
Other comprehensive loss		(0.8)		(0.8)
Balance, end of year	\$	6.9	\$	7.7

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 (2024 - \$0.2) and will be reclassified to interest and other expenses over periods of up to 15 years of which approximately \$0.9 will be reclassified during the next 12 months.

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12. LONG-TERM DEBT

	As at December 31	
	2025	2024
Senior Bonds:		
\$400.0, Series 99-A2, 6.47%, maturing July 27, 2029	396.9	396.2
\$300.0, Series 99-A3, 6.75%, maturing July 27, 2039	199.3	207.5
\$208.3, Series 99-A6, 5.328%, maturing December 1, 2026	370.7	362.6
\$208.3, Series 99-A7, 5.328%, maturing December 1, 2031	369.8	361.9
\$325.0, Series 00-A2, 5.29%, maturing December 1, 2039	351.9	360.7
\$340.0, Series 04-A3, 5.96%, maturing December 3, 2035	338.8	338.7
\$350.0, Series 11-A1, 4.45%, maturing November 15, 2041	347.9	347.8
\$400.0, Series 12-A1, 4.19%, maturing April 25, 2042	397.7	397.6
\$400.0, Series 12-A2, 3.98%, maturing September 11, 2052	395.9	395.8
\$200.0, Series 13-A1, 4.68%, maturing October 7, 2053	198.8	198.8
\$150.0, Series 15-A1, 3.30%, maturing March 27, 2045	148.8	148.7
\$500.0, Series 15-A2, 3.83%, maturing May 11, 2046	496.6	496.5
\$500.0, Series 16-A1, 3.60%, maturing May 21, 2047	496.6	496.5
\$350.0, Series 16-A2, 2.43%, maturing May 4, 2027	349.7	349.5
\$250.0, Series 17-A1, 3.43%, maturing June 1, 2033	249.0	248.8
\$500.0, Series 17-A2, 3.65%, maturing September 8, 2044	496.6	496.5
\$500.0, Series 18-A1, 3.72%, maturing May 11, 2048	497.2	497.1
\$300.0, Series 19-A1, 3.14%, maturing March 6, 2030	299.1	298.9
\$500.0, Series 19-A2, 3.67%, maturing March 6, 2049	496.3	496.2
\$700.0, Series 20-A1, 2.84%, maturing March 7, 2050	695.0	694.8
\$350.0, Series 20-A2, 1.80%, maturing May 22, 2025	-	349.8
\$400.0, Series 20-A3, 2.59%, maturing May 22, 2032	398.4	398.2
\$500.0, Series 23-A1, 4.86%, maturing on July 31, 2053	495.7	495.6
\$250.0, Series 24-A1, 4.89%, maturing on April 4, 2054	247.5	247.5
\$500.0, Series 24-A2, 4.54%, maturing on October 9, 2054	495.7	495.7
\$350.0, Series 25-A1, 4.45%, maturing September 11, 2052	346.9	-
\$300.0, Series 25-A2, 4.81%, maturing October 3, 2055	297.4	-
\$400.0, Series 25-A3, 4.11%, maturing October 3, 2035	397.1	-
Other Senior Bonds:		
\$162.3, Series 04-A2, 3.276%, maturing July 27, 2039 (note 16)	207.0	210.7
Syndicated Credit Facility		
	-	-
Junior Bonds:		
\$165.0, Series 00-B1, 7.125%, maturing July 26, 2040	164.5	164.5
Subordinated Bonds:		
\$480.0, Series 06-D1, 5.75%, maturing February 14, 2036	478.2	478.1
\$350.0, Series 22-D1, 4.2%, maturing February 14, 2028	349.0	348.6
\$325.0, Series 22-D2, 4.45%, maturing August 14, 2031	323.4	323.1
	\$ 11,793.4	\$ 11,102.9
Financial liabilities carried at Fair Value Through Profit or Loss ("FVTPL")		
Other Senior Bonds: Series 04-A2	\$ 207.0	\$ 210.7
Financial liabilities carried at amortized cost		
Senior Bonds	\$ 10,271.3	\$ 9,577.9
Junior Bonds	164.5	164.5
Subordinated Bonds	1,150.6	1,149.8
	11,586.4	10,892.2
	\$ 11,793.4	\$ 11,102.9
Current	\$ 412.3	\$ 388.7
Non-current	11,381.1	10,714.2

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12. LONG-TERM DEBT (continued)

Interest and Other Expenses

	2025	2024
Interest expense on bonds and credit facility	\$ 511.5	\$ 475.3
Non-cash inflation component of:		
Interest expense RRBs	16.5	15.3
Interest recovery, Senior Bond, Series 04-A2	(4.7)	(4.4)
Fair value adjustment expense, Senior Bond, Series 04-A2	0.9	8.9
Capitalized interest	(0.4)	(0.9)
Total interest expense on long-term debt	523.8	494.2
Interest income on financial assets designated as FVTPL	(51.7)	(65.8)
Other interest expense	1.0	1.8
Other income:		
Reclassification of gains on cash flow hedges	(0.8)	(0.8)
Total interest and other expenses	\$ 472.3	\$ 429.4

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 March 5, 2025, the Company issued \$350.0 of 4.45% Senior Bonds, Series 25-A1. The net proceeds of the bonds were used to fund a related debt service reserve fund and to repay, in part, \$350.0 of 1.80% Senior Bonds, Series 20-A2 on May 22, 2025.

On October 3, 2025, the Company issued \$300.0 of 4.81% Senior Bonds, Series 25-A2 and \$400.0 of 4.11% of Senior Bonds, Series 25-A3. The net proceeds of the bonds were used to repay the outstanding balance on the Company's Syndicated Credit Facility on October 8, 2025, to fund the related debt service reserve funds and for other 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**).

The cash interest and principal payable on Series 99-A6 and 99-A7 RRBs is adjusted based on the All-Items Consumer Price Index for Canada (CPI) at the time of payment divided by the CPI at the time of issue. In addition to reserves established at the time of issuance of the Series 99-A6 and 99-A7 RRBs, the Company is required to fund a series excess inflation reserve account should the principal outstanding multiplied by the CPI at the time of measurement divided by the CPI at the time of issue exceed a pre-established threshold level. As at December 31, 2025, the Company had not been required to fund this series excess inflation reserve account. The RRBs are repayable at maturity except for Series 00-A2, which is repayable in semi-annual scheduled installments of interest and principal of \$10.2, adjusted based on the CPI at the time of payment divided by the CPI at the time of issue

As at December 31, 2025, the inflation compensation component of all RRBs was \$476.8 (2024 - \$460.3).

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12. LONG-TERM DEBT (continued)

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 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 advances (**CORRA**), 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 to the banks, calculated on the undrawn portion of the Syndicated Credit Facility.

As at December 31, 2025, the Company had an outstanding balance of \$nil (2024 – \$nil) under the Syndicated Credit Facility.

Current Portion of Long-Term Debt

As at December 31, 2025, the current portion of long-term debt of \$412.3 (2024 - \$388.7) includes Senior Bonds, Series 99-A6, which matures on December 1, 2026 of \$370.7, Senior Bonds, Series 99-A3 - \$9.0 (2024 - \$8.4), Senior Bonds, Series 00-A2 - \$17.7 (2024 - \$16.4), and Senior Bonds, Series 04-A2 - \$14.9 (2024 - \$14.1).

13. INCOME TAX

The components of income tax expense are as follows:

	2025	2024
Current income tax expense	\$ 293.0	\$ 247.3
Deferred income tax expense	1.2	2.7
Total income tax expense	\$ 294.2	\$ 250.0
	2025	2024
Income tax calculated at statutory rates of 26.5% (2024 - 26.5%)	\$ 292.8	\$ 249.7
Increase in income tax resulting from:		
Other	1.4	0.3
Total current and deferred income tax expense	\$ 294.2	\$ 250.0

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13. INCOME TAX (continued)

The 2025 applicable tax rate is the aggregate of the federal corporate income tax rate of 15.0% (2024 – 15.0%) and provincial income tax rate of 11.5% (2024 – 11.5%).

Temporary differences and non-capital losses give rise to deferred income tax assets (liabilities) as follows:

	<u>Opening balance</u>	<u>Recognized in profit or loss</u>	<u>Other</u>	<u>Closing balance</u>
2025				
<i>Deferred tax assets/(liabilities) in relation to:</i>				
Property, plant and equipment and intangible assets	\$ (591.4)	\$ (7.8)	\$ -	\$ (599.2)
Long-term debt and other	18.5	1.0	(0.1)	19.4
Deferred contract revenue	0.1	2.9	-	3.0
Other liabilities	(1.4)	-	-	(1.4)
Other assets	0.2	-	-	0.2
	<u>(574.0)</u>	<u>(3.9)</u>	<u>(0.1)</u>	<u>(578.0)</u>
Non-capital losses	43.5	2.7	-	46.2
Net deferred tax assets/(liabilities)	<u>\$ (530.5)</u>	<u>\$ (1.2)</u>	<u>\$ (0.1)</u>	<u>\$ (531.8)</u>
2024				
<i>Deferred tax assets/(liabilities) in relation to:</i>				
Property, plant and equipment and intangible assets	\$ (588.7)	\$ (2.7)	\$ -	\$ (591.4)
Long-term debt and other	18.2	0.3	-	18.5
Deferred contract revenue	0.1	-	-	0.1
Other liabilities	(1.4)	-	-	(1.4)
Other assets	0.2	-	-	0.2
	<u>(571.6)</u>	<u>(2.4)</u>	<u>-</u>	<u>(574.0)</u>
Non-capital losses	43.8	(0.3)	-	43.5
Net deferred tax assets/(liabilities)	<u>\$ (527.8)</u>	<u>\$ (2.7)</u>	<u>\$ -</u>	<u>\$ (530.5)</u>
		<u>December 31, 2025</u>		<u>December 31, 2024</u>
Included in Financial Statements as:				
Deferred tax liabilities		\$ (600.6)		\$ (592.8)
Deferred tax assets		68.8		62.3
		<u>\$ (531.8)</u>		<u>\$ (530.5)</u>

The Company anticipates that its accumulated non-capital tax losses will be utilized prior to their expiration dates. As a result, the Company has recorded a deferred income tax asset in relation to these non-capital losses based on Management's assessment that it is probable that the tax benefit recognized will be utilized.

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13. INCOME TAX (continued)

	As at December 31	
	2025	2024
Amounts unused for which no deferred tax assets have been recognized are attributable to the following:		
Unused tax losses	\$ 19.6	\$ 19.6

The unrecognized tax losses that are capital in nature can be carried forward indefinitely.

14. 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	
	December 31, 2025	December 31, 2024	December 31, 2025	December 31, 2024
2025	\$ 3.5	\$ 5.5	\$ 3.3	\$ 5.3
2026	0.7	0.7	0.6	0.6
2027	0.7	0.4	0.7	0.3
2028	0.2	0.3	0.2	0.3
2029	0.1	0.2	0.1	0.2
2030 and thereafter	-	0.1	-	0.1
	5.2	7.2	4.9	6.8
Less future finance charges at rates varying between 0% to 9.29%	(0.3)	(0.4)		-
Present value of minimum lease payments	\$ 4.9	\$ 6.8	\$ 4.9	\$ 6.8
			December 31, 2025	December 31, 2024
Current portion of lease obligations			\$ 3.3	\$ 5.3
Non-current portion of lease obligations			1.6	1.5
			\$ 4.9	\$ 6.8

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15. 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 December 31, 2025 was \$11,403.4 (2024 - \$10,867.9) 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

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 December 31, 2025 was \$207.0 (2024 - \$210.7) which was determined by using a valuation technique which estimated future inflation of 1.9% (2024 – 1.9%) based on the BEIR and applied a nominal discount rate of 4.3% (2024 – 4.2%). During the twelve-month period ended December 31, 2025, the fair value of Senior Bonds, Series 04-A2 decreased by \$2.3 (2024 - \$5.5 increase) due to the change in the Company’s corporate spread. As at December 31, 2025, a 10 basis points decrease in the nominal discount rate would increase the fair value of Senior Bonds, Series 04-A2 by approximately \$1.5 (2024 - \$1.6).

Fair value hierarchy

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

	Assets Measured at Fair Value					
	As at December 31, 2025			As at December 31, 2024		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Financial assets measured at FVTPL						
Cash and cash equivalents	\$ 351.1	\$ -	\$ -	\$ 352.3	\$ -	\$ -
Restricted cash and investments	1,069.8	-	-	976.4	-	-
Total fair value	\$ 1,420.9	\$ -	\$ -	\$ 1,328.7	\$ -	\$ -
	Liabilities Measured at Fair Value					
	As at December 31, 2025			As at December 31, 2024		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Financial liabilities measured at FVTPL						
Senior Bonds, Series 04-A2	\$ -	\$ 207.0	\$ -	-	\$ 210.7	\$ -
Total fair value	\$ -	\$ 207.0	\$ -	\$ -	\$ 210.7	\$ -

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15. FINANCIAL INSTRUMENTS (continued)

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) 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 provide 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, 2024 and December 31, 2025.

There were no changes in the Company's approach to capital management during 2025.

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.

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15. FINANCIAL INSTRUMENTS (continued)

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 allowance for Lifetime ECL and revenue reserves are estimated based on prior experience, anticipated collection strategies and ultimate recovery of balances for which collection is uncertain.

At December 31, 2025, the Company had \$460.4 (2024 - \$401.5) in trade receivables net of revenue reserves that were greater than 90 days past due against which the Company has recorded an allowance for expected credit losses of \$276.8 (2024 - \$231.3). In accordance with the revenue recognition policy, toll revenues are recognized on the date trips are taken on Highway 407 ETR. Tolls and other charges are recorded in trade receivables as unbilled until invoiced.

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 Registrar through refusing to renew or issue vehicle licence plate permits until outstanding amounts are paid or settled 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 one year 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, 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.

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15. FINANCIAL INSTRUMENTS (continued)

An increase of 1 percent in the weighted-average provision rate would have increased the provision for Lifetime ECL by approximately \$20.1 (2024 - \$17.1) and decreased net income by approximately \$14.7 (2024 - \$12.5).

Interest Rate Risk

As at December 31, 2025, 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 \$4.2 (2024 - \$3.6) and net income by approximately \$3.1 (2024 - \$2.6).

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 CPI. An increase of 50 basis points in the CPI would have increased interest expense by approximately \$7.5 (2024- \$7.6), decreased net income by approximately \$5.5 (2024 - \$5.6) and increased debt service payments by approximately \$0.7 (2024 - \$0.9). 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 \$3.1 (2024 - \$3.5) and decreased net income by approximately \$2.3 (2024 - \$2.5). A decrease of 10 basis points in the BEIR would have reduced interest expense by approximately \$3.1 (2024 - \$3.4) and increased net income by approximately \$2.3 (2024 - \$2.5). 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 and restricted cash and investments are invested in highly-liquid interest-bearing investments.

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15. FINANCIAL INSTRUMENTS (continued)

The following are the commitments, contractual maturities and related interest obligations as at December 31, 2025:

	<u>Less than</u> <u>1 year</u>	<u>1 to 2</u> <u>years</u>	<u>2 to 3</u> <u>years</u>	<u>3 to 4</u> <u>years</u>	<u>4 to 5</u> <u>years</u>	<u>Beyond</u> <u>5 years</u>
Trade and other payables	\$ 151.8	\$ -	\$ -	\$ -	\$ -	\$ -
Contract liabilities	28.9	-	-	-	-	-
Lease obligations	3.3	0.6	0.7	0.2	0.1	-
Interest payments on lease obligations	0.2	0.1	-	-	-	-
Long-term debt	397.6	378.2	379.9	431.6	333.5	9,036.8
Derivative financial liability	14.9	14.9	14.9	14.9	14.9	134.4
Interest payments on long-term debt	474.0	448.2	433.8	424.7	392.2	5,200.4
	<u>\$ 1,070.7</u>	<u>\$ 842.0</u>	<u>\$ 829.3</u>	<u>\$ 871.4</u>	<u>\$ 740.7</u>	<u>\$ 14,371.6</u>

16. REVENUES

	2025	2024
Revenues		
Tolling	\$ 1,893.0	\$ 1,610.3
Fee	109.5	94.9
Contract	6.0	-
Total	\$ 2,008.5	\$ 1,705.2

17. EXPENSES

	2025	2024
Systems operations	\$ 70.4	\$ 63.8
Customer operations	134.1	96.4
Highway operations	37.1	30.4
General and administration	38.7	37.0
Schedule 22 payment	40.9	-
Contract costs	0.4	-
Operating expenses	321.6	227.6
Depreciation and amortization	109.9	106.0
Total	\$ 431.5	\$ 333.6

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

Customer operations include all costs to support the customer lifecycle including the Company's call centre, transponder distribution, billing and the collection of overdue accounts. Also included in customer operations is provision for Lifetime ECL.

Highway operations include costs to operate the highway such as structural, roadside and seasonal maintenance and police and road safety enforcement.

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17. EXPENSES (continued)

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

Schedule 22 Payment expense is due to certain Highway 407 ETR traffic levels not being met against annual minimum traffic thresholds for each of the 24 segments of the Highway, which escalate annually up to a prescribed lane capacity under Schedule 22 of the CGLA.

Contract expenses in related to the reconfiguration of the road-side tolling technology in connection with the removal of tolls on Highways 407.

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

Total expenses include employee salary and benefits of \$70.4 (2024 – \$58.6), of which \$2.0 (2024 - \$1.8) relate to short-term benefits of key management personnel. 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.

18. COMMITMENTS AND CONTINGENCIES

Future Commitments and Significant Operating Agreements

The Company has a licence for the continued use of the 407 Highway Toll System Licenced Technology until December 31, 2029. Under the terms of the renewal agreement, an annual fixed payment of \$1.1 will be required for the expert technical support and additional milestone payments will be required for licensed technology along with the purchase of certain toll equipment for the development of new and enhanced toll system products.

The Company has future commitments comprised of a service agreement for certain highway winter maintenance services requiring monthly payments.

The Company also entered into agreements with suppliers to provide enterprise software and services for its integrated automation system and to manage its telecommunications infrastructure requiring periodic payments.

Pursuant to the Tolling Services Agreement, the Company completed the de-tolling of Highway 407 on June 1, 2025, and the Tolling Services agreement was terminated on December 31, 2025.

As at December 31, 2025, payments under these agreements for the next five years are as follows:

Year:	2026	2027	2028	2029	2030 & thereafter
Amount:	\$64.3	\$33.9	\$31.4	\$28.9	\$62.0

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18. COMMITMENTS AND CONTINGENCIES (continued)

These commitments include \$118.1 for years 2026 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, which are prescribed by Schedule 22 and escalate annually up to a specified lane capacity. If the annual traffic level measurements are below the corresponding traffic thresholds, amounts calculated under Schedule 22 are payable to the Province in the following year (**Schedule 22 Payment**). The Schedule 22 Payments could be significant.

For the years 2020 to 2024 inclusive, the Company and the Province agreed that the COVID-19 pandemic was a Force Majeure event under the provisions of the CGLA, and therefore the Company was not subject to Schedule 22 Payments until the end of the Force Majeure event. The toll rate increase by 407 ETR effective February 1, 2024, terminated the Force Majeure event, such that the Company is subject to a Schedule 22 Payment for 2025.

19. CASH AND CASH EQUIVALENTS

	As at December 31	
	2025	2024
Cash and cash equivalents consist of:		
Cash	\$ 313.6	\$ 214.7
Government Promissory Notes	37.5	-
Government Treasury Bills	-	137.6
Total	\$ 351.1	\$ 352.3

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.

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20. SUPPLEMENTARY CASH FLOW INFORMATION

Net increase/(decrease) in financial liabilities:

	2025	2024
Long-term debt	\$ 690.5	\$ 500.4
Lease obligations	(1.9)	0.9
Accrued interest on long-term debt	11.7	7.4
	\$ 700.3	\$ 508.7

Cash and non-cash movements in financial liabilities:

Cash movements:

Proceeds from issuance of bonds in long-term debt	\$ 1,049.1	\$ 749.2
Proceeds from Credit Facilities in long-term debt	400.0	240.0
Repayment of bonds in long-term debt	(367.9)	(266.9)
Repayment of Credit Facilities in long-term debt	(400.0)	(240.0)
Interest paid	(495.8)	(463.7)
Debt issue costs paid	(7.4)	(6.0)
Repayment of lease obligations	(6.5)	(4.9)
	\$ 171.5	\$ 7.7

Non-cash movements:

Interest expense on long-term debt and credit facility	\$ 511.5	\$ 475.3
Interest expense - RRBs	16.5	15.3
Interest expense - Senior Bonds, Series 04-A2	(4.7)	(4.4)
Fair value adjustment - Senior Bonds, Series 04-A2	0.9	8.9
Increase in accrued financing charges	(0.1)	0.1
Leased equipment additions	4.7	5.8
	\$ 528.8	\$ 501.0

Total net change	\$ 700.3	\$ 508.7
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21. RELATED PARTY TRANSACTIONS

Transactions with related parties are measured at their exchange amounts, which is the consideration agreed to by the parties.

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	2025	2024
Cintra Servicios de Infraestructuras SA	Subsidiary of shareholder	Operating expenses	Administration services	\$ 1.3	\$ 1.4
Webber Infrastructure Management Canada Limited	Subsidiary of shareholder parent	Operating expenses	Highway maintenance services	\$ 4.7	\$ -
Webber Infrastructure Management Canada Limited	Subsidiary of shareholder parent	Property plant and equipment	Equipment lease	\$ 2.4	\$ -

Amounts owed to related parties were as follows:

Related Party	Relationship	Classification in the Financial Statements	As at December, 31	
			2025	2024
Cintra Servicios de Infraestructuras SA	Subsidiary of shareholder	Trade and other payables	\$ 0.3	\$ -
Webber Infrastructure Management Canada Limited	Subsidiary of shareholder parent	Trade and other payables	\$ 4.7	\$ -
Webber Infrastructure Management Canada Limited	Subsidiary of shareholder parent	Lease liability - current	\$ 2.4	\$ -

During the year ended December 31, 2025, the Company entered into a Next Pass Toll and Fee Remittance agreement with Cintra Digital Business Ventures LLC (CDBV), a subsidiary of Cintra Global S.E. The agreement was executed in December 2025 and commences on February 1, 2026. No income or expenses were recognized in the year ended December 31, 2025, in respect of this agreement, and no balances were owing to CDBV.

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.

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22. 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 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. Management attempts to limit its liability in respect of indemnifications provided to third parties in its contractual agreements.