

407 International Inc. Management's Discussion and Analysis



March 31, 2026



TABLE OF CONTENTS

Table of Contents.....	1
Forward-looking information	2
Non-IFRS Financial Measures	2
Company Background	3
Our Business	3
Select Key Financial and Traffic Results.....	5
Traffic Results	6
Schedule 22.....	6
Results of Operations	6
Statement of Financial Position Items.....	11
Liquidity and Capital Resources.....	12
Overview of Current Operations.....	15
Risks and Uncertainties	20
Accounting Matters	22
Related Party Transactions.....	23
Overall Outlook	24

The following is management's discussion and analysis dated April 30, 2026 (**MD&A**) of the consolidated financial condition and results of operations of 407 International Inc. and its subsidiaries (**Company**) for the three-month period ended March 31, 2026, otherwise referred to as the first quarter of 2026. The MD&A should be read in conjunction with the interim condensed consolidated financial statements of the Company and the related notes for the same period (**Financial Statements**) and the consolidated financial statements of the Company and the related notes for the years ended December 31, 2025 and 2024 as well as the management's discussion and analysis for the year ended December 31, 2025. Unless otherwise indicated, all financial information presented in the MD&A is in millions of Canadian dollars and is prepared in accordance with IFRS[®] Accounting Standards (**IFRS**) as issued by the International Accounting Standards Board. Additional information about the Company, including the Financial Statements and the Company's 2025 annual information form (**AIF**), dated February 18, 2026, can be accessed on **SEDAR+** ([sedarplus.ca](https://www.sedarplus.ca)) or the Company's website at [407etr.com](https://www.407etr.com). Information contained in or otherwise accessible through the websites referenced in the MD&A does not form part of the MD&A and is not incorporated by reference into the MD&A.

FORWARD-LOOKING INFORMATION

The MD&A includes statements about expected future events and financial and operating results that are forward-looking. Forward-looking statements may include words such as anticipate, believe, could, expect, goal, intend, may, outlook, plan, strive, target and will. These forward-looking statements, including those set out in the Outlook sections of the MD&A, reflect the internal projections, expectations, future growth, performance and business prospects and opportunities of the Company and are based on information currently available to the Company. Actual results and developments may differ materially from results and developments discussed in the forward-looking statements as they are subject to a number of risks and uncertainties discussed under the section entitled Risks and Uncertainties and are made based on certain assumptions including those relating to traffic and the operation and maintenance of Highway 407 ETR (see **Our Business**). These forward-looking statements are also subject to the risks described in the AIF under the heading Risk Factors. Readers are cautioned not to place undue reliance on the Company's forward-looking statements and assumptions as management of the Company (**Management**) cannot provide assurance that actual results or developments will be realized or, even if substantially realized, that they will have the expected consequences to, or effects on, the Company. These forward-looking statements are made as of April 30, 2026, the date of the MD&A, and are subject to change as a result of new information, future events or other circumstances, as discussed above, in which case they will be updated by the Company as required by law.

NON-IFRS FINANCIAL MEASURES

The MD&A contains certain non-IFRS Accounting Standards financial measures and ratios, including earnings before interest and other expenses, taxes, depreciation and amortization (**EBITDA**) and EBITDA as a percentage of revenues (**EBITDA Margin**). EBITDA and EBITDA Margin are not standardized financial measures under IFRS Accounting Standards, and readers are cautioned that EBITDA and EBITDA Margin should not be construed as an alternative to net income or net income as a percentage of revenues as an indicator of the Company's performance. The Company's method of calculating EBITDA and EBITDA Margin may differ from other companies' methods and may not be comparable to measures used by other companies. Management uses EBITDA and EBITDA Margin to assist in identifying underlying operating trends and they allow for a comparison of the Company's operating performance on a consistent basis. Readers may also use EBITDA and EBITDA Margin, among other financial measures, to assist in the valuation of the Company. A reconciliation of EBITDA to net income can be found under **Results of Operations – EBITDA**.

COMPANY BACKGROUND

407 International Inc. was incorporated on March 17, 1999 under the *Business Corporations Act* (Ontario) (**OBCA**) for the purpose of submitting a bid to the government of the Province of Ontario (**Province**) to acquire all of the issued and outstanding shares of 407 ETR Concession Company Limited (**407 ETR**). On May 5, 1999, the Company completed the acquisition of all of the issued and outstanding shares of 407 ETR. Currently, the principal business of the Company is the ownership of 407 ETR and, through 407 ETR, the operation, maintenance, management and expansion of Highway 407 ETR (see **Our Business**). On October 10, 2003, 407 International Inc. was continued under the *Canada Business Corporations Act* (**CBCA**).

407 International Inc. has two additional subsidiaries, Canadian Tolling Company International Inc. (**Cantoll**) and 14374304 Canada Inc. The registered address of the Company, and the head office of 407 ETR, are located at 6300 Steeles Avenue West, Woodbridge, Ontario, L4H 1J1.

On December 6, 2001, 2007466 Ontario Inc. was incorporated under the OBCA. On October 10, 2003, 2007466 Ontario Inc. was continued under the CBCA as Cantoll. Cantoll owns and is responsible for the development of the integrated automation systems, the implementation and management of road-side tolling technologies and back-office systems and transponder management. 14374304 Canada Inc. was incorporated under the CBCA on September 20, 2022 to assist in the implementation of the Company's tax planning strategies.

The Company is owned by Cintra Global S.E., a subsidiary of Ferrovial S.A. (48.29%), Canada Pension Plan Investment Board (**CPP Investments**) and other institutional investors with non-controlling interests (44.20%), and Public Sector Pension Investment Board (**PSP Investments**) (7.51%).

OUR BUSINESS

The Company, through its wholly-owned subsidiary 407 ETR, operates, maintains and owns the right to toll the world's first all-electronic, open-access toll highway, which is situated just north of Toronto and runs from Burlington to Pickering and consists of six, eight and 10-lane sections (expandable to eight and 10 lanes) from Highway 403 / Queen Elizabeth Way (**QEW**) in Burlington in the west, to Brock Road in Pickering in the east for a distance of 108 kilometres (**Highway 407 ETR**). The Company's mission is to serve the Greater Toronto and Hamilton Area (**GTA**) by providing customers with a fast, safe, reliable customer experience on and off the highway.

The Company's ability to create economic value depends largely on its ability to sustain revenue growth and to generate earnings and cash flows from operations growth by controlling the level of its operating expenditures while maintaining a safe highway and a high standard of customer service.

Revenue growth depends on the future demand for this alternate transportation route in the GTA and the levels of toll rates. Factors that could affect future demand include residential and commercial construction along the Highway 407 ETR corridor, the relative congestion of traditional alternative routes, such as Highway 401 and the QEW, and additional traffic from Highway 407. Future demand could also be affected by economic conditions such as shocks to the macroeconomic environment (changes in fuel prices, inflation, employment, general spending patterns and trends relating to work-from-home and remote work).

The Company's ability to remain profitable and improve cash flow from operating activities also depends largely upon other factors, such as its ability to finance operating and capital expenditures, interest to bondholders and income tax payments.



SELECT KEY FINANCIAL AND TRAFFIC RESULTS

Financial Results	Three months ended March 31			
	2026	2025	Change	
Revenues	491.8	410.0	81.8	20.0%
Expenses	116.2	115.5	0.7	0.6%
Interest and other expenses	114.2	105.6	8.6	8.1%
Income before tax	261.4	188.9	72.5	38.4%
Current income tax expense	68.4	50.2	18.2	36.3%
Deferred income tax expense	0.8	(0.2)	1.0	(500.0%)
Net Income	192.2	138.9	53.3	38.4%
EBITDA¹	402.8	321.1	81.7	25.4%
EBITDA Margin¹	81.9%	78.3%	-	3.6%
Traffic Results				
Traffic/Trips (in millions)²	25.9	24.2	1.7	7.1%
Average Revenue per Trip (\$) ³	18.90	16.81	2.1	12.4%
Vehicle Kilometres Travelled (VKTs) (in millions)⁴	567.5	524.3	43.2	8.2%
Average Workday Trips (in thousands)	339.9	317.7	22.2	7.0%
Number of Workdays	62.0	62.0	-	-
Average Trip Length (ATL) (kilometres) ⁵	21.9	21.7	0.2	0.9%
Unbillable Trips (percent) ⁶	2.9%	2.5%	-	0.4%
Transponder Penetration Rate (percent) ⁷	79.2%	80.4%	-	(1.2%)
Number of Transponders in Circulation at March 31 ⁸	2,034,872	1,929,422	105,450	5.5%

1. EBITDA and EBITDA Margin are non-IFRS measures.

2. Trips include trips relating to promotional driving offers and are measured during the reporting period based on the number of vehicle transactions recorded on Highway 407 ETR.

3. Average Revenue per Trip is calculated as total revenue less revenue from Highway 407 (as defined below in Fee Revenue) over total number of trips in the reporting period.

4. VKTs include VKTs relating to promotional driving offers and refer to the sum of distances travelled on Highway 407 ETR during the reporting period.

5. ATL is calculated as the total VKTs divided by the total number of trips in the reporting period.

6. Unbillable Trips represents the number of trips that were not billed divided by the number of trips in the reporting period. Unbillable Trips includes unreadable transactions where a licence plate image was not captured, trips taken by vehicles from jurisdictions in which 407 ETR is unable to bill and trips taken by certain toll-exempt vehicles (such as emergency and 407 ETR service vehicles and vehicles with diplomatic plates).

7. Transponder Penetration Rate is the ratio of transponder trips to total trips in the reporting period.

8. Transponders in Circulation are measured at the end of the reporting period based on the number of transponders registered to customers.

TRAFFIC RESULTS

Vehicle kilometres travelled (**VKTs**) during the first quarter of 2026, were higher compared to the same period in 2025 due to more driving offers to alleviate congestion across the GTA and an increase in mobility and rush hour commuting from a higher percentage of onsite employees, partially offset by unfavourable winter weather.

SCHEDULE 22

Under Schedule 22 of the Concession and Ground Lease Agreement, certain Highway 407 ETR traffic levels are measured against annual 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**).

At the end of each reporting period, Management prepares an estimate of the Schedule 22 Payment for the calendar year (**Schedule 22 Payment Estimate**). The Schedule 22 Payment expense for the first quarter of 2026 is determined by allocating the Schedule 22 Payment Estimate for 2026, on the basis of dividing the toll revenues of the first quarter of 2026 over the total estimated toll revenues for 2026. The Schedule 22 Payment expense for each quarter of 2026 will fluctuate due to the seasonal nature of the business.

RESULTS OF OPERATIONS

REVENUES

	Three months ended March 31			
	2026	2025	Change	
Toll Revenue	465.9	381.5	84.4	22.1%
Fee Revenue	24.2	28.5	(4.3)	(15.1%)
Contract Revenue	1.7	-	1.7	100.0%
Total Revenues	491.8	410.0	81.8	20.0%

TOLL REVENUE

Toll revenue includes: (a) toll rate charges which are determined by the classification of vehicle, time of day, distance, direction and zone travelled; (b) a camera charge which applies if a vehicle travels without a transponder, and (c) trip toll charge for all trips. Toll revenue is net of discounts relating to promotional driving offers.

A new toll rate and fee schedule came into effect on January 1, 2026.

Toll revenue for the first quarter of 2026, was higher compared to the same period in 2025, primarily due to higher toll rates effective January 1, 2026 and higher traffic volume.

For further details on the Company's toll rates, please visit 407etr.com.

FEE REVENUE

Fees include transponder lease fees, account fees relating to the maintenance and billing of non-transponder customer accounts, late payment charges, and enforcement fees for past due amounts sent to the Ontario Registrar of Motor Vehicles (**Registrar**) to refuse to renew or issue vehicle permits until outstanding amounts are paid or settled (**Licence Plate Denial**). Account fees are driven by the number of non-transponder customers that travel on Highway 407 ETR and are subject to seasonal fluctuation. Enforcement fees and late payment charges are applied to customers with overdue accounts.

Also included in fees are service fees related to tolling, billing and back-office services billed to the Province for Highway 407 under the **Tolling Services Agreement** (as described below). Highway 407 begins at the eastern terminus of Highway 407 ETR at Brock Road in Pickering and extends to Highways 35/115 (**Highway 407**). The Province maintains public ownership of Highway 407. The Province set tolls and received toll revenues for Highway 407 until June 1, 2025. The Company maintained the roadside tolling technology and provided tolling, billing and back-office services (**Tolling Services Agreement**) for Highway 407 until June 1, 2025. The operational aspect of the Tolling Services Agreement, which commenced in December 2015, had an initial term of 10 years. On May 13, 2025, the Province announced the permanent removal of tolls on Highway 407 effective June 1, 2025. The Tolling Services Agreement expired on December 31, 2025.

Fee revenue was lower for the first quarter of 2026 compared to the same period in 2025 due to the removal of tolls on Highway 407 resulting in the end of service fee revenue effective June 1, 2025.

CONTRACT REVENUE

Contract revenue earned in the first quarter of 2026 was for the reconfiguration of the road-side tolling technology related to the de-tolling of Highway 407.

REVENUE OUTLOOK

Management anticipates higher revenue in 2026 than 2025 due to higher traffic volumes and the new toll rate and fee schedule effective January 1, 2026.

EXPENSES

	Three months ended March 31			
	2026	2025	Change	
System Operations	20.5	17.2	3.3	19.2%
Customer Operations	34.3	24.6	9.7	39.4%
Highway Operations	16.7	12.1	4.6	38.0%
General and Administration	9.3	9.1	0.2	2.2%
Contract Costs	0.1	0.0	0.1	100.0%
Schedule 22 Payment	8.1	25.9	(17.8)	(68.7%)
Operating expenses	89.0	88.9	0.1	0.1%
Depreciation and Amortization	27.2	26.6	0.6	2.3%
Expenses	116.2	115.5	0.7	0.6%

System operations costs include costs for developing, operating and maintaining the Company's tolling system, office computer network and integrated automation systems. System operations costs were higher in the first quarter of 2026, compared to the same period in 2025 as a result of higher Cloud usage and investment in system enhancements to support customer loyalty and targeted customer engagement, as well as general inflationary increases across several software and support contracts.

Customer operations includes 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 expected credit loss (**Lifetime ECL**). Customer operations costs were higher in the first quarter of 2026, compared to the same period in 2025 as a result of a higher provision for Lifetime ECL for certain historical delinquent accounts. The Company continues to employ routine collection activities on all 407 ETR customers' accounts as their balances become overdue.

Highway operations include costs to operate the highway such as structural, roadside and seasonal maintenance and police and road safety enforcement. Seasonal maintenance such as snow plowing and salt application occurs in the first and fourth quarters of the year and most other repairs and maintenance take place in the second and third quarters of the year. Highway operations costs were higher in the first quarter of 2026 compared to the same period in 2025 mainly due to higher winter maintenance costs as a result of unfavourable weather conditions.

General and administration expenses include public relations, finance, administration, facilities, human resources, business process, legal, audit and executive costs. General and administration expenses were higher in the first quarter of 2026, compared to the same period in 2025 mainly due to higher sponsorship costs.

Contract expenses in the first quarter of 2026 was for the reconfiguration of the road-side tolling technology related to the de-tolling of Highway 407.

Schedule 22 Payment expense is to account for certain Highway 407 ETR traffic levels that are below the annual traffic thresholds. Schedule 22 Payment expense in the first quarter of 2026 was lower compared to the same period in 2025. The decrease is driven by more effective driving offers expected for 2026, which will result in a lower Schedule 22 Payment for 2026.

OPERATING EXPENSES OUTLOOK

Management anticipates higher traffic volumes and higher revenues in 2026 resulting in higher customer operations expenses compared to 2025. Management also anticipates higher general and administration costs due to price increases and higher system operations costs for technology modernization improvements. The Company will continue to incur a Schedule 22 Payment as the traffic levels of certain segments of Highway 407 ETR are expected to be below the annual traffic thresholds.

DEPRECIATION AND AMORTIZATION

Depreciation and amortization expenses in the first quarter of 2026 were higher compared to the same period in 2025 due to higher highway depreciation resulting from higher VKTs.

DEPRECIATION AND AMORTIZATION OUTLOOK

Management anticipates depreciation and amortization in 2026 to be higher compared to 2025 as a result of higher highway depreciation from an increase in traffic volumes.

INTEREST AND OTHER EXPENSES

	Three months ended March 31			
	2026	2025	Change	
Interest expense on Bonds and Credit Facilities	131.4	122.0	9.4	7.7%
Non-cash inflation component of:				
Interest recovery RRBs	(3.7)	(4.8)	1.1	22.9%
Interest recovery, Senior Bonds Series 04-A2	(4.4)	(4.8)	0.4	8.3%
Fair value adjustment recovery, Senior Bonds, Series 04-A2	2.1	6.0	(3.9)	(65.0%)
Total Interest Expense on Long-Term Debt	125.4	118.4	7.0	5.9%
Interest income on financial assets designated as FVTPL ¹	(8.8)	(12.9)	4.1	31.8%
Other expense	0.2	0.3	(0.1)	(33.3%)
Other income:				
Insurance proceeds	(2.4)		(2.4)	(100.0%)
Reclassification of gain and losses on cash flow hedges	(0.2)	(0.2)	-	-
Total Interest and Other Expenses	114.2	105.6	8.6	8.1%

¹ Fair Value Through Profit or Loss

INTEREST EXPENSE ON BONDS AND CREDIT FACILITIES

Interest expense on the Company's senior bonds was higher in the first quarter of 2026 compared to the same period in 2025 primarily due to interest expense on the issuance of \$300.0 million of Senior Bonds, Series 25-A2 and interest expense on the issuance of \$400.0 million of Senior Bonds, Series 25-A3, both on October 3, 2025 as additional leverage. Interest expense on the Syndicated Credit Facility (as defined below) was higher in the first quarter due to drawdowns on the facility. The interest expense on the Company's junior bonds and subordinated bonds in the first quarter of 2026, was comparable with the same period in 2025.

NON-CASH INFLATION COMPONENT OF INTEREST EXPENSE

During the first quarter of 2026, the non-cash inflation component of the Senior Bonds, Series 99-A6 and Series 99-A7 (together, with Senior Bonds, Series 00-A2, the Real Return Bonds or **RRBs**) was unfavourable and the non-cash accretion on Senior Bonds, Series 04-A2 was favourable compared to the same period in 2025, in each case, mainly due to a lower decrease in the consumer price index (**CPI**) level.

FAIR VALUE ADJUSTMENT, SENIOR BONDS, SERIES 04-A2

The non-cash fair value adjustment to Senior Bonds, Series 04-A2 was favourable in the first quarter of 2026, compared to the same period in 2025. The non-cash fair value adjustment expense for the first quarter of 2026 was primarily due to an increase in the break-even inflation rate (**BEIR**) partially offset by an increase in the nominal discount rate.

INTEREST INCOME ON FINANCIAL ASSETS

Interest income from cash balances and investments was lower in the first quarter of 2026, compared to the same period in 2025, due to lower interest yields on investments and cash balances.

INTEREST AND OTHER EXPENSES OUTLOOK

Except for interest income, the non-cash inflation compensation component of interest expense relating to the RRBs and Senior Bonds, Series 04-A2 and the non-cash fair value adjustment on Senior Bonds, Series 04-A2, the Company expects interest expense on long-term debt for 2026 to be higher than 2025 due to the full year impact of additional leverage issued in 2025, as well as additional leverage to be issued in 2026. The Company expects 2026 interest income to be lower than 2025 due to a lower interest rate environment in 2026.

INCOME TAXES

The combined annual current and deferred effective tax rate is 26.5% in 2026, which is comparable to the prior year. Current income tax expense was higher in the first quarter of 2026, compared to the same period in 2025 primarily due to higher earnings before taxes. Deferred income tax expense for 2026 is lower compared to 2025 due to lower taxable temporary differences.

With the exception of the non-cash inflation compensation component of interest expense relating to the RRBs and Senior Bonds, Series 04-A2 and the non-cash fair value adjustment on Senior Bonds, Series 04-A2, the Company expects higher income tax expense due to higher earnings before taxes anticipated in 2026.

NET INCOME

During the first quarter of 2026, the Company recorded net income of \$192.2 million representing an increase of \$53.3 million or 38.4%, compared to \$138.9 million for the same period in 2025 mainly due to higher revenues resulting from higher traffic volumes and higher toll rates. These favourable amounts were offset by higher expenses, interest and other expenses and income taxes.

EBITDA

	Three months ended March 31			
	2026	2025	Change	
Net Income	192.2	138.9	53.3	38.4%
Add: Current income tax expense	68.4	50.2	18.2	36.3%
Add: Deferred income tax expense	0.8	(0.2)	1.0	500.0%
Add: Interest and other expenses	114.2	105.6	8.6	8.1%
Add: Depreciation and Amortization	27.2	26.6	0.6	2.3%
EBITDA	402.8	321.1	81.7	25.4%
EBITDA Margin	81.9%	78.3%		3.6%

EBITDA Margin⁽¹⁾ increased in the first quarter of 2026 as a result of higher revenues.

⁽¹⁾EBITDA and EBITDA Margin are non-IFRS Accounting Standards measures.

SUMMARY OF QUARTERLY RESULTS

Net Income and Net Income per Share (In \$ Millions, except per share amounts)	2026		2025			2024		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Revenues	491.8	497.1	577.9	523.5	410.0	438.0	487.1	450.3
Operating Expenses	89.0	93.0	60.1	79.6	88.9	68.2	56.1	52.7
Depreciation and amortization	27.2	27.9	28.3	27.1	26.6	27.3	26.6	24.7
Interest and other expenses	114.2	114.1	125.3	127.3	105.6	107.9	115.1	117.6
Income tax expenses	69.2	70.2	96.4	77.6	50.0	62.2	77.0	68.0
Net income	192.2	191.9	267.8	211.9	138.9	172.4	212.3	187.3
Net income per share (basic and diluted)	0.248	0.248	0.346	0.273	0.179	0.222	0.274	0.242

Toll and fee revenues are subject to seasonal fluctuations that may materially impact quarter-to-quarter financial results. As a result, one quarter's revenues are not necessarily indicative of another quarter's revenues. Seasonal and other trends affecting the Company's revenues include factors such as economic activity, recreational travel, weather conditions, pricing structure, fuel prices, trends related to work-from-home and remote work and traffic volumes on neighbouring infrastructure. In particular, this seasonality generally results in relatively lower revenues during the first and fourth quarter, and relatively higher levels of toll and fee revenues in the remaining quarters. Interest expense on the RRBs and Senior Bonds, Series 04-A2 is calculated based on changes in CPI; as such, interest expense in respect of the RRBs and Senior Bonds, Series 04-A2 will fluctuate due to the volatility of CPI.

STATEMENT OF FINANCIAL POSITION ITEMS

	As at March 31 2026	As at December 31 2025	Change
Total Current Assets	1,490.9	1,198.0	292.9
Total Non-Current Assets	4,581.2	4,624.2	(43.0)
Total Current Liabilities	816.4	728.3	88.1
Total Non-Current Liabilities	11,953.1	11,983.3	(30.2)
Total Shareholders' Deficit	(6,697.4)	(6,889.4)	192.0

Total current assets are comprised of cash and cash equivalents, restricted cash and investments, and trade receivables and other. The increase in current assets as at March 31, 2026 compared to December 31, 2025 was primarily due to an increase in cash and cash equivalents mainly from cash receipts, drawdown on the credit facility, increase in trade receivables and other, and increase in current restricted cash and investments.

Total non-current assets are comprised of restricted cash and investments, other receivables, deferred tax assets, intangible assets and property, plant and equipment. Non-current assets as at March 31, 2026 were lower compared to the balance as at December 31, 2025, mainly due to lower intangible assets and lower property, plant and equipment partially offset by an increase in the long-term restricted cash and investments.

Total current liabilities are comprised of trade and other payables, contract liabilities, lease obligations, accrued interest on long-term debt and the current portion of long-term debt. The increase in current liabilities as at March 31, 2026 compared to

December 31, 2025 was mainly due to the drawdown on the Syndicated Credit facility coupled with an increase in contract liabilities partially offset by a decrease in trade and other payables and current portion of lease obligations.

Total non-current liabilities are comprised of lease obligations, deferred tax liabilities and long-term debt. The decrease in long-term debt as at March 31, 2026 compared to December 31, 2025 was due to the recovery in the non-cash inflation compensation component on the RRBs due to a decrease in inflation and reclassification of the next principal component of certain bonds that will become payable within the next 12 months, from non-current liabilities to current liabilities. These decreases were partially offset by an increase in the non-cash fair value adjustment expenses on Senior Bonds, Series 04-A2.

The Company's share capital and contributed surplus remained unchanged as at March 31, 2026, at \$775.0 million (775,000,003 common shares issued and outstanding) and \$29.6 million, respectively, compared to December 31, 2025.

LIQUIDITY AND CAPITAL RESOURCES

	Three months ended March 31		
	2026	2025	Change
Cash flows from operating activities			
Receipts from customers	480.2	437.8	42.4
Payments to suppliers and employees	(65.3)	(52.0)	(13.3)
Cash generated from operations	414.9	385.8	29.1
Interest received	9.5	12.9	(3.4)
Interest paid	(125.2)	(117.3)	(7.9)
Income tax paid	(115.0)	(113.3)	(1.7)
	184.2	168.1	16.1
Cash flows from investing activities			
Additions to property, plant and equipment	(12.2)	(9.1)	(3.1)
Restricted cash and investments	(14.2)	(360.9)	346.7
Non-trade receivables and other	(0.2)	2.2	(2.4)
	(26.6)	(367.8)	341.2
Cash flows from financing activities			
Proceeds from long-term debt and credit facility	100.0	349.5	(249.5)
Debt issue costs	(0.1)	(1.8)	1.7
Repayment of long-term debt and credit facility	(4.4)	(4.1)	(0.3)
Repayment of lease obligations	(2.7)	(2.4)	(0.3)
	92.8	341.2	(248.4)
Increase in cash and cash equivalents	250.4	141.5	108.9
Cash and cash equivalents, beginning of period	351.1	352.3	(1.2)
Cash and cash equivalents, end of period	601.5	493.8	107.7

Cash and cash equivalents consist of cash, government treasury bills and provincial promissory notes with maturities of three months or less and are used for working capital and other general corporate purposes.

CASH FLOWS GENERATED FROM OPERATING ACTIVITIES

Cash flows generated from operating activities increased in the first quarter of 2026, compared to the same period in 2025, mainly due to higher cash receipts resulting from higher operating revenues and timing of cash receipts from customers. These cash inflows were partially offset by higher corporate income tax payments mainly due to higher earnings before taxes and payment relating to the prior year, higher cash payments for operating expenses mainly due to higher operating expenses and timing of payments and higher interest payments on the Company's debt due to additional debt issued in the prior year coupled with refinancing of some existing debt at a higher coupon rate. In addition, interest income received from investments and cash balances was lower due to lower interest yield on investments and cash balances.

CASH FLOWS USED IN INVESTING ACTIVITIES

Cash flows used in investing activities during the first quarter of 2026, was \$26.6 million. The increase in restricted cash and investments in the first quarter of 2026 was lower compared to the same period in 2025 mainly due to the establishment of a refunding bond fund partially offset by an increase in debt service contributions due to additional leverage. Additions to property, plant and equipment and intangibles during the first quarter of 2026, were slightly higher in the current year compared to the same period in 2025. There was an increase in non-trade receivables in the first quarter of 2026, compared to a decrease in the same period in 2025.

CASH FLOWS USED IN FINANCING ACTIVITIES

Cash flows generated from financing activities in the first quarter of 2026, amounted to \$92.8 million. During the first quarter of 2026, the Company made drawings on the Syndicated Credit Facility which were partially offset by a higher serial debt repayment and higher payments under finance leases compared to the same period in 2025.

LIQUIDITY OUTLOOK

The Company expects to maintain sufficient liquidity and to generate cash from operations to meet all of its ongoing obligations and to pay dividends to its shareholders, as and when determined by the board of directors of the Company (**Board**). The Company expects to gradually increase debt, while maintaining existing credit ratings on all debt obligations and being in compliance with the terms of 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 additional debt, when incurred, will be used to fund operating and capital expenditures, to pay interest to debtholders, and to pay income tax while maintaining sufficient debt service coverage ratios.

OTHER LIQUIDITY INFORMATION

Certain Events of Default under the Indenture would allow bondholders to declare the bonds to be immediately payable. These Events of Default are described in the Company's AIF available at **SEDAR+** ([sedarplus.ca](https://www.sedarplus.ca))

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

Financial instruments used by the Company consist of cash and cash equivalents, restricted cash and investments, trade receivables and other, trade and other payables, long-term debt and derivative financial instruments.

RESTRICTED CASH AND INVESTMENTS

Restricted cash and investments are required to be maintained in reserve accounts under the Indenture and various supplemental indentures for the benefit of the bondholders and a segregated funds account pursuant to the Tolling Services Agreement between Cantoll and the Province. Restricted cash and investments consist of cash, bankers' acceptance notes, bank bonds, guaranteed investment certificates, floating rate notes, treasury bills and provincial promissory notes with, from time to time, both short-term and long-term maturities.

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 million. 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, plus an applicable fixed margin. The Company paid an upfront fee in respect of the Syndicated Credit Facility and is also obligated to pay a commitment fee, calculated on the undrawn portion of the Syndicated Credit Facility.

As at March 31, 2026, the Company had drawn of \$100.0 million (\$nil as at December 31, 2025), under the Syndicated Credit Facility. On April 7, 2026, the Company repaid this outstanding balance.

LONG-TERM DEBT

Long-term debt was used to finance the acquisition of Highway 407 ETR from the Province and to finance the construction of Highway 407 ETR extensions, deferred interchanges, widening projects, operating and capital expenditures, interest to bondholders, corporate income tax payments and other general corporate purposes.

DERIVATIVE FINANCIAL INSTRUMENT

Senior Bonds, Series 04-A2 is a derivative financial instrument and is reported at fair value. The Company is obligated to make semi-annual cash payments to the holders of Senior Bonds, Series 04-A2 (consisting of principal and interest), determined by the product of \$13.0 million and the applicable CPI at the time of payment divided by the applicable CPI at time of issue.

EARNINGS COVERAGE

Earnings coverage is calculated as income before income tax expenses and interest expense on long-term debt less interest expense on long-term debt. Earnings coverage ratio is income before income tax expenses and interest expense on long-term debt, divided by interest expense on long-term debt. Earnings coverage and earnings coverage ratio are provided pursuant to and in compliance with National Instrument 44-102 *Shelf Distributions* of the Canadian Securities Administrators.

	Twelve month period ended March 31			
	2026	2025	Change	
Income before income tax expenses and interest expense on long-term debt	1,708.4	1,479.6	228.8	15.5%
Interest expense on long-term debt	531.2	511.5	19.7	3.9%
Earnings Coverage	1,177.2	968.1	209.1	21.6%
Earnings Coverage Ratio	3.22X	2.89X		

The Company's earnings coverage ratio is different from the Company's debt service coverage ratio under the Indenture.

OVERVIEW OF CURRENT OPERATIONS

CONSTRUCTION



The Company makes improvements to Highway 407 ETR as needed through construction projects designed to increase capacity and improve traffic flow and customer convenience, including investments in adding new lanes, as required. The Company also regularly undertakes various rehabilitation initiatives designed to improve and replace existing elements of Highway 407 ETR infrastructure to continue to provide customers with fast, safe and reliable travel.



In the first quarter of 2026, the Company continued to advance its technology modernization strategy, building on the strong infrastructure foundation established in 2025. A detailed integrated delivery plan for 2026 was finalized, supporting the coordinated execution of key strategic initiatives. These initiatives are intended to modernize core systems, strengthen data and analytics capabilities, and enable continued business growth. During the quarter, the Company also progressed work to establish a technology risk index to further enhance oversight of technology risk and resilience.

CUSTOMER SERVICE



The Company prides itself on delivering a world class experience on and off the roadway. When it comes to customer service channels, the Company provides convenient self-service options for payments and updates through its website, interactive voice response automated telephone attendant, and text or email. Over 83% of the Company's customers are currently set up with paperless billing, which helps to facilitate better account management and lower costs.

The Company's customer service representatives answer calls while the digital support specialists facilitate the live artificial intelligence (AI) chatbot conversations with customers and the general public. Digital contacts through the first quarter of 2026 remained relatively consistent at 34% compared to the same period in 2025.



In March 2026, 407 ETR announced a \$7.5 million commitment over seven years to support the School of Medicine at Toronto Metropolitan University (TMU), representing the Company’s largest philanthropic investment to date. The funding is helping shape TMU’s state-of-the-art teaching facilities in Brampton and is helping drive forward solutions to Peel Region’s critical shortage of family physicians. In recognition of the historic investment, the clinic was named the TMU Integrated Health Centre supported by 407 ETR. Located in TMU’s Brampton medical school campus, the TMU Integrated Health Centre supported by 407 ETR is directly connected to the School of Medicine and serves as a primary site for experiential learning while expanding access to team-based primary care in one of Ontario’s fastest-growing regions. This initiative aligns with the Company’s ongoing commitment to supporting healthier, more connected communities across the GTA.

407 ETR was also a proud sponsor of the Little Native Hockey League (LNHL) tournament in Markham for the third consecutive year. This year, the Company donated \$230,000 in cash and in-kind travel. The LNHL tournament is among Ontario’s largest Indigenous youth sporting events and promotes engagement, community and physical wellness.



As part of its first quarter 2026 update, the Company is pleased to reflect on some of its ESG performance delivered in 2025.

The Company exceeded its annual greenhouse gas (**GHG**) reduction target by achieving a 17% reduction in its Scope 1 and 2 absolute emissions against its annual target of 16% for 2025. This aligns with its climate goal of achieving a target of 25% reduction in its emissions by 2030 against its 2018 baseline. This performance demonstrates the effectiveness of the Company's GHG emissions reduction roadmap and strategies amidst severe winter conditions experienced in 2025.

The Company's environmental stewardship was also advanced through investment in its biodiversity strategy. In 2025, the Company planted 30,000 trees across 15 hectares through equal partnerships with Trees for Life and York Region — enhancing canopy cover and habitat diversity of native species across the right of way. It is currently also conducting a biometric pilot project, under its Biodiversity program, using moths to biologically control phragmites in two test areas on the highway. This aims to reduce dependencies on herbicides in the elimination of the invasive species. The Company also established a Biodiversity committee to coordinate and drive its biodiversity strategy and initiatives.

The Company's commitment to safety remains unwavering. In 2025, the Company achieved a 0.00 Lost Time Injury Rate (**LTIR**) and its Total Recordable Injury Rate reduced by 36%, year-on-year, to achieve 1.23. This underscores the Company's safety-first culture, proactive risk management, and ongoing employee training programs. Maintaining a safe and healthy workplace continues to be foundational to the Company's operational strategy.

The Company met all the annual performance targets of the 3 KPIs in its Syndicated Credit Facility. These KPI's include employee health and safety, Board diversity and GHG Emissions Reduction.

The Company plans to publish its 2025 ESG Report during the second quarter of 2026, which will provide more details on its ESG efforts in 2025.

RISKS AND UNCERTAINTIES

The risks and uncertainties and risk management practices of the Company, including risks related to toll revenues, operations and maintenance, information technology, and climate change are described in the AIF available at ` **SEDAR+** ([sedarplus.ca](https://www.sedarplus.ca))

CREDIT RISK

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

The Company is exposed to credit loss in the event of non-performance by counterparties to derivative instruments that have a positive fair value, cash and cash equivalents, short-term investments and restricted cash and investments. The Company manages this risk by dealing with reputable organizations having high-quality credit ratings from independent credit rating agencies. The Board sets exposure limits and these are monitored on an ongoing 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 is estimated based on prior experience, anticipated collection strategies and ultimate recovery of balances for which collection is uncertain.

At March 31, 2026, the Company had \$447.2 million (2025 - \$460.4 million) 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 \$296.8 million (2025 - \$276.8 million).

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 Licence Plate Denial as well as Management's expectation of success rates for collection through collection agencies and legal proceedings. When a licence plate associated with a customer's unpaid 407 ETR account becomes unattached from the vehicle or expired, the Registrar is required to refuse to renew another single vehicle permit issued to the same customer or issue a vehicle permit to that customer. The legislation affording 407 ETR the right to Licence Plate Denial requires that a series of notices be sent to customers with delinquent accounts. This process takes a minimum of 150 days from the date an invoice is sent until a customer is subject to Licence Plate Denial, followed by up to one year before a customer's licence plate is subject to renewal. The Licence Plate Denial process, together with other collection strategies, are used for 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 receivables balances as Management continues to monitor the collection of outstanding 407 ETR charges.

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 where 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 allowance for Lifetime ECL.

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

impaired. An increase of 1 percent in the weighted-average provision rate would have increased the provision for Lifetime ECL by approximately \$4.9 million (2025 - \$4.1 million) and decreased net income by approximately \$3.6 million (2025 - \$3.0 million) for the three month period ended March 31, 2026.

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 seeks to maintain 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.

The following are the Company's commitments, contractual maturities and related interest obligations as at March 31, 2026:

	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	122.6	-	-	-	-	-
Contract liabilities	44.2	-	-	-	-	-
Lease obligations	0.8	0.8	0.5	0.2	0.1	-
Interest payments on lease obligations	0.1	0.1	-	-	-	-
Long-term debt	747.2	378.5	30.2	732.0	33.9	9,029.6
Derivative financial liability	14.9	14.9	14.9	14.9	14.9	126.4
Interest payments on long-term debt	473.5	447.5	426.0	411.3	387.0	5,109.7
	1,403.3	841.8	471.6	1,158.4	435.9	14,265.7

Interest payments on long-term debt and lease obligations are funded by proceeds from long-term debt and the Company's cash generated from operations.

DEBT RATING RISK

The Company seeks to maintain an appropriate debt rating to ensure access to capital on commercially reasonable terms to finance its operating and capital expenditures and interest payments to bondholders, provide an appropriate investment return to its shareholders and refinance its existing indebtedness without, in each case, exceeding its debt capacity or resulting in a downgrade to the credit ratings assigned to its existing indebtedness. The Company's ability to do so depends upon a number of factors, including, among other things, market conditions, rating agencies' criteria and the Company's debt structure. To control this risk, Management is focused on maintaining an optimal level of liquidity through maximizing cash flows by actively pursuing the collection of its trade receivables and by controlling operating and capital expenditures.

INTEREST RATE RISK

As at March 31, 2026, 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 the Company's 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 \$1.0 million (2025 - \$0.9 million) and net income by approximately \$0.7 million (2025 - \$0.7 million) for the first quarter of 2026.

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 million (2025 - \$7.5 million), decreased net income by approximately \$5.5 million (2025 - \$5.5 million) and increased debt service payments by approximately \$0.1 million (2025 - \$nil) for the first quarter of 2026. 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 \$3.0 million (2025 - \$3.4 million) and decreased net income by approximately \$2.2 million (2025 - \$2.5 million) for the first quarter of 2026. A decrease of 10 basis points in the BEIR would have reduced interest expense by approximately \$3.0 million (2025 - \$3.4 million) and increased net income by approximately \$2.2 million (2025 - \$2.5 million) for the first quarter of 2026. This inflation risk is partially mitigated by the Company's ability to increase toll rates.

ACCOUNTING MATTERS

ACCOUNTING POLICIES

The Financial Statements are prepared in accordance with IFRS Accounting Standards. The Company has identified the accounting policies and estimates that are critical to the understanding of the Company's operations and financial results, which have been disclosed in the Financial Statements.

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)

In May 2024, the IASB issued Amendments to IFRS 9 and IFRS 7 which became effective beginning January 1, 2026. The standard has been adopted and there is no material impact on the Financial Statements. 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.

FUTURE CHANGES IN 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 is finalizing 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.

CRITICAL ACCOUNTING ESTIMATES

The preparation of the Financial Statements in conformity with IFRS Accounting Standards 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 notes accompanying the Financial Statements. Judgement is commonly used in determining whether a balance or transaction should be recognized in the 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. These estimates and associated assumptions are based on experience and other factors that are considered relevant. Actual results could differ materially from these estimates.

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	Three month period ended March 31	
				2026	2025
Cintra Servicios de Infraestructuras SA	Subsidiary of shareholder	Operating expenses	Administration services	\$ 0.2	\$ 0.2
Webber Infrastructure Management Canada Limited	Subsidiary of shareholder parent	Operating expenses	Highway maintenance services	\$ 10.0	\$ -

Amounts owed to related parties were as follows:

Related Party	Relationship	Classification in the Financial Statements	As at	
			March 31 2026	December 31 2025
Cintra Servicios de Infraestructuras SA	Subsidiary of shareholder	Trade and other payables	\$ 0.3	\$ 0.3
Webber Infraestructure Management Canada Limited	Subsidiary of shareholder parent	Trade and other payables	\$ 6.5	\$ 4.7
Webber Infraestructure Management Canada Limited	Subsidiary of shareholder parent	Lease liability - current	\$ -	\$ 2.4

The Company has future commitments comprised of a winter maintenance contract for \$109.9 million for years 2026 through 2033 to a related party, Webber Infraestructure Management Canada Limited, a subsidiary of a shareholder parent company.

The Company entered into a Next Pass Toll and Fee Remittance Agreement for billing services for out of province customers with Cintra Digital Business Ventures LLC (**CDBV**), a subsidiary of Cintra Global S.E. The agreement commenced on February 1, 2026. No income or expenses were recognized in the three month period ended March 31, 2026 in respect of this agreement, and no balances were owing to CDBV.

Total expenses include employee salary and benefits of \$18.3 million (2025 – \$17.6 million), of which \$0.5 million (2025 - \$0.5 million) relate to short-term benefits of key management personnel for the three month period ended March 31, 2026. 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.

OVERALL OUTLOOK

The outlook for 2026 is positive with revenue growth driven by higher traffic volumes and higher toll rates and fees. The Company is focused on driving traffic growth and easing congestion on alternate routes across the region. The Company plans to send at least 1.8 million drivers an offer each month which will help increase traffic during times and sections of the highway that can accommodate more vehicles. At the same time, the Company is launching a new loyalty program in 2026 and will strengthen its social licence to operate through greater investments in surrounding communities. The Company is also focused on managing expenses, while maintaining a high level of customer satisfaction and achieving efficiencies throughout the organization. As a result, 2026 earnings before income tax expense and interest expense are expected to be higher than 2025.