407 International Inc.

Management Discussion and Analysis

December 31, 2022

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Management's Discussion and Analysis

The following is a discussion of the consolidated financial condition and results of operations of 407 International Inc. and its subsidiaries (the "Company") for the years ended December 31, 2022 and 2021 (the "MD&A"). The MD&A should be read in conjunction with the Consolidated Financial Statements of the Company and the notes thereto for the years ended December 31, 2022 and 2021 (the "Financial Statements"). The Financial Statements were prepared in accordance International Financial Reporting Standards ("IFRS"). All amounts in the Financial Statements and the MD&A are shown in millions of Canadian dollars unless otherwise indicated. Additional information relating to the Company, including the Company's 2022 Annual Information Form dated February 16, 2023 (the "AIF"), can also be accessed on the System for Electronic Document Analysis and Retrieval (SEDAR) (www.sedar.com).

Forward-Looking Statements

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 (as defined below) and those relating to the novel coronavirus ("COVID-19") pandemic. 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 February 16, 2023, 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

Earnings Before Interest and Other, Taxes, Depreciation and Amortization ("EBITDA") is not a standardized financial measure under IFRS and investors are cautioned that EBITDA should not be construed as an alternative to net income (loss) as an indicator of the Company's performance. The Company's method of calculating EBITDA may differ from other companies' methods and may not be comparable to measures used by other companies. Management uses EBITDA to assist in identifying underlying operating trends and it allows for a comparison of the Company's operating performance on a consistent basis. Investors may also use EBITDA, among other financial measures, to assist in the valuation of the Company.

Corporate Background

407 International Inc. was incorporated on March 17, 1999 under the *Business Corporations Act* (Ontario) (the "OBCA"). The Company was established for the purpose of submitting a bid to the government of the Province of Ontario (the "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" section below). On October 10, 2003, the Company was continued under the *Canada Business Corporations Act* (the "CBCA").

On December 6, 2001, 2007466 Ontario Inc. was incorporated under the OBCA. On October 10, 2003, 2007466 Ontario Inc. was continued under the CBCA under the name Canadian Tolling Company International Inc. ("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. 11783378 Canada Inc. ("11783378 Inc.") and 14374304 Canada Inc. ("14374304 Inc.") were incorporated under the CBCA on December 11, 2019 and September 20, 2022, respectively, to assist in the implementation of the Company's tax planning strategies.

The Company has no direct or indirect subsidiaries other than 407 ETR, Cantoll, 11783378 Inc. and 14374304 Inc. The registered and principal executive office of the Company, and the head office of 407 ETR, are located at 6300 Steeles Avenue West, Woodbridge, Ontario, L4H 1J1.

The current shareholders of the Company are Cintra 4352238 Investments Inc., a wholly-owned subsidiary of Cintra Global S.E. ("Cintra"); MICI Inc., 7577702 Canada Inc., Ramp Canada Roads LP and CPPIB Ramp Canada Roads Inc., subsidiaries of Canada Pension Plan Investment Board ("CPPIB"), also known as CPP Investments, and SNC-Lavalin Highway Holdings Inc., a wholly-owned subsidiary of SNC-Lavalin Group Inc.

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 ("Highway 407 ETR"). The Company's mission is to serve the Greater Toronto and Hamilton Area (the "GTA") by providing customers a fast, safe, reliable customer experience on and off the highway. Highway 407 ETR consists of six, eight and ten-lane sections (expandable to eight and ten 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.

The Company, through its wholly-owned subsidiary Cantoll, is also responsible for the development and operation of its integrated automation systems and the implementation and management of roadside tolling technologies and back-office systems.

The Company's ability to create economic value depends largely on its ability to sustain revenue growth as well as 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 mostly on the future demand for this alternate transportation route in the GTA and the levels of toll rates. The Company has continued to expand Highway 407 ETR to meet increasing demand and maintain a congestion-free experience for customers. 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, the addition of lanes on Highway 407 ETR and additional traffic resulting from the opening of Highway 407 (as defined below), which begins at the eastern terminus of Highway 407 ETR and runs from Pickering to Oshawa. Future demand could also be affected by economic conditions such as shocks to the macroeconomic environment (changes in fuel prices, inflation, employment and general spending patterns), including the measures taken in respect of the COVID-19 pandemic.

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 widen Highway 407 ETR and the availability of funds on commercially reasonable terms to finance such expansions as well as its ability to finance operating and capital expenditures, interest to bondholders and income tax payments. As traffic volumes recover from the impact of the COVID-19 pandemic, Management is confident as to the Company's ability to access sufficient financial resources to finance such future amounts on commercially reasonable terms.

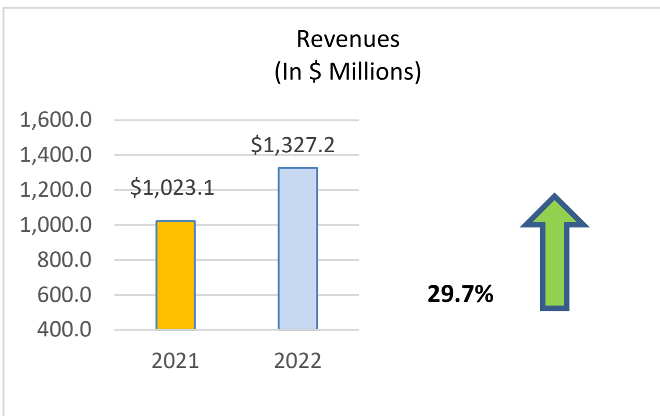
COVID-19 Pandemic

Traffic volumes gradually increased during 2022 following the removal of all COVID-19 related restrictions by the Province in early 2022 as compared to the same period in 2021 when various provincial restrictions were in effect. Despite lower revenues compared to the pre-pandemic levels, the Company maintained sufficient liquidity to satisfy all of its financial obligations during 2022. Management continues to monitor the traffic recovery and does not believe it will have a long-term impact on the financial condition of the Company.

Annual Financial Highlights

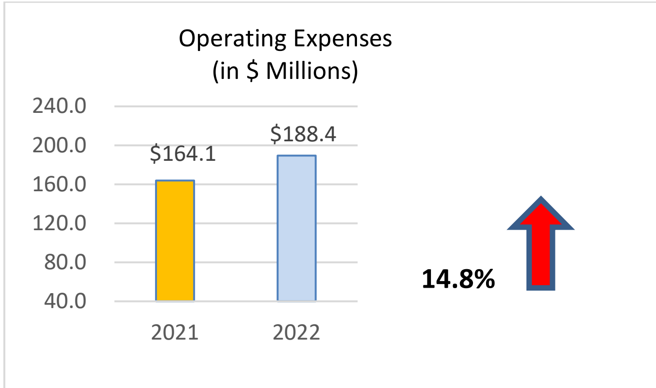
(In $Millions, except per share amounts)	Selected Financial Information		
	2022	**2021**	**2020**
Revenues	1,327.2	1,023.1	908.6
Operating Expenses	188.4	164.1	168.7
EBITDA	1,138.8	859.0	739.9
Depreciation and Amortization	100.0	102.2	97.4
Interest and Other Expenses	447.0	465.4	441.1
Income Tax Expense	156.5	79.0	53.4
Net Income	**435.3**	**212.4**	**148.0**
Dividend paid	750.0	600.0	562.5
Dividend per share	0.968	0.774	0.726
	As at December 31, 2022	**As at December 31, 2021**	**As at December 31, 2020**
Total Current Assets	883.0	766.6	1,054.5
Total Non-current Assets	4,565.1	4,574.1	4,597.9
Total Current Liabilities	215.7	514.0	201.2
Total Non-current Liabilities	10,639.4	9,918.2	10,154.4

Revenues



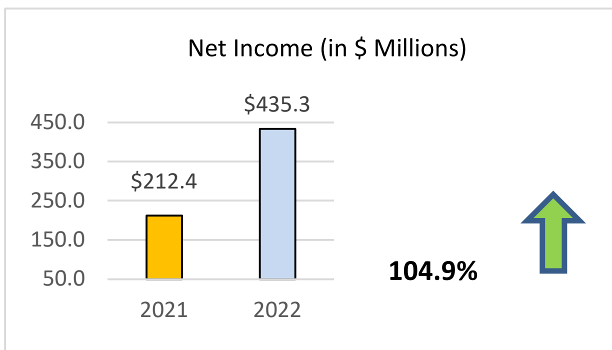
Total revenues were 29.7% higher compared to 2021. The easing of COVID – 19 pandemic-related restrictions during the first quarter of 2022 has resulted in a gradual increase in traffic volumes and revenues. Average revenue per trip of $13.32 in 2022 increased by 1.5% when compared to 2021.

Operating Expenses



Total operating expenses were higher compared to 2021 due to higher customer operations costs resulting from a higher provision for Lifetime Expected Credit Loss ("Lifetime ECL"), higher billing costs and higher collections costs, coupled with higher general and administration costs and higher highway operations expenses. This was offset by lower systems operations expenses resulting from lower consulting and licencing costs mainly related to the Company's enterprise resource planning ("ERP") and customer relationship management ("CRM") project due to higher capitalization of costs in 2022 .

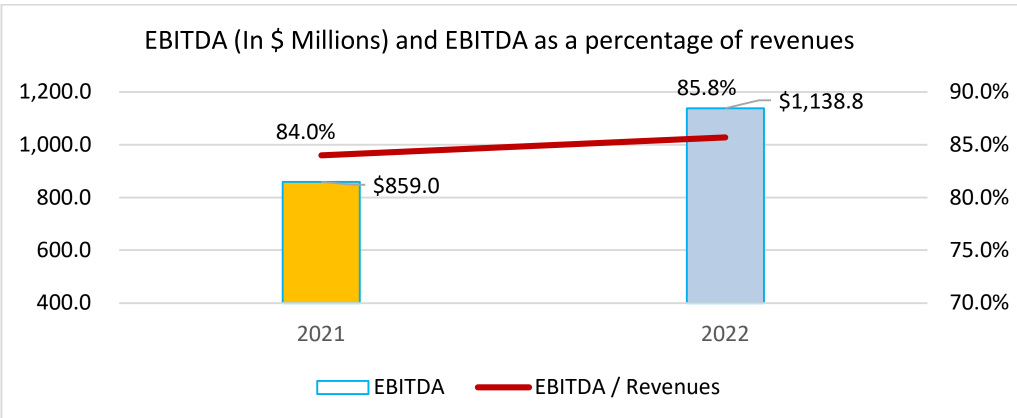
Net Income



The Company recorded net income of $435.3 million in 2022 representing an increase of $222.9 million or 104.9% compared to $212.4 million in 2021 mainly due to higher revenues, lower interest and other expenses coupled with lower depreciation and amortization expense, offset by higher income taxes and higher operating expenses.

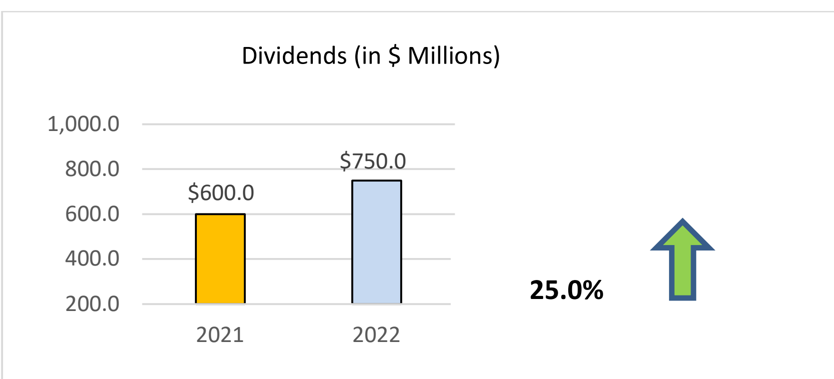
EBITDA

(in $ Millions)	2022	2021
Net Income	435.3	212.4
Current income tax expense	143.9	66.1
Deferred income tax expense	12.6	12.9
Interest and other expenses	447.0	465.4
Depreciation and amortization	100.0	102.2
EBITDA	**1,138.8**	**859.0**



EBITDA increased by $279.8 million to $1,138.8 million in 2022 compared to $859.0 million in 2021. The increase in EBITDA was a result of higher traffic volumes and revenues due to the easing and eventual removal of COVID-19 pandemic-related restrictions during 2022. EBITDA as a percentage of revenues was 85.8% in 2022 and was higher than 84.0% in 2021, as operating expenses as a percentage of revenues decreased by 1.8%. See "Non-IFRS Financial Measures".

Dividends



Dividends paid to shareholders in 2022 amounted to $750.0 million compared to $600.0 million in 2021.

The Company's share capital and contributed surplus remained unchanged at December 31, 2022 at $775.0 million (775,000,003 common shares issued and outstanding) and $29.6 million, respectively.

Statement of Financial Position Items

Current Assets

Total current assets were $883.0 million at December 31, 2022 compared to $766.6 million at December 31, 2021, and are comprised of cash and cash equivalents, restricted cash and investments, trade receivables and other and income tax receivable. The increase in current assets was primarily due to higher cash and cash equivalents and higher trade receivables and other due to higher revenues.

Current Liabilities

Total current liabilities were $215.7 million as at December 31, 2022 compared to $514.0 million as at December 31, 2021, and 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 decrease was mainly due to the decrease in the current portion of long-term debt resulting from the repayment of $300.0 million Subordinated Bonds, Series 17-D1 during the year.

Non-current Assets

Total non-current assets were $4,565.1 million as at December 31, 2022 compared to $4,574.1 million as at December 31, 2021, and are comprised of restricted cash and investments, other receivables, deferred tax assets, intangible assets and property, plant and equipment. The slight decrease was primarily due to lower intangibles as a result of amortization.

Non-current Liabilities

Total non-current liabilities were $10,639.4 million as at December 31, 2022 compared to $9,918.2 million as at December 31, 2021, and are comprised of lease obligations, deferred tax liabilities and long-term debt. The increase in long-term debt is due to the issuance of $350.0 million of Subordinated Bonds, Series 22-D1 and $325.0 million of Subordinated Bonds, Series 22-D2 which was used to refinance $300.0 million of Subordinated Bonds, Series 17-D1 along with an increase in the non-cash inflation compensation component on the Real Return Bonds, Series 99-A6 and Series 99-A7 (collectively, the "RRBs") due to an increase in the Consumer Price Index ("CPI") and an increase in deferred tax liabilities. These increases were primarily offset by a favourable non-cash fair value adjustment on Senior Bonds, Series 04-A2 and the partial repayments of Senior Bonds, Series 99-A3 and Senior Bonds, Series 00-A2.

Traffic Results

	Q4			Annual		
	2022	2021	% change	2022	2021	% change
Traffic/Trips (in millions) [1]	26.315	23.354	12.7%	98.112	77.022	27.4%
Vehicle Kilometres Travelled ("VKTs") (in millions)	590.504	520.264	13.5%	2,212.816	1,695.715	30.5%
Average Workday Trips (in thousands)	332.095	292.490	13.5%	309.944	245.708	26.1%
Average Trip Length ("ATL") (kilometres) [3]	22.44	22.28	0.7%	22.55	22.02	2.4%
Unbillable Trips (percent) [4]	2.21	2.22	(0.5%)	2.42	2.39	1.3%
Average Revenue per Trip ($) [5]	13.39	13.08	2.4%	13.32	13.12	1.5%
Transponder Penetration Rate (percent) [6]	79.2	80.0	(1.0%)	78.6	80.2	(2.0%)
Transponders in Circulation at December 31[7]				1,663,482	1,617,409	2.8%

1. *Trips are measured during the reporting period based on the number of vehicle transactions recorded on Highway 407 ETR.*
2. *VKTs refer to the sum of distances travelled on Highway 407 ETR during the reporting period.*
3. *ATL is calculated as the total VKTs divided by the total number of trips in the reporting period.*
4. *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).*
5. *Average Revenue per Trip is calculated as total tolls and fee revenue over total number of trips in the reporting period.*
6. *Transponder Penetration Rate is the ratio of transponder trips to total trips in the reporting period.*
7. *Transponders in Circulation are measured at the end of the reporting period based on the number of transponders registered to customers.*

Fourth Quarter Performance

Total trips for the fourth quarter of 2022 were higher by 12.7%, VKTs were higher by 13.5% and average workday trips were higher by 13.5% as compared to the same period in 2021. ATL increased by 0.7% compared to the same period in 2021. The removal of all pandemic-related restrictions during the first quarer of 2022 resulted in increased traffic levels when compared to 2021.

2022 vs. 2021

Total trips in 2022 were higher by 27.4%, VKTs were higher by 30.5% and average workday trips were higher by 26.1% when compared to 2021. ATL increased by 2.4% in 2022 compared to 2021. During 2022, the easing and eventual removal of COVID-19 pandemic-related restrictions has generally resulted in a gradual increase in traffic volumes.

Overview of Current Operations

Construction

The Company continues to improve Highway 407 ETR as needed through construction projects designed to increase capacity and improve traffic flow and customer convenience, including investments in widening bridge structures and adding new lanes. The Company also regularly undertakes various rehabilitation initiatives designed to improve and replace existing elements of Highway 407 ETR infrastructure, such as resurfacing the asphalt pavement, replacing concrete pavement, replacing and relining culverts under and along Highway 407 ETR and rehabilitating various bridge structures in order to continue to provide customers with fast, safe and reliable travel.

The Company also completed the detailed design of the inside widening of Highway 407 ETR between Highway 404 and Markham Road. Construction is expected to commence in first half of 2027.

Information Technology

The Company continues to maintain and enhance its back-office systems. Formal processes are in place to identify, evaluate and implement potential system enhancements to ensure continued alignment with business strategies. The Company continues to focus on enhancing the core capabilities of capturing and processing vehicle information with continued investments in roadside network equipment, camera technology, and the operation of front-image capture system. In 2021, enhancements were also made to the tolling system that resulted in improved transponder reading for better trip matching and additional billings in 2022. In addition, the Company upgraded certain of the rear cameras to the next generation which removed obsolescence risk and added enhanced matching capabilities.

Additional system enhancements include collections processing, business process management, advanced traffic management, asset management, data management and analytics. The Company continues to enhance the security, functionality, scalability and usability of its self-service (website and interactive voice response) systems.

Work continued in 2022 on a significant project that will ultimately result in the implementation of a new ERP and CRM solution. This initiative will ultimately involve the majority of 407 ETR back-office processes and systems. A phased approach has been undertaken to manage implementation risks and 407 ETR has developed a release strategy that will balance the demands of introducing functionality while assuring quality and stability of business operations. The Company plans to go-live with a select customer group in 2023.

Customer Service

The Company offers customers a broad range of services through its website, automated telephone attendant and live chat functionality and is committed to increasing customer awareness and customer service. The Company engages an external call centre specialist in benchmarking customer satisfaction to continually survey its customers. The results of recent surveys continue to show high levels of customer satisfaction and are consistent with other market research studies commissioned by the Company. In addition, the Company conducts email-based communications thanking customers and seeking their feedback on the services provided by the Company.

407 ETR in the Community

407 ETR is committed to supporting communities across the GTA. The Company engages with a variety of stakeholders and community organizations through its memberships in industry associations and its support of not-for-profit and charitable organizations. As a member of 12 boards of trade and chambers of commerce along the Highway 407 ETR corridor, the Company serves on several committees and participates in industry events. In 2022,407 ETR worked with more than 155 community organizations.

In 2022, the Company invested approximately $2 million in sponsorships, donations and free travel on Highway 407 ETR to support the health, well-being and prosperity of communities across the GTA.

The Company has a positive economic impact on the communities surrounding Highway 407 ETR. A 2022 report published by Steer, a consulting firm, on behalf of 407 ETR's shareholder, Cintra, found that Highway 407 ETR has provided a total of $20.6 billion in socio-economic benefits from 1999 to 2021. This includes user benefits such as improved travel time, reliability, safety, and reduced vehicle operating costs and emissions. Highway 407 ETR has also supported $15 billion in GDP, and $3.8 billion in direct earnings, representing over 66,000 job years of labour.

Highway 407

Highway 407 begins at the eastern terminus of Highway 407 ETR at Brock Road in Pickering and extends towards Highways 35/115 and includes Highway 412, which runs north-south and connects Highway 407 to Highway 401, and Highway 418 which connects Taunton Road to Highway 401 (collectively "Highway 407").

Highway 407, which was constructed by the Province in two phases, was fully completed in late December 2019 with tolling operations seamlessly commencing as the phases were opened to the public. The Province maintains public ownership, sets tolls and receives toll revenues in respect of its use. Effective April 5, 2022, the Province has de-tolled Highways 412 and 418 which connect Highway 407 to Highway 401. As a result, the Province entered into an agreement with Cantoll to reconfigure the road-side tolling technology installed.

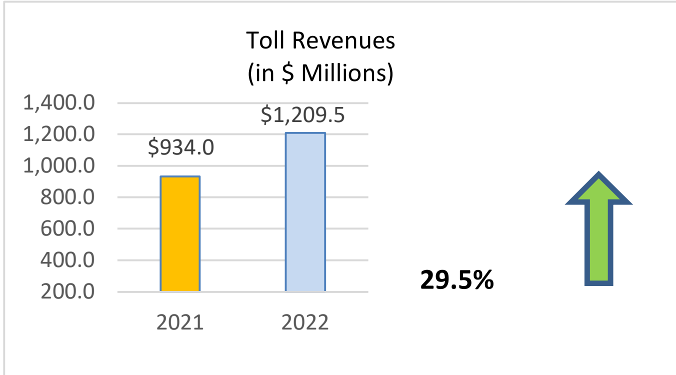
Cantoll continues to maintain the roadside tolling technology and provide tolling, billing and back-office services (the "Tolling Agreement") for Highway 407. The operational aspect of the Tolling Agreement, which commenced in December 2015, has an initial term of 10 years and is renewable by 10-year increments for up to 30 years in total. The Company maintains a $6.5 million segregated funds account as required by the Tolling Agreement.

2022 Results of Operations

Revenues

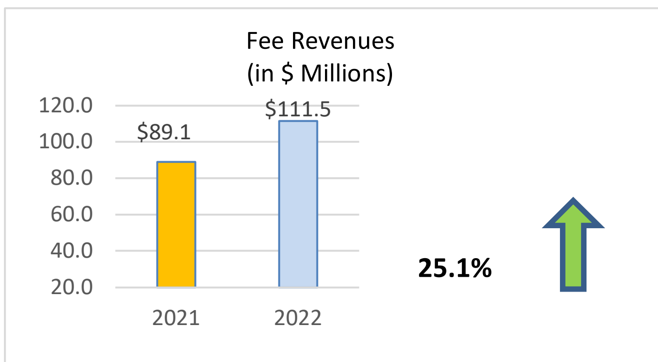
The Company's revenues are generated from toll charges for trips on Highway 407 ETR including camera charges for non-transponder trips ("Tolls") and monthly fees ("Fees"). Fees include transponder lease fees, account fees relating to the maintenance and billing of non-transponder customer accounts, late payment charges, enforcement fees for past due amounts sent to the Ontario Registrar of Motor Vehicles (the "Registrar") to refuse to renew or issue vehicle permits until outstanding amounts are paid or settled ("Licence Plate Denial") and service fees related to tolling, billing and back-office services. 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. Contract revenues include the reconfiguration of the road-side tolling technology for the de-tolling of Highways 412 and 418.

Toll Revenues



Toll revenues in 2022 were higher due to higher traffic volumes compared to 2021, resulting from the removal of all COVID-19 pandemic related restrictions that were in place for most of 2021.

Fee Revenues



Fee revenues in 2022 were higher compared to 2021 primarily due to higher account fees, higher service fees, higher late payment charges, and higher volumes of Licence Plate Denial notification fees.

Contract Revenues

Contract revenues earned in 2022 related to the reconfiguration of the road-side tolling technology in connection with the de-tolling of Highways 412 and 418 and amounted to $6.2 million.

Outlook

Management anticipates the recovery in traffic volumes will continue in 2023 with revenues higher than 2022.

Toll Rates

Toll rates have remained unchanged since February 2020. Toll revenue is influenced by the mix of customers on Highway 407 ETR, which includes video and transponder customers, the type of vehicle, time, direction and zone of travel, distance travelled per trip, trip toll charge and toll rates.

Under Schedule 22 of the Concession and Ground Lease Agreement (“Schedule 22”), certain Highway 407 ETR traffic levels are measured against annual minimum traffic thresholds for each of the 24 segments of the highway, which escalate annually up to a prescribed lane capacity. If the traffic level measurement for a segment is below the corresponding traffic threshold, an amount calculated under Schedule 22 is payable to the Province.

The Company and the Province are in agreement that the COVID-19 pandemic is considered a Force Majeure event under the provisions of the Concession and Ground Lease Agreement (“Concession Agreement”), and therefore the Company is not subject to Schedule 22 payments until the end of the Force Majeure event. The Company and the Province are also in agreement that the Force Majeure event terminates when the traffic volumes on Highway 407 ETR reach pre-pandemic levels (measured as the average of 2017 to 2019), or when there is an increase in toll rates or user charges. Upon the termination of the Force Majeure event, the Company will be subject to a Schedule 22 payment, if applicable, commencing the subsequent year.

Current toll rates are detailed in the following table:

Light Vehicle Rates for vehicles 5,000 kgs or less (cars, minivans, SUVs) (in $CAD)

Per km Rates Effective: February 1, 2020

	Entire trip is based on time of entry.	Zone 1 QEW to Highway 401		Zone 2 Highway 401 to Highway 427		Zone 3 Highway 427 to Highway 404		Zone 4 Highway 404 to Brock Road	
	RATE PERIOD START TIME	WESTBOUND	EASTBOUND	WESTBOUND	EASTBOUND	WESTBOUND	EASTBOUND	WESTBOUND	EASTBOUND
Weekdays	12 a.m. –	25.29 ¢	25.29 ¢	25.29 ¢	25.29 ¢	25.29 ¢	25.29 ¢	25.29 ¢	25.29 ¢
	6 a.m. –	42.85 ¢	43.76 ¢	42.83 ¢	48.29 ¢	46.31 ¢	47.43 ¢	44.86 ¢	42.04 ¢
	7 a.m. –	48.74 ¢	55.13 ¢	50.89 ¢	56.44 ¢	54.43 ¢	56.43 ¢	54.93 ¢	47.83 ¢
	9:30 a.m. –	42.53 ¢	45.45 ¢	44.02 ¢	48.29 ¢	46.58 ¢	47.43 ¢	46.58 ¢	42.04 ¢
	10:30 a.m. –	39.07 ¢	39.07¢	39.07 ¢	40.17 ¢	40.17 ¢	40.90 ¢	39.07 ¢	38.47 ¢
	2:30 p.m. –	51.93 ¢	44.04 ¢	50.55 ¢	48.98 ¢	51.01 ¢	51.92 ¢	43.62 ¢	48.61 ¢
	3:30 p.m. –	61.14 ¢	50.10 ¢	55.45 ¢	59.00 ¢	58.99 ¢	62.24 ¢	49.56 ¢	58.48 ¢
	6 p.m. –	51.93 ¢	44.04 ¢	50.55 ¢	48.98 ¢	51.01 ¢	51.92 ¢	43.62 ¢	46.81 ¢
	7 p.m. –	25.29 ¢	25.29 ¢	25.29 ¢	25.29 ¢	25.29 ¢	25.29 ¢	25.29 ¢	25.29 ¢
Weekends & Holidays	12 a.m. –	25.29 ¢	25.29 ¢	25.29 ¢	25.29 ¢	25.29 ¢	25.29 ¢	25.29 ¢	25.29 ¢
	11 a.m. –	34.63 ¢	35.96 ¢	35.96 ¢	35.96 ¢	35.96 ¢	35.96 ¢	34.63 ¢	34.63 ¢
	7 p.m. –	25.29 ¢	25.29 ¢	25.29 ¢	25.29 ¢	25.29 ¢	25.29 ¢	25.29 ¢	25.29 ¢

The Heavy Single Unit Vehicle (“HSU”) Rate for vehicles over 5,000 kg (large trucks and buses) is two times the Light Vehicle Rate.
The Heavy Multiple Unit Vehicle (“HMU”) Rate (tractor trailers) is three times the Light Vehicle Rate.

- A Trip Toll Charge is charged for each trip on the highway at $1.00 (HSU - $2.00, HMU - $3.00) and is not a per kilometer charge.
- A $4.20 Camera Charge per trip is added when a Light Vehicle travels on the highway without a valid transponder.
- All HSUs and HMUs must have a valid transponder. Without a valid transponder, a $50.00 Camera Charge plus tolls per trip are billed.

For further details on the Company's toll rates, please visit www.407etr.com. Information contained in or otherwise accessible through the website referenced in this MD&A does not form part of this MD&A and is not incorporated by reference into this MD&A.

Calculated Tolls

The Company continues to charge a calculated toll, in addition to the trip toll charge, for trips taken on Highway 407 ETR where either the entry or exit point of a vehicle is not recorded by the Company's tolling systems:

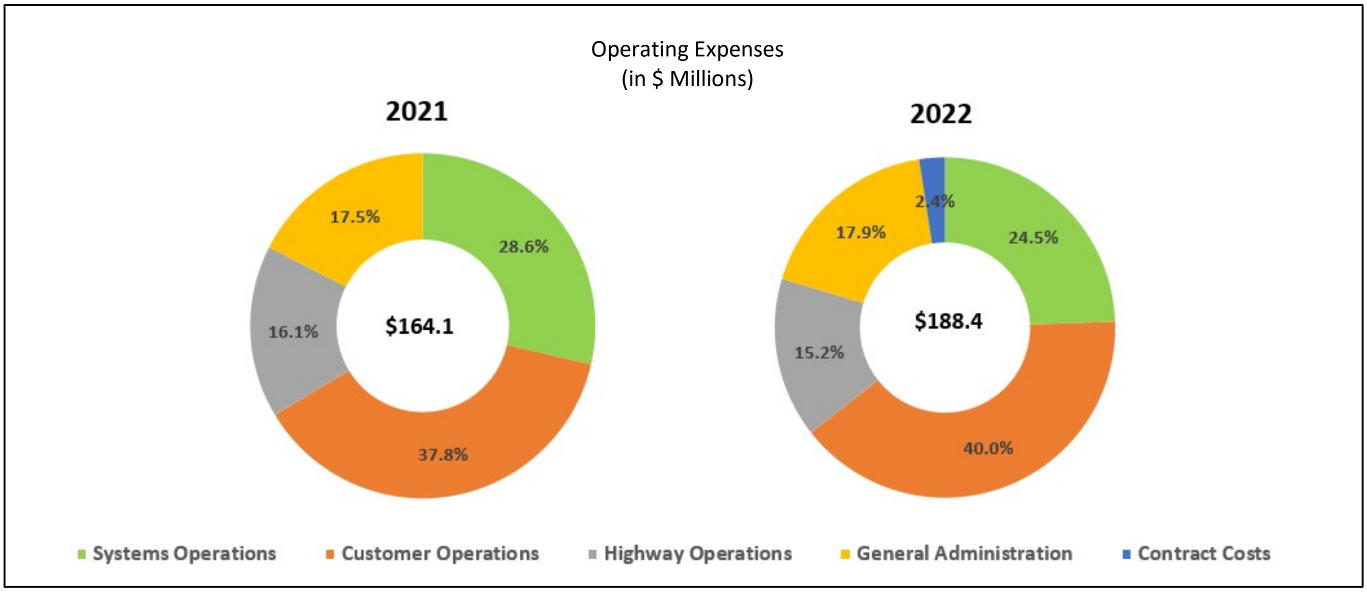
- For any vehicle (light or heavy) with a transponder for which there is a sufficient transponder trip history, a transponder vehicle median trip (referred to as a calculated trip) is charged using the median distance of the trips taken with the transponder in the preceding 72 days.
- For all light vehicles with a transponder for which there is insufficient transponder trip history, or if more than 25% of trips over the past 72 days did not accurately record either the entry or exit point, a transponder minimum trip toll is charged using the entry or exit nearest the recorded part of travel (in the same direction).
- For all light vehicles without a transponder, a flat toll charge plus the camera charge is charged.
- For all heavy vehicles without a transponder, a camera charge of $50.00 plus a heavy vehicle minimum trip toll using the entry or exit nearest the recorded part of travel (in the same direction) is charged.
- For all heavy vehicles with a transponder for which there is insufficient transponder trip history, or if more than 25% of trips over the past 72 days did not accurately record either the entry or exit point, a heavy single or heavy multiple unit vehicle flat toll is charged.

The following table details the flat toll charge for light and heavy vehicles:

(In $CAD)	2021		
	Light Vehicles	HSU	HMU
Flat Toll Charge (up to) (Peak Period, Peak Hours)	6.50	19.85	36.95
Flat Toll Charge (up to) (Off Peak,Weekday Midday, Weekends and Holidays	4.25	12.80	23.85

- Flat Toll Charge effective February 1, 2020.
- Applicable to Light Vehicles without a transponder.
- Peak Period, Peak Hours, Off Peak, Weekday Midday, and Weekends and Holidays have the meanings shown in the Light Vehicle Rates chart above.

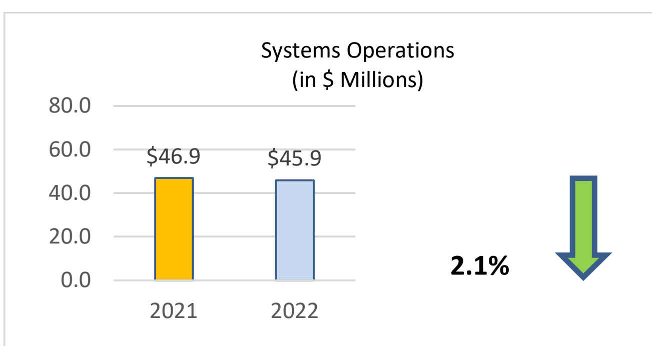
Operating Expenses



(In $ Millions)	2022	2021
Systems Operations	45.9	46.9
Customer Operations	75.4	62.0
Highway Operations	28.6	26.5
General and Administration	33.9	28.7
Contract	4.6	-
Total Operating Expenses	**188.4**	**164.1**

Systems Operations

This category includes staff salaries and other costs for developing, operating and maintaining the Company's tolling system, office computer network and integrated automation systems.



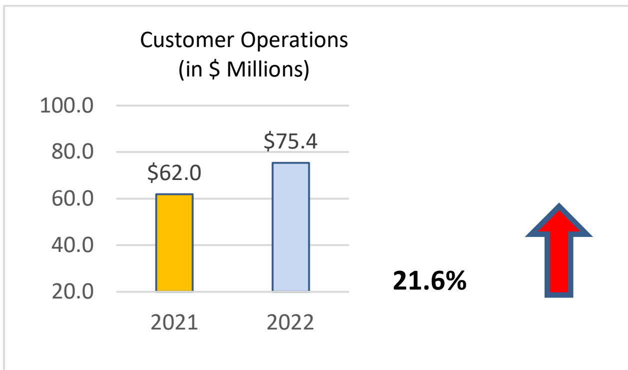
Systems operations expenses in 2022 were lower compared to 2021 mainly due to lower consulting costs relating to the ERP and CRM project, offset by higher support costs.

Outlook

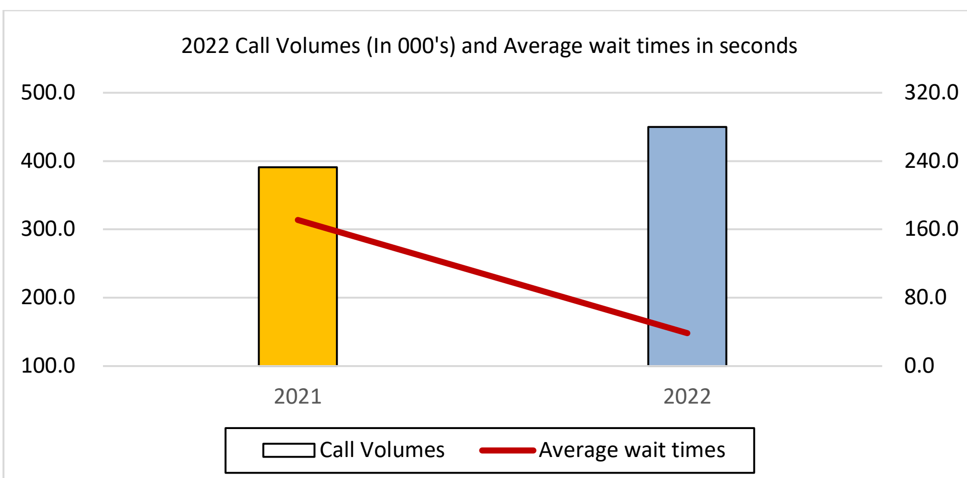
Systems operations expenses for 2023 are expected to be higher than 2022 mainly due higher costs in relation to the ERP and CRM project.

Customer Operations

This category includes costs incurred to operate the Company's call centre and customer relations group. These costs include the account management salaries, transponder distribution channels, billing, customer address system access fees, ombudsman services and the collection of overdue accounts.



Customer operations expenses in 2022 were higher compared to 2021 mainly due to higher revenues resulting in a higher provision for Lifetime ECL and higher volumes on billings coupled with higher MTO database inquiry costs due to a inflation.



The Company's customer service representatives ("CSRs") continue to service and attend calls remotely. The Company received 450 thousand telephone calls during 2022, compared to 391 thousand calls received during 2021. The increase in call volumes is a result of increased traffic volumes. The average wait time required for a customer to speak with a CSR was

39 seconds, compared to the average wait time of 171 seconds in 2021. During 2022, 79.5% of calls were answered within 60 seconds, which was above the Company's target of 70%.

The Company launched Live Chat functionality in 2020 as an additional contact channel for customers. With an average wait time of 26 seconds, live chat specalists answered 48,406 live chat interactions in 2022.

Notwithstanding reduced customer operations, customers continue to have the ability to access various self-service options through the Company's secure website, which enables customers to perform a number of transactions without having to speak with a CSR.

The Company continues to use promotions and targeted advertising to communicate with customers about the benefits of using Highway 407 ETR, as well as to educate drivers about environmentally and customer-friendly options, such as paperless billing, annual transponder leases and pre-authorized payment services. The Company continues to see growth in customers registering for paperless billing, pre-authorization and other services on the 407 ETR website, which benefit customers and also result in lower costs for the Company.

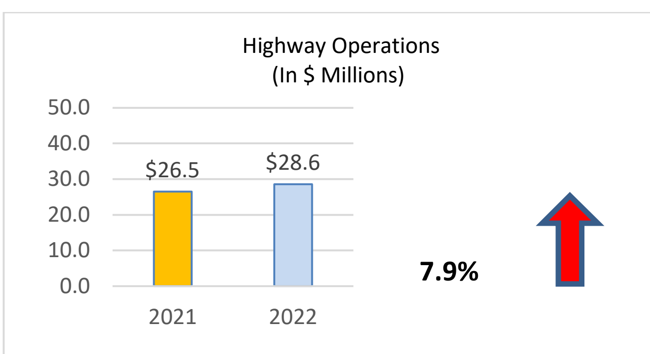
The Company has continued its Financial Hardship and Repayment Assistance Programs to support customers.

Outlook

Customer operations costs for 2023 are expected to be higher compared to 2022, mainly due to higher Lifetime ECL on accounts receivables, billing costs and bank charges associated with higher revenues.

Highway Operations

This category of expenses relates to operating activities such as maintenance of the major elements of the highway system including roadway surfaces, bridges, culverts, drainage and lighting, together with seasonal maintenance, highway patrol operations, road safety enforcement and police enforcement. Highway operations expenses are seasonal in nature as winter maintenance expenses such as snow plowing and salt application occur 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 expenses for 2022 were higher compared to 2021 mainly due to higher repairs and inspections costs.

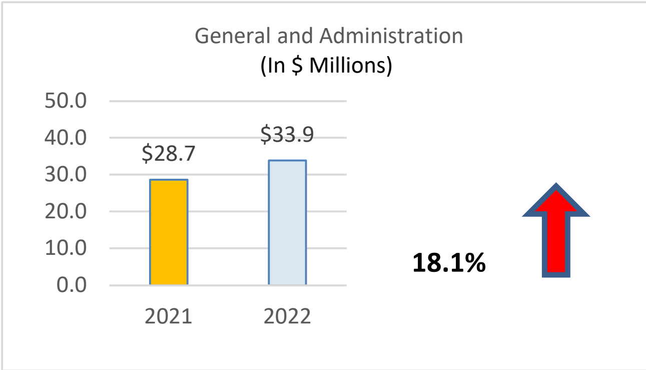
Highway maintenance cost per lane kilometer in 2022 amounted to $22,500 which was higher than the $20,700 in 2021 for the reasons mentioned above.

Outlook

Highway operations expenses for 2023 are expected to be higher than 2022 mainly due to favourable winter weather conditions experienced in 2022.

General and Administration

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



General and administration expenses in 2022, were higher mainly due to higher consulting expense, coupled with higher communications costs relating to market research, sponsorships and bill inserts costs, and higher staffing costs.

Outlook

General and administration expenses for 2023 are expected to be higher than 2022 due to price increases.

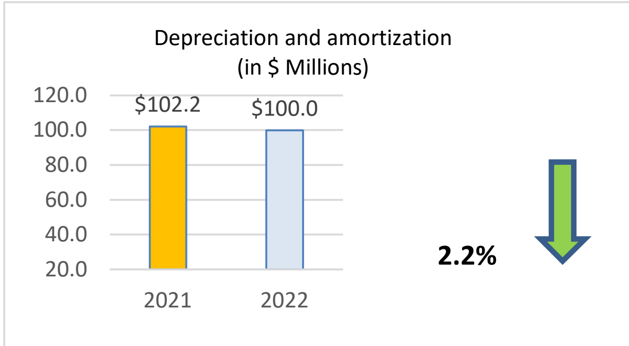
Contract

Contract expenses related to the reconfiguration of the road-side tolling technology in connection with de-tolling of Highways 412 and 418 and amounted to $4.7 million in 2022.

Outlook

The contract is expected to be completed by mid-2023 and costs are expected to be in line with 2022.

Depreciation and Amortization



Depreciation and amortization expenses in 2022 were lower mainly due to certain fully depreciated assets, offset partially by higher toll highway depreciation as a result of higher VKTs.

Outlook

Depreciation and amortization expenses in 2023 are expected to be higher compared to 2022. As traffic volumes further recover, highway depreciation expense is expected to increase.

Interest and Other Expenses

(In $ Millions)	2022	2021
Interest expense on Bonds and Credit Facilities	420.0	407.4
Non-cash inflation component of:		
Interest expense RRBs	63.9	41.0
Interest expense, Senior Bonds Series 04-A2	20.1	10.9
Fair value adjustment (recovery), Senior Bonds, Series 04-A2	(32.3)	12.6
Capitalized Interest	(1.4)	(1.7)
Total Interest Expense on Long-Term Debt	470.3	470.2
Interest income on financial assets designated as FVTPL	(22.5)	(7.9)
Other interest expense	-	3.8
Reclassification of gain and losses on cash flow hedges	(0.8)	(0.7)
Total Interest and Other Expenses	**447.0**	**465.4**

Interest and other expenses include interest expense on long-term debt and lease obligations, reclassification of gains and losses on cash flow hedges from accumulated other comprehensive income, interest income on fair value through profit or loss of financial assets, and fair value adjustment of derivative financial instruments.

Interest expense on Bonds and Credit Facilities:

Interest expense on Bonds and Credit Facilities for 2022 was higher by $12.6 million compared to 2021. The interest expense on the Company's senior bonds was higher by $6.3 million primarily due to a higher cash interest expense on the RRBs and Senior Bonds, Series 04-A2 due to a higher increase in inflation. Interest expense on subordinated bonds was higher by $6.9

million mainly due to the issuance of $350.0 million of Subordinated Bonds, Series 22-D1 and $325.0 million of Subordinated Bonds, Series 22-D2, used in part to refinance $300.0 million of Subordinated Bonds, Series 17-D1 on September 8, 2022. Interest expense on junior bonds for 2022 amounted to $11.8 million, which was comparable to 2021.

Non-cash inflation component of interest expense:
The non-cash inflation component of the RRBs was unfavourable by $22.9 million and the non-cash accretion on Senior Bonds, Series 04-A2 was unfavourable by $9.2 million for 2022 compared to 2021, mainly due to a significant increase in the CPI level.

Fair value adjustment, Senior Bonds, Series 04-A2:
The non-cash fair value adjustment to Senior Bonds, Series 04-A2 was favourable by $44.9 million. The non-cash fair value adjustment recovery in 2022 of $32.3 million was primarily due to a significant increase in the Nominal Discount Rate ("NDR") partially offset by an increase in the Break Even Inflation Rate ("BEIR"). The non-cash fair value adjustment expense of $12.6 million in 2021 was primarily due to significant decrease in the NDR coupled with an increase in the BEIR.

Interest income on financial assets:
Interest income from cash balances and investments for 2022 was higher by $14.6 million compared to 2021 primarily due to higher interest yields on investments and cash balances and higher average cash balances.

Outlook
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 interest and other expenses for 2023 to be higher than 2022 due to additional leverage issued in 2022.

Income Taxes

(in $ Millions)	2022	2021
Current income tax expense	143.9	66.1
Deferred income tax expense	12.6	12.9
Total Income Tax Expense	**156.5**	**79.0**

The combined current and deferred effective tax rate was 26.4% in 2022, which was slightly lower than the prior year effective tax rate of 27.1% due to prior-period adjustments recorded in 2021.

Current income tax expense was higher compared to 2021 primarily due to higher earnings before taxes. Deferred income tax expense for 2022 was lower when compared to 2021 due to lower taxable temporary differences.

Outlook

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 2023. The Company expects traffic volumes will continue to recover, resulting in higher revenues.

Liquidity and Capital Resources

Cash Flow Statement

(In $ Millions)	2022	2021
Cash flows from operating activites	567.6	347.2
Cash flows used in investing activities	(102.7)	(32.3)
Cash flows used in financing activities	(402.4)	(622.4)
Increase (decrease) in cash and cash equivalents	62.5	(307.5)
Cash and cash equivalents, beginning of period	307.0	614.5
Cash and cash equivalents, end of period	**369.5**	**307.0**

Cash and cash equivalents at December 31, 2022 were $369.5 million, an increase of $62.5 million from December 31, 2021. Cash and cash equivalents includes a $10.0 million reserve required by the Indenture.

The cash increase of $62.5 million during 2022 was mainly due to the proceeds from the issuance of long-term debt and drawdowns on the Syndicated Credit Facility of $751.8 million, cash generated from operating activities of $567.6 million, and a decrease in non-trade receivables of $0.4 million. These increases were partially offset by the repayment of long-term debt and credit facilities of $392.0 million, dividends payments to shareholders of $750.0 million, purchases of property, plant and equipment and intangibles of $71.7 million, an increase in restricted cash and investments of $28.8 million, the payment of obligations under finance leases of $7.9 million, payments for debt issue costs of $4.3 million and advance payments to suppliers of $2.6 million.

Cash flow generated from operating activities:

Cash increased by $220.4 million in 2022 when compared to the same period in 2021, mainly due to higher cash receipts of $267.1 million resulting from higher revenues and timing of cash receipts from customers and higher interest income received from investments and cash balances of $13.2 million due to higher interest yield. These cash inflows were partially offset by higher corporate income tax payments of $38.8 million primarily due to higher earnings before taxes. Cash payments for operating expenses were higher by $16.2 million due to higher operating expenses and changes in working capital. Interest payments on the Company's senior bonds were higher by $4.9 million when compared to the prior year primarily due to higher interest payments on the RRBs and Senior Bonds, Series 04-A2 due to higher inflation and interest payments on the Syndicated Credit Facility due to drawdowns on the facility.

Cash flows used in investing activities:

Cash flows used in investing activities were $102.7 million during 2022 compared to cash flows used in investing activities of $32.3 million during 2021, an unfavourable variance of $70.4 million. Included in investing activities are changes in the restricted cash and investments required to be maintained under the Indenture. The net increase in the restricted cash and investments was $28.8 million during 2022 compared to the net decrease in restricted cash and investments of $37.4 million during 2021. The net increase in restricted cash and investments of $28.8 million was due to contributions to the debt service fund of $430.1 million, a contribution to the refunding bond fund of $300.0 million, interest income received of $12.7 million, top-up of the operating and maintenance and renewal and replacement fund of $5.3 million and additional top-up of the senior debt service fund of $2.0 million. These increases were offset by interest payments on long-term debt of $406.3 million and repayments of long-term debt of $315.0 million. Additions to property, plant and equipment and intangibles amounted to $71.7 million during 2022 compared to $68.8 million during 2021. Advance payments to suppliers amounted to $2.6 million during 2022 compared to $0.7 million during the prior year. Non-trade receivables decreased by $0.4 million during 2022 compared to an increase of $0.2 million during of 2021.

Cash flows used in financing activities:

Cash flow used in financing activities was $402.4 million in the 2022 compared to cash used of $622.4 million in the 2021. Proceeds from long-term debt and drawdowns under the Syndicated Credit Facility amounted to $751.8 million in 2022, represented by proceeds from the issuance of Subordinated Bonds, Series 22-D1 of $349.9 million, proceeds from the issuance of Subordinated Bonds, Series 22-D2 of $324.9 million and drawdowns under the Syndicated Credit Facility of $77.0 million compared to nil in 2021. Payments of obligations under finance leases amounted to $7.9 million in 2022 when compared to $8.2 million in 2021. The repayment of long-term debt amounted to $392.0 million during 2022 represented by the repayment of $300.0 million of Subordinated Bonds, Series 17-D1, $77.0 million payment of the outstanding balance under the Syndicated Credit Facility, the partial repayment of Senior Bonds, Series 00-A2 of $8.1 and the partial repayment of Senior Bonds, Series 99-A3 of $6.9 million million compared to repayments of long-term debt of $14.2 million during 2021, represented by the partial repayment of Senior Bonds, Series 99-A3 of $6.5 million and the partial repayment of Senior Bonds, Series 00-A2 of $7.7 million. Dividend payments to shareholders amounted to $750.0 million in 2022 compared to $600.0 million in 2021. Payment towards debt issue cost amounted to $4.3 million in 2022 compared to nil in 2021.

The supplemental indenture for the RRBs requires the Company to fund a series excess inflation reserve should the principal outstanding multiplied by the difference between the applicable CPI at the time of measurement divided by the applicable CPI at the time of issue exceed a pre-established threshold level. As at December 31, 2022 and December 31, 2021, CPI had not reached the levels to require funding of the excess inflation reserve and Management does not anticipate CPI to reach these levels. Sufficient cash from operations will be generated in the event that funding of the reserve becomes necessary.

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 www.sedar.com. As at December 31, 2022 and December 31, 2021, the Company is in compliance with the terms of the Indenture.

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 appropriate. 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 Indenture. The additional debt, when issued, 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.

Fourth Quarter 2022 Financial Performance

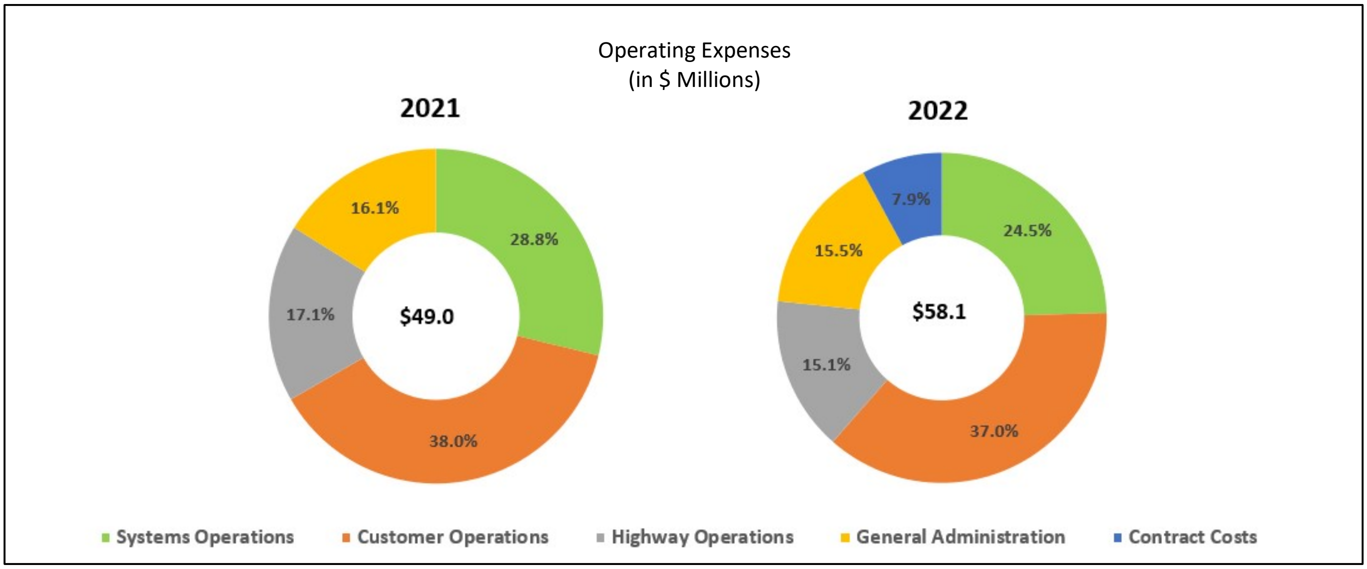
(In $Millions)	Q4	
	2022	**2021**
Revenues	362.5	308.7
Operating Expenses	58.1	49.0
EBITDA	304.4	259.7
Depreciation and Amortization	26.4	28.0
Interest and Other Expenses	104.1	124.7
Income Tax Expense	46.0	29.6
Net Income	**127.9**	**77.4**

Revenues

Toll revenues were higher in the fourth quarter of 2022 compared to the same period in 2021 primarily due to improved traffic volumes resulting from the removal of all of COVID-19 pandemic-related restrictions.

Fee revenues were higher in the fourth quarter of 2022 compared to the same period in 2021 primarily due to higher account and lease fees, higher late payment charges and higher contract revenues.

Operating Expenses



Systems operations expenses were lower in the fourth quarter of 2022 compared to the same period in 2021 mainly due to higher consulting costs related to the ERP and CRM project in 2021.

Customer operations expenses were lower in the fourth quarter of 2022 compared to the same period in 2021 mainly due to higher staffing costs in 2021.

Highway operations expenses for the fourth quarter of 2022 were lower compared to the same period in 2021 mainly due to lower winter maintenance costs resulting from favourable weather conditions

General and administration expenses were higher in the fourth quarter of 2022 compared to the same period in 2021 mainly due to higher consulting costs.

Contract costs related to the reconfiguration of the road-side tolling technology in connection with the de-tolling of Highways 412 and 418 amounted to $4.6 million in the fourth quarter of 2022.

Depreciation and Amortization

Depreciation and amortization expenses were lower in the fourth quarter of 2022 compared to the same period in 2021 due to certain fully depreciated assets in 2022.

Interest and Other Expenses

(In $ Millions)	Q4	
	2022	2021
Interest expense on Bonds and Credit Facilities	110.0	102.9
Non-cash inflation component of:		
Interest expense RRBs	3.3	10.2
Interest expense (recovery), Senior Bonds Series 04-A2	(0.9)	2.5
Fair value adjustment, Senior Bonds, Series 04-A2	3.2	8.4
Capitalized Interest	(0.5)	(0.3)
Total Interest Expense on Long-Term Debt	115.1	123.7
Interest income on financial assets designated as FVTPL	(11.0)	(2.3)
Other interest expense	0.2	3.4
Reclassification of gain and losses on cash flow hedges	(0.2)	(0.1)
Total Interest and Other Expenses	**104.1**	**124.7**

Interest and other expenses were lower in the fourth quarter of 2022 compared to the same period in 2021, primarily due to the favourable interest income from investments and cash balances, favourable non-cash inflation compensation component of the RRBs and the favourable non-cash accretion on Senior Bonds, Series 04-A2 mainly due to a lower increase in the CPI level in the fourth quarter of 2022 as compared to the fourth quarter of 2021. The non-cash fair value adjustment to Senior Bonds, Series 04-A2 was favourable mainly due to a higher increase in the NDR as compared to the same period in 2021.

Income Taxes

	Q4	
(in $ Millions)	2022	2021
Current income tax expense	43.8	24.6
Deferred income tax expense	2.2	5.0
Total Income Tax Expense	**46.0**	**29.6**

Total income tax expense for the fourth quarter of 2022 was higher in the fourth quarter of 2021 primarily due to higher earnings before taxes.

Liquidity and Capital Resources

Cash Flow Statement

(In $ Millions)	Q4	
	2022	**2021**
Cash flows from operating activites	186.0	143.8
Cash flows used in investing activities	(27.6)	(21.4)
Cash flows used in financing activities	(557.0)	(604.9)
Decrease in cash and cash equivalents	(398.6)	(482.5)
Cash and cash equivalents, beginning of period	768.1	789.5
Cash and cash equivalents, end of period	**369.5**	**307.0**

The cash decrease of $398.6 million in the fourth quarter of 2022 was mainly due to dividend payments to shareholders of $550.0 million, additions to property, plant and equipment and intangibles of $18.9 million, an increase in restricted cash and investments of $6.7 million, the partial repayment of amortizing long-term debt of $4.1 million, an increase in non-trade receivables of $2.0 million, payments for obligations under finance leases of $1.7 million and payments towards debt issue cost of $1.2 million. These cash outflows were partially offset by cash generated from operating activities of $186.0 million.

Cash flows from operating activities

Cash flows from operating activities increased by $42.2 million in the fourth quarter of 2022 compared to the fourth quarter of 2021, primarily due to higher cash receipts from revenues and higher interest income received from investments, offset by higher corporate tax installments due to the timing of payments and higher earnings before taxes, higher cash payments for operating activities due to higher operating expenses and changes in working capital.

Cash flows used in investing activities:

Cash flows used in investing activities was $27.6 million in the fourth quarter of 2022 compared to cash used in investing activities of $21.4 million in the fourth quarter of 2021, representing an unfavourable variance of $6.2 million. The net increase in restricted cash and investments was $6.7 million for fourth quarter of 2022 compared to a net decrease of $0.2 million in the fourth quarter of 2021; an unfavourable variance of $6.9 million primarily due to additional contributions to the debt service fund resulting from additional debt issued in 2022. Additions to property, plant and equipment and intangibles amounted to $18.9 million in the fourth quarter of 2022 as compared to $17.7 million in the fourth quarter of 2021. Non-trade receivables increased by $2.0 million in the fourth quarter of 2022 compared to an increase of $3.9 million in the fourth quarter of 2021.

Cash flows used in financing activities:

Cash flows used in financing activities was $557.0 million in the fourth quarter of 2022 compared to cash used in financing activities of $604.9 million in the fourth quarter of 2021, representing a favourable variance of $47.9 million primarily due to dividend payments to shareholders of $550.0 million in the fourth quarter of 2022 when compared to $600.0 million in the same period of 2021, partially offset by payments towards debt issue costs of $1.2 million and higher payments towards finance lease obligations of $0.7 million in the fourth quarter of 2022.

Earnings Coverage

(In $ Millions)	Twelve-month period ended December 31	
	2022	**2021**
Income before income tax expenses and interest expense on long-term debt	1,063.6	763.3
Interest expense on long-term debt	471.7	472.0
Earnings Coverage	**591.9**	**291.3**

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.

The Company experienced earnings coverage ratios of 2.25 times and 1.62 times for the twelve month periods ended December 31, 2022 and 2021, respectively. The Company expects income before income tax expenses and interest expense on long-term debt to continue to be sufficient to cover interest expense on long-term debt. The earnings coverage ratio is different from the Company's debt service coverage ratio as is defined in the Indenture.

Rate Covenant

The Company was in compliance with the rate covenant as defined under Section 9.4 of the Indenture for 2022 and 2021.

Environmental, Social and Governance Reporting

The Company's approach to Environmental, Social and Governance Reporting ('ESG") practices is driven by its mission, vision and values. ESG factors are directly linked to the 407 ETR's core strategic objectives. The way the Company manages ESG factors impacts its business and stakeholders, including its customers, employees, partners, the communities in which the Company operates and ultimately the long-term value of the Company. The Company also understands and supports the growing global integration of ESG-related risks and opportunities into investors' decision-making processes. 407 ETR recognizes that ESG is inextricably linked to its vision to be the first choice for transportation and to improve the quality of life for the communities it serves, and its mission to provide a fast, safe and reliable customer experience on and off the highway.

The Company believes that transparency and accountability to its investors and stakeholders regarding ESG commitments is critically important. Starting in 2022, the Company is adopting leading ESG reporting frameworks, specifically the Sustainability

Accounting Standards Board (SASB) Standards and the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) for its annual ESG reporting.

In September 2022, 407 ETR released its ESG Update for the year ended December 31, 2021 (the “Sustainability Report”). The Sustainability Report highlights and tracks the Company’s progress and achievements in various areas of ESG practices. The Sustainability Report also includes expanded reporting for diversity and introduced benchmark measurements for greenhouse gas (“GHG”) emissions. The Company has targeted a 25% reduction in Scope 1 and Scope 2 GHG emissions by 2030 relative to the 2018 benchmark year. 407 ETR continues to work with the ClimateWise Business Network for York Region to assist with its sustainability efforts, particularly for the measurement, reporting and reduction of GHG emissions.

Risks and Uncertainties

COVID-19

The Company faces new challenges and uncertainties related to the effects resulting from the COVID-19 pandemic. The potential effects and impact of the COVID-19 pandemic have been disclosed earlier in this MD&A under ” COVID-19 Pandemic”.

Toll Revenues

The Company’s ability to derive revenue depends on a wide variety of factors, many of which are not within the control of the Company. These factors include population growth, volatility of the economy of the GTA and southern Ontario, fuel prices, weather conditions and the construction of competing infrastructure. In addition, toll rate increases are subject to economic, price elasticity and political risks. To mitigate these risks, Management prepares a detailed operating budget consistent with the Company’s strategic objectives which includes revenue projections based on traffic growth and price elasticity assumptions supported, from time to time, by studies performed by third party expert traffic consultants. The operating budget and actual price setting is approved by the Company’s Board of Directors (the“Board”). Actual results are monitored against the revenue projections on a monthly basis, giving Management adequate time to analyze and respond to variances. The COVID-19 pandemic has adversely impacted demand for highway travel in the GTA and could continue to have a significant negative impact on the Company’s revenues. However, Management expects traffic will continue to recover.

Capital Structure

The Company has a complex capital structure that may give rise to unforeseen challenges by tax authorities of the Company’s interpretation of certain tax legislation. To mitigate such risks, Management seeks the advice of external tax experts.

Operations and Maintenance

The Company’s operating and maintenance expenses for the future operation of Highway 407 ETR are impacted by uncertainties related to costs of services, materials and equipment, changes in regulatory requirements, useful lives of productive assets, critical accounting estimates, weather conditions, and other matters that are not certain. To address these risks, Management prepares a detailed operating budget in the third quarter of each year. This budget is approved by the Board. Management monitors the level of operating expenditures each month in comparison to the budget. Department heads are accountable for cost overruns, and Management compensation is based, in part, on adherence to the approved budget. In addition, the Company follows a periodic maintenance and rehabilitation program for Highway 407 ETR and its tolling system to avoid unexpected significant repairs.

Information Technology

The Company's operations for Highway 407 ETR and Highway 407 are substantially dependent on the information technology employed in its tolling and billing systems, including the roadside tolling equipment and the back-office systems used for account processing and collections. The Company continues to monitor and enhance the core system capabilities to mitigate risk. The integrity, reliability, availability and confidentiality of information and supporting systems is critical to the Company's daily and strategic operations. Cyber security continues to be a focus with ongoing threat monitoring and improvements in areas of data security and network security given that cyber-attacks and breaches could result in corruption of the Company's data, compromised confidential customer or employee information, damage to information technology infrastructure leading to disruption of services and lost revenues, loss of sensitive corporate information due to unauthorized access, and reputational damage. To address these risks, the Company's corporate security group is accountable for the planning, execution and governance of the framework-based security program. The Company uses an iterative risk-based approach to manage information technology and cyber security threats, addressing identified gaps in a prioritized and systematic manner within the security framework. The Company ensures it has adequate controls and procedures to detect, identify and address cyber security events, including security incident response, business continuity and data recovery plans. Execution of the security program relies on internal expertise, strong partnerships, industry leading security technologies, and consultation with third-party experts on cyber security strategies and remediation plans. The Company also promotes awareness of data security at the employee level, recognizing that employee vigilance is a contributing factor to mitigating this risk.

Debt Rating

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.

On November 11, 2020, Standard & Poor's ("S&P) placed the Company's senior, junior and subordinated credit ratings on "CreditWatch Negative". On June 8, 2021, S&P removed the Company's senior, junior and subordinated credit ratings from "CreditWatch Negative" and changed the outlook to "Stable". S&P cited the force majeure provisions of the Concession Agreement resulting in no amounts payable to the Province under Schedule 22, along with the Company's significant liquidity, as reasons for the ratings actions. On November 25, 2020, DBRS Limited changed the trend on the Company's senior, junior and subordinated credit ratings from “Stable” to “Negative”, citing the uncertainty surrounding the recovery of traffic volumes as the primary reason for their action. On December 21, 2022, DBRS changed the trend on the Company’s Senior Debt, Junior Debt and Subordinated Debt credit ratings from “Negative” to “Stable”. DBRS cited the trend change is mainly supported by the satisfactory traffic volume recovery from the negative impact of the pandemic as a result of the easing or removal of all pandemic-related restrictions.

Climate Change Risk

407 ETR strives to avoid significant adverse effects from its activities on individuals, communities and the natural environment within which Highway 407 ETR is located or, where this is not possible, to minimize such effects. To ensure regulatory compliance, 407 ETR stays abreast of new and evolving environmental laws and regulations and incorporates relevant changes into its Environmental Management Plan (“EMP”). Periodically, with the assistance of an external advisor, 407 ETR conducts a review of the EMP, including a review of environmental laws and regulations relevant to 407 ETR.

In addition, 407 ETR recognizes the effects of the increased frequency and potential impacts of extreme weather events due to climate change, such as heavy rainfall resulting in flooding and more extreme winter conditions. These effects may lead to more frequent or extensive damage to infrastructure or roadside tolling equipment, localized disruption to highway operations and traffic levels. Increasingly severe weather events could lead to additional costs, including those for managing response times, maintaining service levels, and addressing actual or potential impacts to infrastructure or equipment. 407 ETR follows a preventative maintenance plan that takes into account the effects of climate change in the design, rehabilitation and construction of highway infrastructure and roadside tolling equipment. 407 ETR will continue to assess and mitigate the impact of climate change on its longer-term operations and will adjust its preventative maintenance, infrastructure, rehabilitation and construction plans accordingly.

Periodically, the Company engages external consultants to undertake studies on the impact of climate change on the various pavements along Highway 407 ETR. Studies conducted in 2019 showed that Highway 407 ETR pavements are robust and resilient to climate change with little or no expected impact resulting from more frequent and intense weather events, and extremes in seasonal temperatures.

Additionally, a flood hazard and risk study based on computer modelling and simulations was carried out for roughly 40 kilometers of Highway 407 ETR in Halton and Peel regions with a historical and perceived vulnerability to flooding. While certain areas were identified as having a potential risk of local flooding, the results of the study confirm that the design of Highway 407 ETR is suitable for the topographical areas where it is located. Management believes that suitable design combined with high ongoing maintenance standards, make Highway 407 ETR resilient to flooding risk, such that it is unlikely to be impacted in any major way. However, the Company will continue to evaluate if it can minimize any risk of flooding by increasing drainage capacity and resilience in those areas.

In 2022, 407 ETR initiated a pilot project aimed at studying biodiversity risks and opportunities along Highway 407 ETR with the goal of introducing a long-term biodiversity vision and action plan for the Company.

Risks Arising from Financial Instruments

Credit Risk

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

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

Trade receivables and other are aged as follows:

(In $ Millions)	As at	
	December 31, 2022	**December 31, 2021**
Unbilled	72.8	66.0
0 to 60 days	85.8	70.0
60 to 90 days	13.0	8.7
90 to 120 days	9.4	7.0
121 to 150 days	9.1	6.2
151 + days	55.4	28.0
Sub-total[1]	245.5	185.9
Other[2]	19.4	19.7
	264.9	**205.6**

1. Amounts are net of allowance for Lifetime ECL and certain amounts that are billed to cutomers,but excluded from revenues in accordance with the revenue recogniton policy for toll and fee revenue.
2. Other consists of salt inventory, prepaids, other non-trade receivables and an advance payment to supplier.

In accordance with the revenue recognition policy, toll revenues are recognized on the date trips are taken on 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 two years before a customer's licence plate is subject to renewal. The Licence Plate Denial process, together with other collection strategies, results in the successful 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 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 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 provision of overdue accounts.

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

An increase of 1 percent in the weighted-average provision rate would have increased the provision for Lifetime ECL by approximately $13.3 million (2021 - $10.2 million) and decreased net income by approximately $9.8 million (2021 - $7.5 million).

Interest Rate Risk

As at December 31, 2022, 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 $3.0 million (2021 - $2.6 million) and net income by approximately 2.2 million (2021 - $1.9 million).

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 $7.2 million (2021 - $9.8 million), decreased net income by approximately $5.3 million (2021 - $7.3 million) and increased debt service payments by approximately $1.3 million (2021 - $0.7 million). 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 $3.9 million (2021 - $5.1 million) and decreased net income by approximately $2.9 million (2021 - $3.7 million). A decrease of 10 basis points in the BEIR would have reduced interest expense by approximately $3.9 million (2021 - $5.0 million) and increased net income by approximately $2.9 million (2021 - $3.6 million). This inflation risk is partially mitigated by the Company's right to increase toll rates.

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 Company is confident in its ability to pay interest on all subordinated debt. The Company does not have any scheduled bond maturities until May 2025, when the $350.0 million Senior Bonds, Series 20-A2, are scheduled to mature. The Company expects to refinance the $350.0 million Senior Bonds, Series 20-A2, with similar bond instruments.

The following are the Company's commitments, contractual maturities and related interest obligations as at December 31, 2022:

(In $ Millions)	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	$ 62.1	$ -	$ -	$ -	$ -	$ -
Contract liabilities	14.9	-	-	-	-	-
Lease obligations	0.8	0.5	0.2	0.1	0.2	-
Interest payments on lease obligations	0.1	0.1	0.1	-	-	-
Long-term debt	21.4	272.7	374.0	370.5	376.9	7,833.8
Derivative financial liability	12.1	12.1	12.1	12.1	12.1	145.0
Interest payments on long-term debt	393.9	388.5	379.8	375.2	350.9	4,032.2
	$ 505.3	$ 673.9	$ 766.2	$ 757.9	$ 740.1	$ 12,011.0

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.

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.

Cash and cash equivalents of $369.5 million as of December 31, 2022 consist of cash, government treasury bills and provincial promissory notes with maturities of three months or less. Cash and cash equivalents are used for working capital and other general corporate purposes.

<u>Restricted cash and investments</u>

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 under an agreement between Cantoll and the Province to implement and maintain the roadside tolling technology and back-office systems relating to the Tolling Services Contract. 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.

<u>Long-term debt</u>

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, widening projects, deferred interchanges, operating and capital expenditures, interest to bondholders, corporate income tax payments and other general corporate purposes.

<u>Credit Facilities</u>

In September 2021, the Company amended its $500.0 million syndicated credit facility with four Canadian chartered banks (the "Syndicated Credit Facility") by increasing the principal amount to $800.0 million and by extending the maturity date to September 23, 2026. The Company also cancelled its $300.0 bilateral credit facilities (the "Bilateral Credit Facilities") and, together with the Syndicated Credit Facility, (the "Credit Facilities") with four Canadian chartered banks.

In November 2022, the Company amended the Syndicated Credit Facility by extending the maturity date to November 14, 2027. The Syndicated Credit Facility was also amended to a Sustainability Linked Loan ("SLL"), with three Key Performance Indicators ("KPIs") – 1) Green House Gas ("GHG"), 2) Board Diversity and 3) Employee Health and Safety and related targets in which to be measured against on an annual basis, commencing in 2023.

The Syndicated Credit Facility bears interest at floating rates based on, at the option of the Company, the prime rate for Canadian dollar loans, or the interbank bid rate for Canadian dollar bankers' acceptances, plus an applicable fixed margin. The Company paid an upfront fee with respect to the Syndicated Credit Facility and is also obligated to pay a commitment fee to the lenders, calculated based on the undrawn portion of the Syndicated Credit Facility.

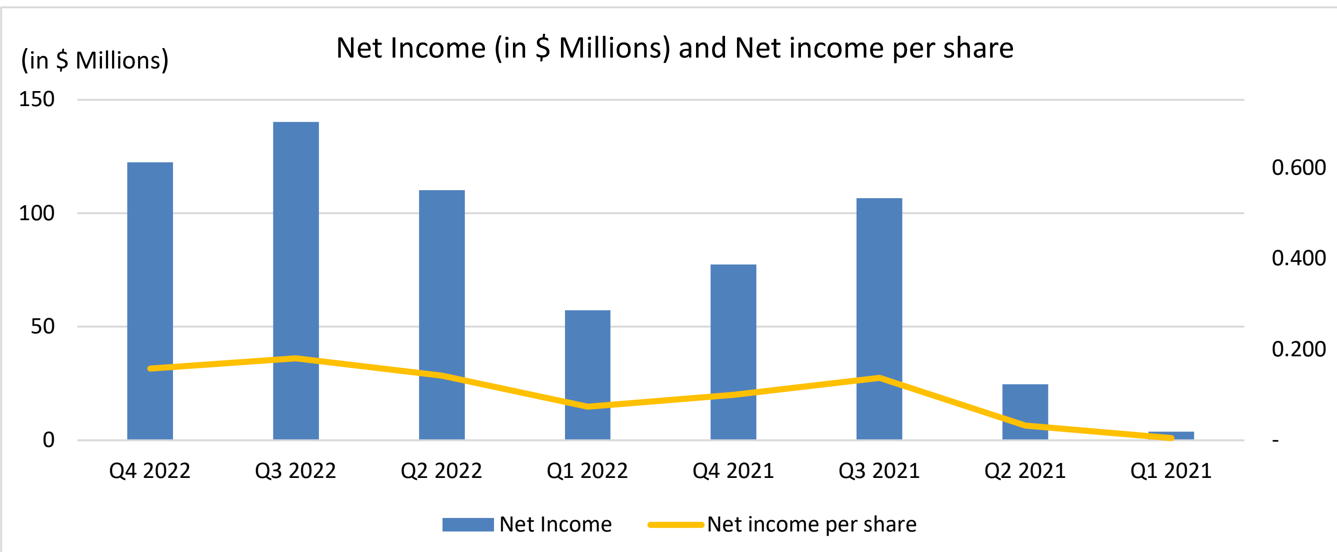
As at December 31, 2022, the Company had drawn $nil (2021 – $nil) under the Syndicated Credit Facility.

<u>Derivative financial instrument</u>

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.

Quarterly Financial Information

Net Income (Loss) and Net Income (Loss) per Share *	**2022**				**2021**			
(In $ Millions, except per share amounts)	**Q4**	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**
Revenues	362.5	392.0	336.1	236.6	308.7	333.1	212.2	169.1
Operating Expenses	58.1	46.4	41.8	42.1	49.0	43.9	32.8	38.4
Depreciation and amortization	26.4	25.6	23.8	24.2	28.0	26.6	23.9	23.7
Interest and other expenses	104.1	129.1	121.3	92.5	124.7	116.8	121.9	102.0
Income tax expenses (recovery)	46.0	50.8	39.1	20.6	29.6	39.2	8.9	1.3
Net income (loss)	**127.9**	**140.1**	**110.1**	**57.2**	**77.4**	**106.6**	**24.7**	**3.7**
Net income (loss) per share (basic and diluted)	0.165	0.181	0.142	0.074	0.100	0.138	0.032	0.005



Toll and fee revenues are subject to seasonal fluctuations that may materially impact quarter-to-quarter financial results; therefore 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 and traffic volumes on neighbouring infrastructure. In particular, this seasonality generally results in relatively lower revenues during the first quarter, relatively higher levels of toll and fee revenues in the second and fourth quarters and the highest revenue in the third quarter. Interest expense on RRBs and Senior Bonds, Series 04-A2 is calculated based on changes in CPI; as such, interest expense in respect of RRBs and Senior Bonds, Series 04-A2 will fluctuate due to the volatility of CPI.

The Company recorded net income of $127.9 million in the fourth quarter of 2022, $12.2 million lower than the third quarter of 2022, mainly due to seasonally lower traffic levels and revenues, coupled with higher operating expenses mainly due to higher staffing costs and higher depreciation and amortization offset by lower interest and other expenses mainly due to the favourable non-cash inflation compensation expense on the RRBs and non-cash accretion expense on Senior Bonds Series 04-A2 due to a lower increase in inflation and lower income tax expense.

Net income of $140.1 million in the third quarter of 2022, $30.0 million higher than the second quarter of 2022 mainly due to seasonally higher revenues, offset by higher income tax expense, higher interest and other expenses due to an unfavourable non-cash inflation compensation expense on the RRBs and non-cash accretion expense on Senior Bonds Series 04-A2 due to a higher increase in inflation, higher operating expenses and depreciation and amortization.

Net income of $110.1 million in the second quarter of 2022 was $52.9 million higher than the first quarter of 2022 mainly due to higher revenues due to increase in traffic resulting from the removal of all COVID-19 pandemic-related restrictions, offset by higher interest and other expenses due to an unfavourable non-cash inflation compensation expense on the RRBs and non-cash accretion expense on Senior Bonds Series 04-A2 due to a higher increase in inflation, higher income tax expense, offset by slightly lower operating expenses and depreciation and amortization.

Net income of $57.2 million in the first quarter of 2022 was $20.2 million lower than the fourth quarter of 2021, mainly due to the continued impact of the COVID-19 pandemic on traffic levels and revenues, offset by lower interest and other expenses mainly due to the favourable fair value adjustment of Senior Bonds, Series, 04-A2 due to a significant increase in NDR, favourable non-cash inflation compensation expense on the RRBs and non-cash accretion expense on Senior Bonds Series 04-A2 due to a lower increase in inflation and lower interest expense on senior bonds due to lower cash interest expenses on the RRBs and Senior Bonds, Series 04-A2, lower income tax expense, lower operating expenses and lower depreciation and amortization.

Net income of $77.4 million in the fourth quarter of 2021, was $29.2 million lower than the third quarter of 2021, mainly due to the continued impact of the COVID-19 pandemic on traffic levels and revenues, coupled with higher operating expenses mainly due to higher staffing costs, higher interest and other expenses mainly due to the unfavourable fair value adjustment of Senior Bonds, Series, 04-A2 due to an increase in BEIR offset by favourable non-cash inflation compensation expense on the RRBs and non-cash accretion expense on Senior Bonds Series 04-A2 due to a lower increase in inflation and higher depreciation and amortization offset by lower income tax expense.

Net income of $106.6 million in the third quarter of 2021 was $81.9 million higher than the second quarter of 2021 mainly due to seasonally higher revenues and improvement in traffic volumes due to further easing of COVID-19 pandemic-related restrictions, coupled with lower interest and other due to the favourable non-cash inflation compensation component of the RRBs and a favourable fair value adjustment of Senior Bonds, Series 04-A2 due to a lower increase in the CPI level, offset by higher income taxes and higher operating expenses and higher depreciation expense.

Net income of $24.7 million in the second quarter of 2021 was $21.0 million higher than the first quarter of 2021 mainly due to higher revenues from the phased re-opening of businesses, outdoor activities and public spaces in the Province and the GTA, compared to the severe impact of stay-at-home orders in the first quarter of 2021, coupled with lower operating expenses, offset by higher interest and other expenses due to the unfavourable non-cash inflation compensation component of the RRBs and non-cash accretion of Senior Bonds, Series 04-A2 due to a higher increase in the CPI level. In addition, there was an unfavourable non-cash fair value adjustment of Senior Bonds, Series 04-A2 primarily due to a decrease in NDR and higher income tax expense.

Net income of $3.7 million in the first quarter of 2021 was $27.6 million lower than the fourth quarter of 2020 mainly due to lower revenues due to the impact of the COVID-19 pandemic, coupled with lower operating expenses, lower interest and other expenses due to an unfavourable fair value adjustment on Senior Bond 04-A2 resulting from a significant decrease in the NDR in first quarter of 2021, including an increase in BEIR in the fourth quarter of 2020 and lower income tax expense.

Accounting and Control Matters

Accounting Policies

The Financial Statements are prepared in accordance with IFRS. 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.

Critical Accounting Estimates

The preparation of the Financial Statements in conformity with IFRS requires Management to make certain judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities as at the date of the Financial Statements, the reported amounts of revenues and expenses of the reporting period, as well as disclosures made in the 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 past experience and other factors that are considered relevant. Actual results could differ materially from these estimates.

Future Changes in Accounting Policies

The following amendments are effective for annual reporting periods beginning on or after January 1, 2023. The Company has assessed the impacts of the amendments and concluded they have no material impact on the Financial Statements.

IAS 1 Presentation of Financial Statements – Classification of Liabilities as Current or Non-Current ("IAS 1"):

Amendments to IAS 1 clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period. Classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability or events after the reporting date. The amendments also include clarifying the classification requirements for debt an entity might settle by converting it into equity.

IAS 1 Presentation of Financial Statements- Disclosure of Accounting Policies (“IAS 1”):

Amendments to IAS 1 change the requirements in IAS 1 with regard to disclosure of accounting policies. An entity shall disclose its material accounting policies instead of its significant accounting policies. Further amendments to IAS 1 are made to explain how an entity can identify a material accounting policy.

IAS 8 Accounting policies, changes in accounting estimates and errors: Definition of Accounting Estimates (“IAS 8”):

Amendments to IAS 8 introduce a new definition for accounting estimates, clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty. The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that an entity develops an accounting estimate to achieve the objective set out by an accounting policy.

Additional Information

Related Party Transactions

The Company entered into the following transactions with related parties:

(In $ Millions) Related Party	Relationship	Classification in the Financial Statements	Nature of transaction with the related party	2022	2021
Cintra	Subsidiary of Shareholder	Operating Expenses	Payment for administration costs	0.7	0.7

Transactions with related parties are measured at their exchange amounts, which is the consideration agreed to by the parties. Amounts owed to related parties were as follows:

(In $ Millions) Related Party	Relationship	Classification in the Financial Statements	As at December 31, 2022	December 31, 2021
Cintra Servicios de Infraestructuras S. A.	Subsidiary of shareholder	Trade and other payables	0.3	0.7

Overall Outlook

Management anticipates revenues and traffic volumes will be lower than pre-pandemic levels throughout 2023, but higher than 2022 levels. However, Management anticipates further recovery in traffic volumes during 2023 and expects to satisfy all of its obligations in 2023 while remaining in compliance with the Concession Agreement and the Indenture.