



THE WORLD'S FIRST ALL-ELECTRONIC OPEN-ACCESS TOLL HIGHWAY

BANK OF MONTREAL

10th ANNUAL INFRASTRUCTURE & UTILITIES CONFERENCE

February 7, 2013



DISCLAIMER/DISCLOSURE

- » This presentation has been prepared by 407 ETR.
- » The financial information presented is taken from quarterly and year-end statistics that have been disclosed publicly over 2007, 2008, 2009, 2010, 2011 and 2012.
- » All financial amounts are shown in Canadian dollars unless otherwise indicated.
- » Additional information relating to 407 ETR and or 407 International, including the 2011 Annual Information Form dated February 15, 2012, can be accessed on SEDAR.
- » The statements about expected future events and financial and operating results 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 statements reflect internal projections, expectations, future growth, performance and business prospects and opportunities, and, as they are subject to a number of risks and uncertainties, you are cautioned not to put undue reliance upon such statements as they may differ from actual results and developments.

THE MISSION AND VISION

THE HIGHWAY'S MISSION

- » Relieve congestion on other Greater Toronto Area (GTA) highways and local roads.
- » Provide a congestion-free trip.

THE COMPANY'S VISION AND MISSION

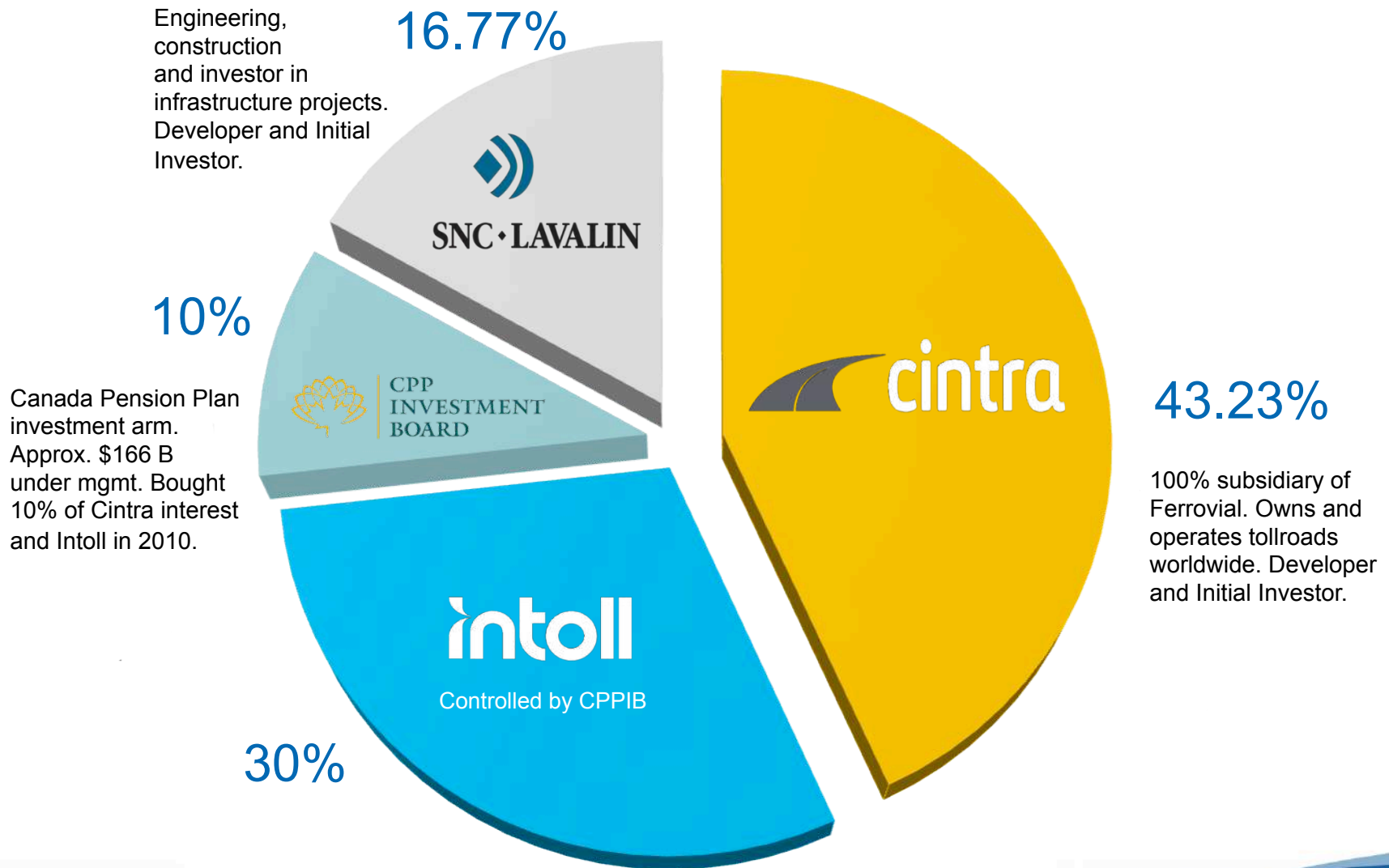
VISION

- » To be recognized as the best open access toll road in the world.

MISSION

- » To serve the GTA by providing customers a FAST, SAFE, RELIABLE travel alternative, maximizing both customer service and shareholder value.

407 INTERNATIONAL SHAREHOLDERS



TESTED LEGAL/REGULATORY FRAMEWORK

» Highway 407 Act (Royal Assent - Dec 1998):

- » Powers of Concessionaire (collection of tolls, exemption of tolls, etc.)
- » Plate denial, enforcement of tolls, dispute process
- » Collection and use of personal information
- » Highway closure, emergency planning
- » Liabilities, expropriation, expansion, etc.
- » Safety standards

» Highway Traffic Act:

- » Plate visibility
- » Powers of police officer (search and seizure)
- » Definition of toll device and transponder mounting
- » Toll evasion, sale of interference devices, etc.

TESTED LEGAL/REGULATORY FRAMEWORK

» Concession and Ground Lease Agreement (CGLA)*:

- » Collection of revenues and tolling regulations
- » Operation standards, highway expansion and extension
- » Reporting, audit rights, electronic data transfer
- » Corridor control, management of 407 lands
- » Police services, enforcement
- » Dispute resolution etc.

» Policing/Enforcement Agreements:

- » Police Services agreement with Ontario Provincial Police
- » Truck safety and vehicle registration enforcement by MTO

**Available on 407etr.com*

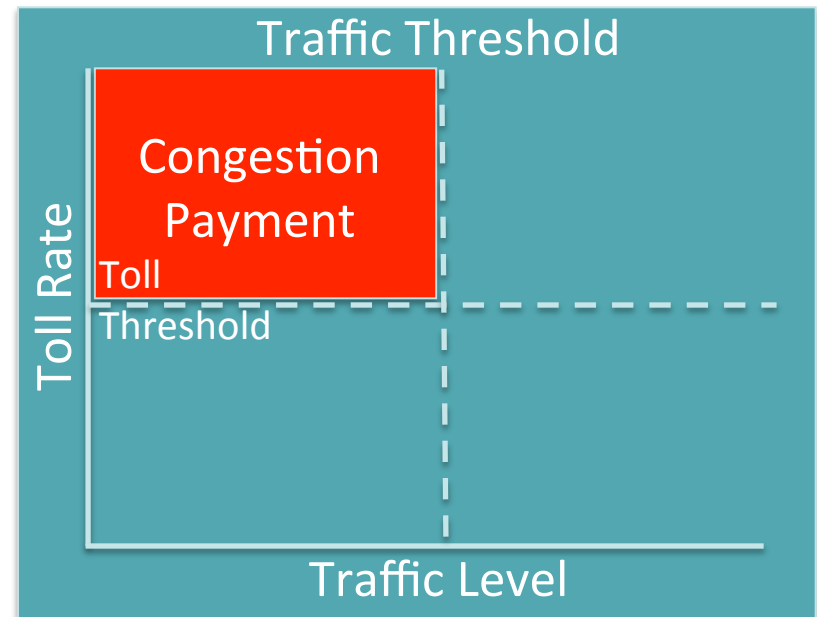


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TOLL SETTING “CONSTRAINT”

» CGLA – Schedule 22

- » Schedule 22 includes the concept of Congestion Payment to ensure traffic relief in the corridor.
- » Sets minimum traffic levels (Traffic Thresholds) in the peak hours for each segment and direction, based on 2002 levels, and a minimum Toll Threshold.
 - » The Traffic Threshold grows by 1%-3% per year after the Base Year, up to a maximum of 1,500 vehicles per hour per lane.
 - » The Toll Threshold also increases, up to 30% in real terms from 1999 level.
- » A Congestion Payment may be due if:
 - » Applicable rate $>$ Toll Threshold **and** Average Segment Flow Rate (ASFR) is less than the Traffic Threshold.
 - » The congestion payment is twice the traffic shortfall times the toll rate overage.
 - » Only one Congestion Payment made (\$28.7k for 2003).*
 - » As Traffic Threshold increases, the likelihood of a “Traffic Shortfall” increases on some segments.



*Corrected April 10, 2013

407 ETR

Express Toll Route

FAST. SAFE. RELIABLE.



Phase One (22km): Extension of Highway 407 East to Harmony Road in Oshawa by 2015. 407 East will be 3 lanes in each direction up to the West Durham Link and then 2 lanes in each direction to Harmony Road.

Phase Two (23km): Extension of Highway 407 East to Highway 35/115 in Clarington by 2020. By 2017 there will be an interim interchange at Taunton Road for the East Durham Link.

407 ETR
407 ETR: 108km, with 41 interchanges and 198 on/off ramps.

407 Interchange
 400-Series Interchange



United States of America

↓
TO BUFFALO

↑
TO PETERBOROUGH

Expansions

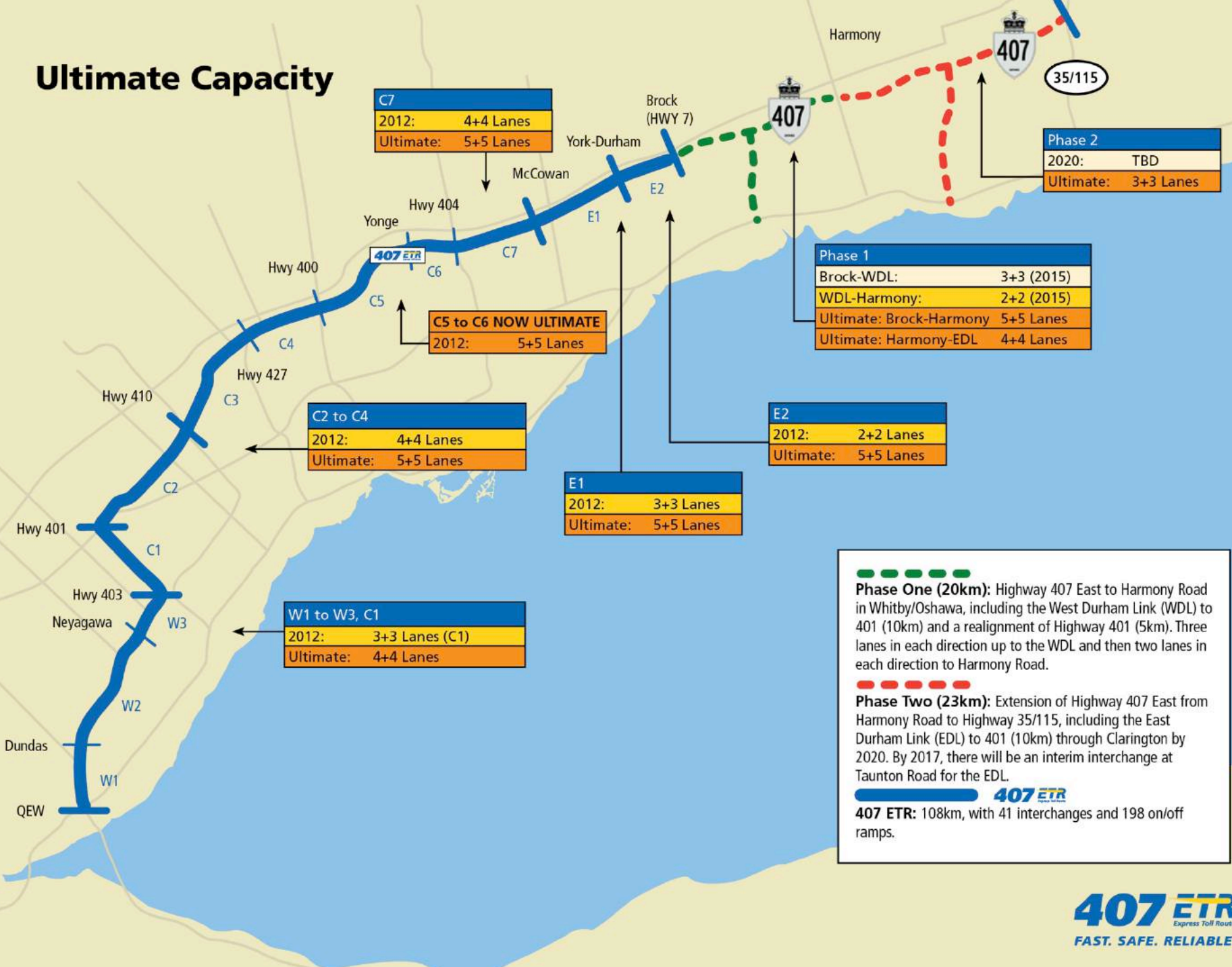
Total lanes added since 2004

A total of 205.4 new lane kilometres.



<u>Year</u>	<u>Lane Expansions</u>	<u>Length</u>
2004	401 - 410	18 km
2006	427 - 404	46 km
2006	McCowan Road - Markham Road	4 km
2007	401 - 427	47 km
2009	Markham Road - York Durham Line	13 km
2010	404 - Markham Road	19 km
2011	401 - Trafalgar Road	26 km
2012	400 - 404	32 km
Total lane kilometres added		205 km

Ultimate Capacity



Phase One (20km): Highway 407 East to Harmony Road in Whitby/Oshawa, including the West Durham Link (WDL) to 401 (10km) and a realignment of Highway 401 (5km). Three lanes in each direction up to the WDL and then two lanes in each direction to Harmony Road.

Phase Two (23km): Extension of Highway 407 East from Harmony Road to Highway 35/115, including the East Durham Link (EDL) to 401 (10km) through Clarington by 2020. By 2017, there will be an interim interchange at Taunton Road for the EDL.

407 ETR
407 ETR: 108km, with 41 interchanges and 198 on/off ramps.

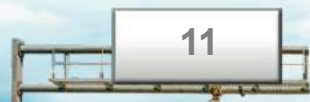
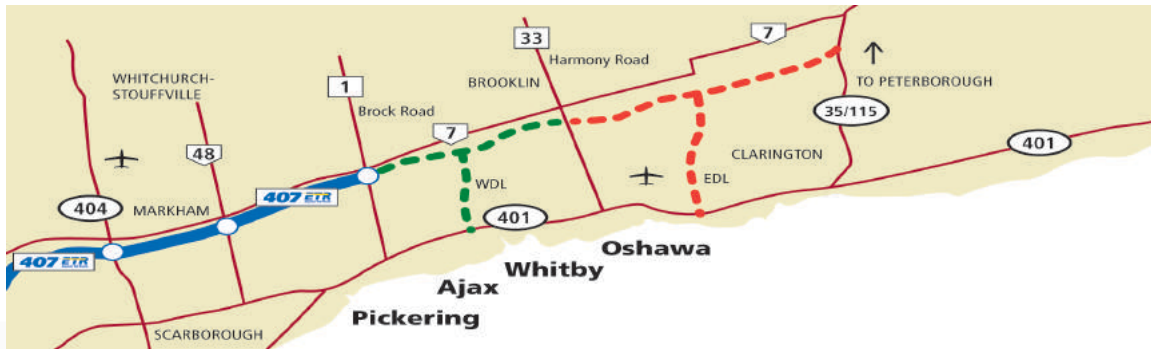
Two different projects – two different models



407 ETR /407 International	407 East Development Group – Phase 1
108 km (Burlington-Pickering)	22 km (Pickering-Oshawa + 10 km WDL)
Cintra, CPPIB, SNC-Lavalin	Cintra and SNC-Lavalin
99-year Concession (1999-2098)	3+30-year DBFO (2012-2045)
407 ETR sets tolls, keeps revenues	Province sets tolls, gets revenues
Traffic risk	Availability payments – no traffic risk
Prescribed extensions & widenings	One-time construction & maintenance

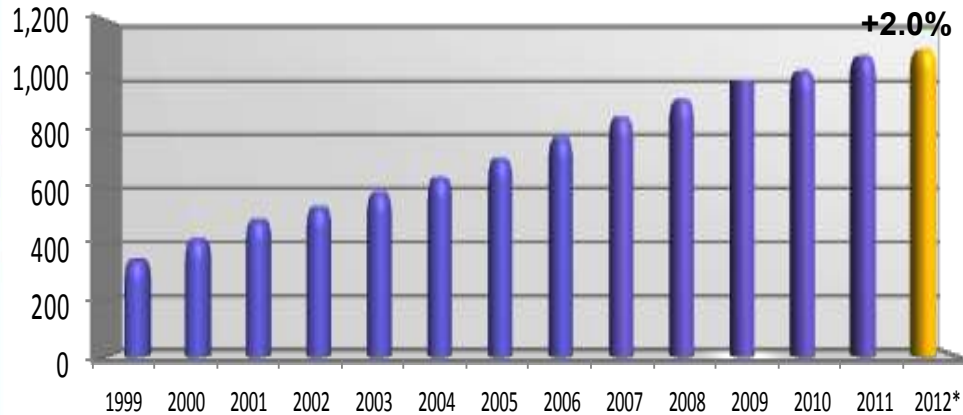
Cantoll

(Sub of 407 International) installs, updates and manages seamless tolling and backoffice system, customer service and collection. Customer gets one bill/one transponder.



TRANSPONDER USAGE

Transponders in Circulation (000's)

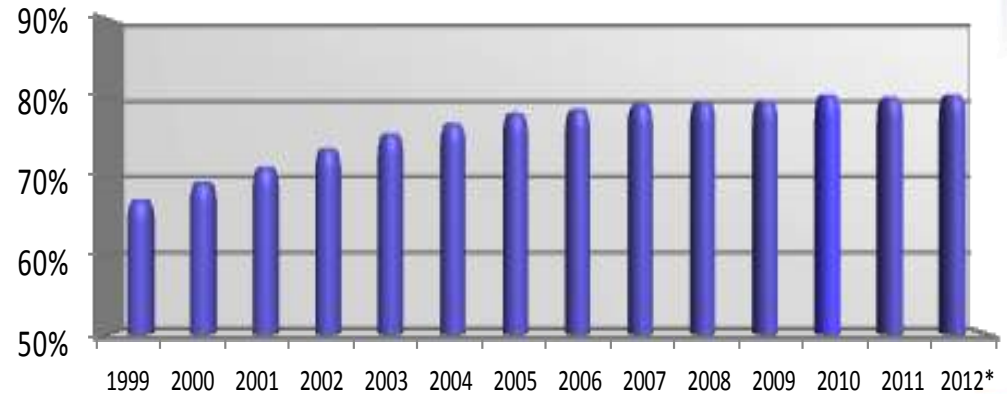


>> Promotions have increased the transponder penetration, thereby reducing corporate cost of pursuing payments for road usage.

* as of September 2012



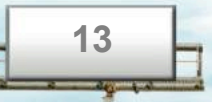
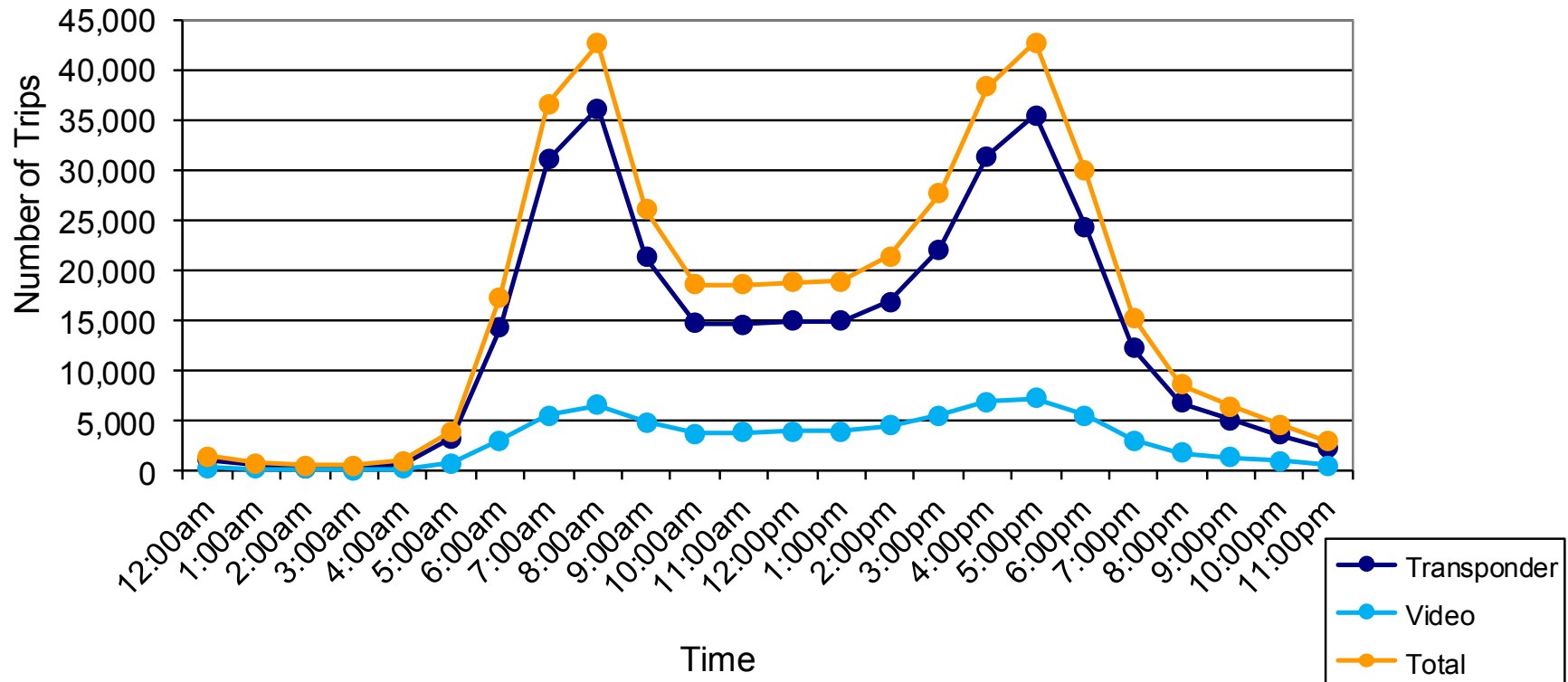
Transponder Penetration Percentage



AVERAGE WEEKDAY HOURLY TRIPS

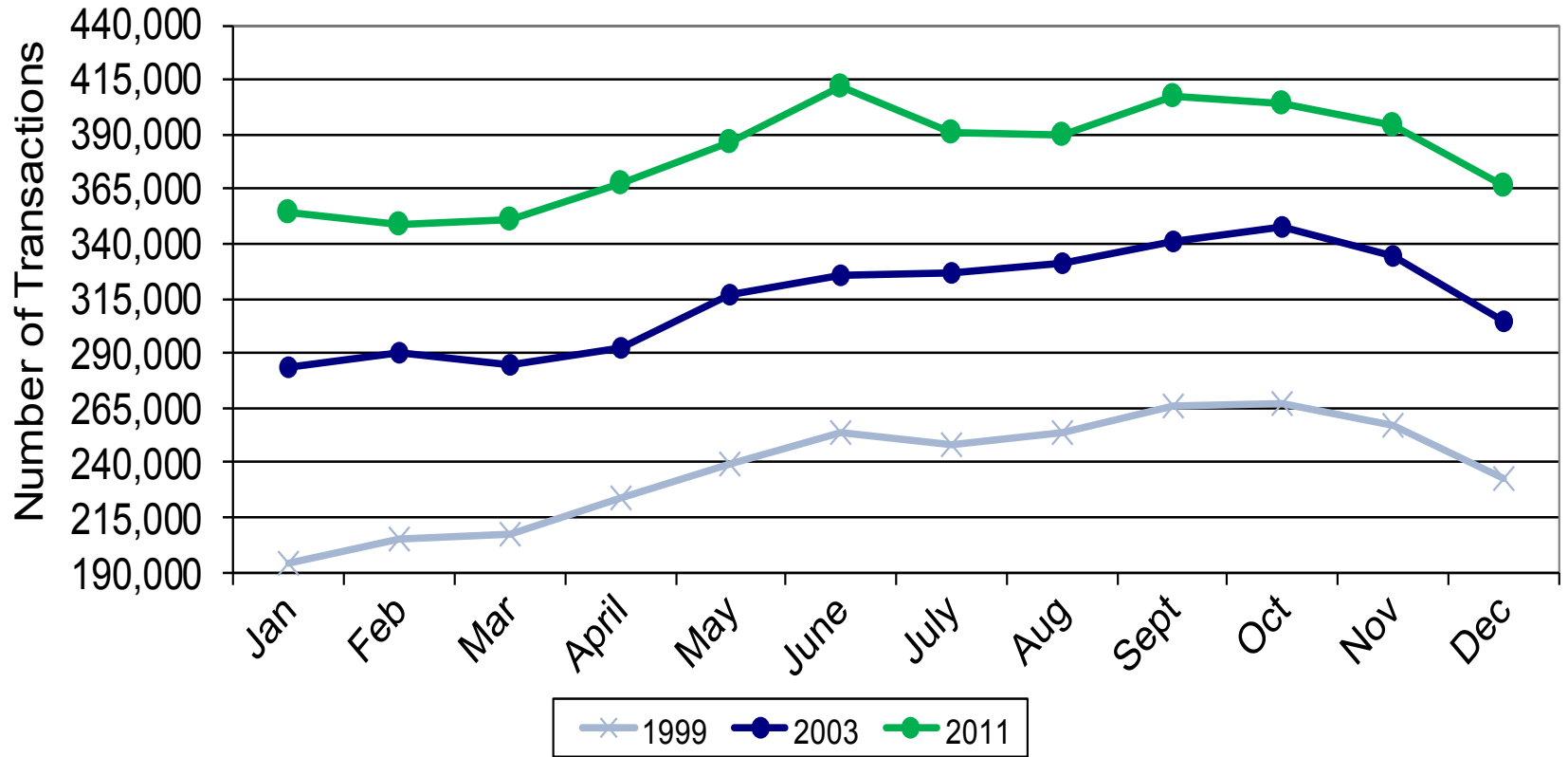
Average Weekday

Hourly Trips



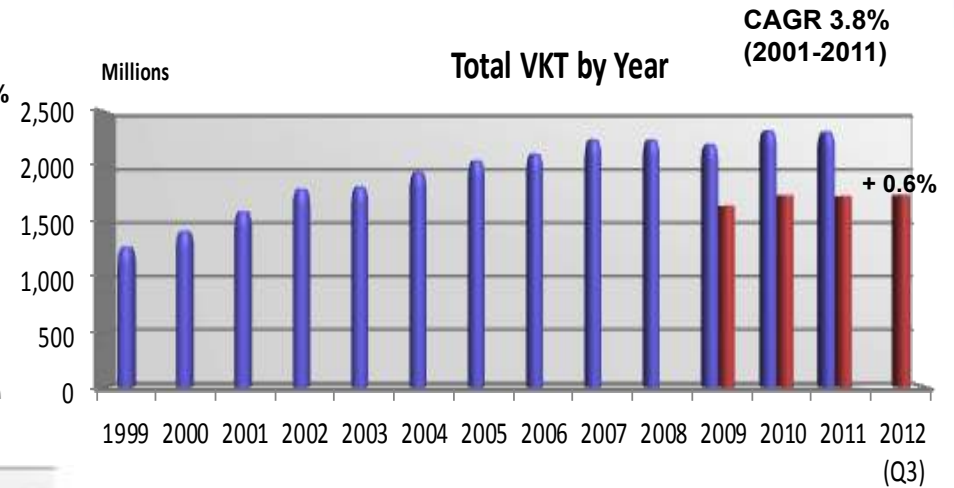
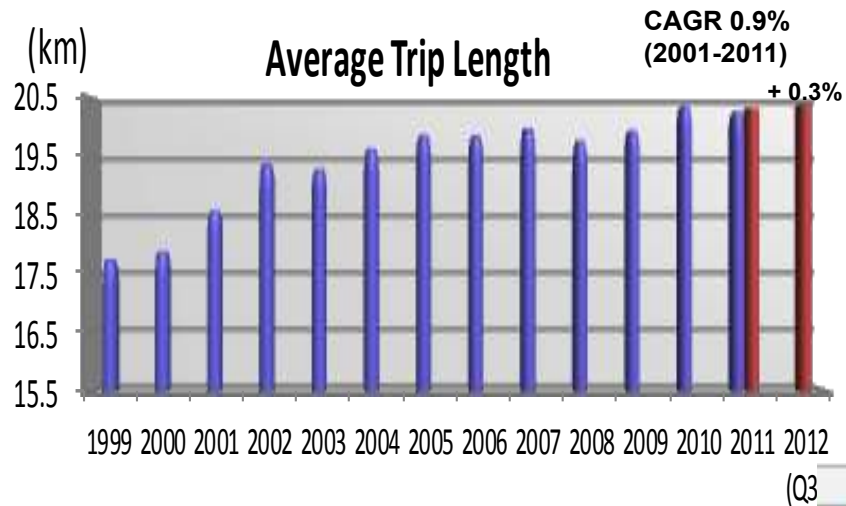
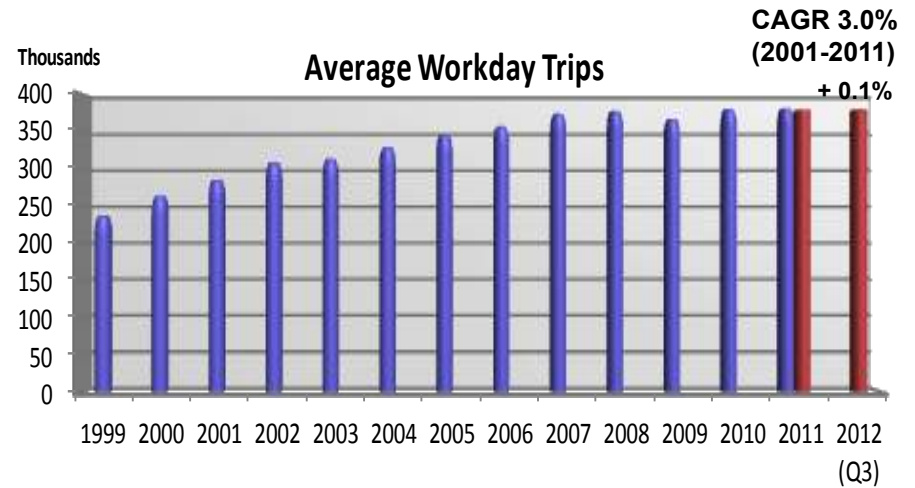
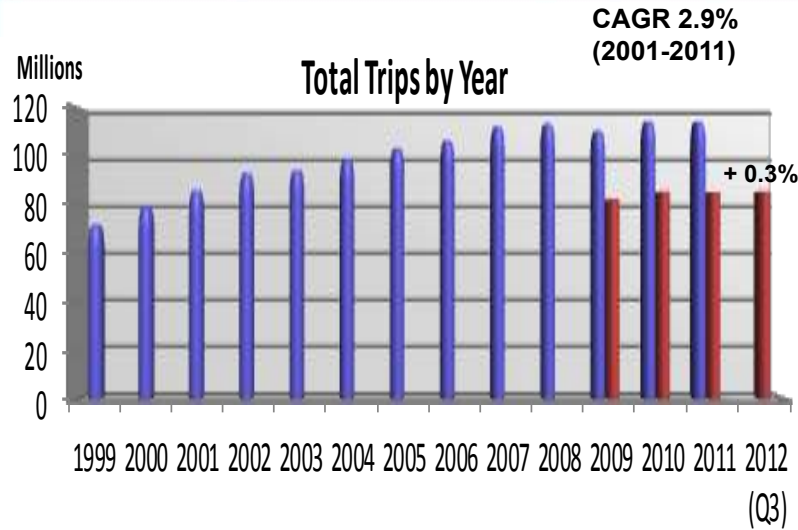
TYPICAL TRAFFIC DISTRIBUTION

Average Workday Trips

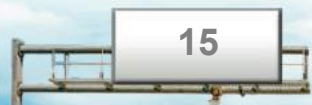


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TRAFFIC PERFORMANCE



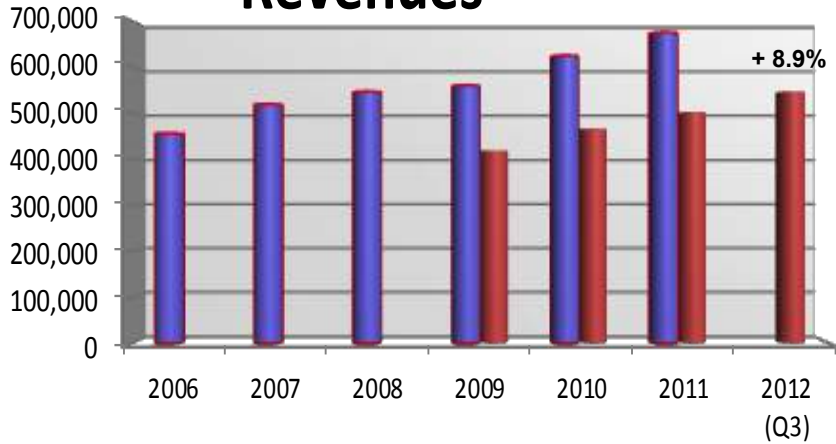
= Q3 DATA



KEY FINANCIAL INDICATORS

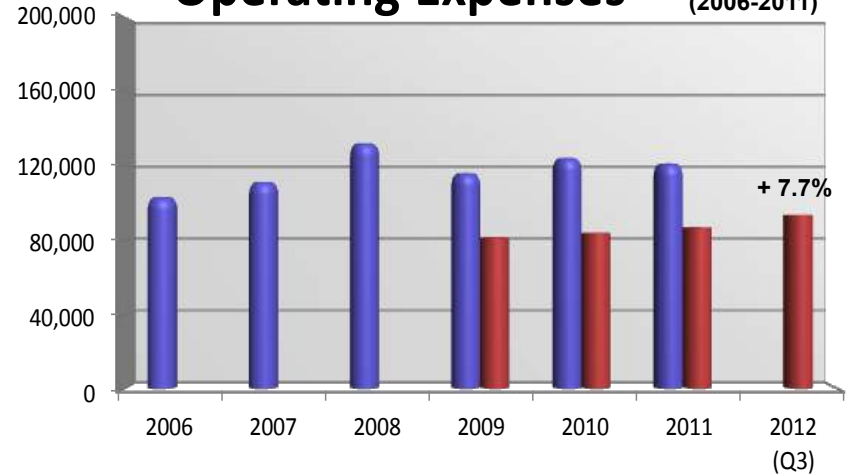
Revenues

CAGR 8.2%
(2006-2011)



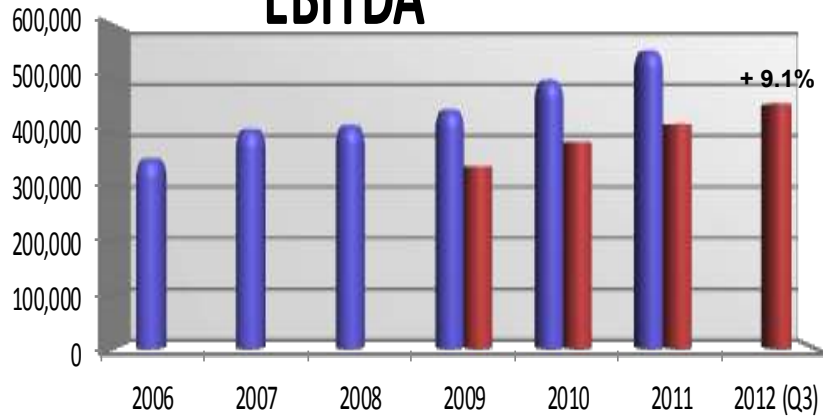
Operating Expenses

CAGR 3.3%
(2006-2011)

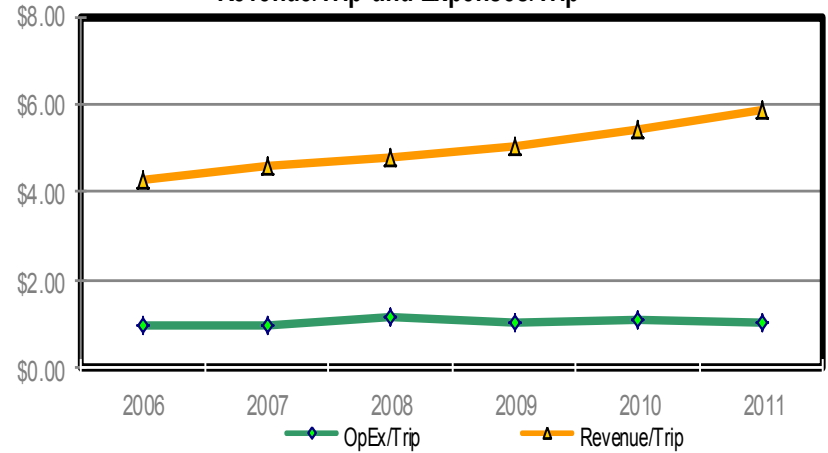


EBITDA

CAGR 9.5%
(2006-2011)



Revenue/Trip and Expenses/Trip



= Q3 DATA:

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2013 ZONE/PEAK TOLLING

Effective February 1, 2013



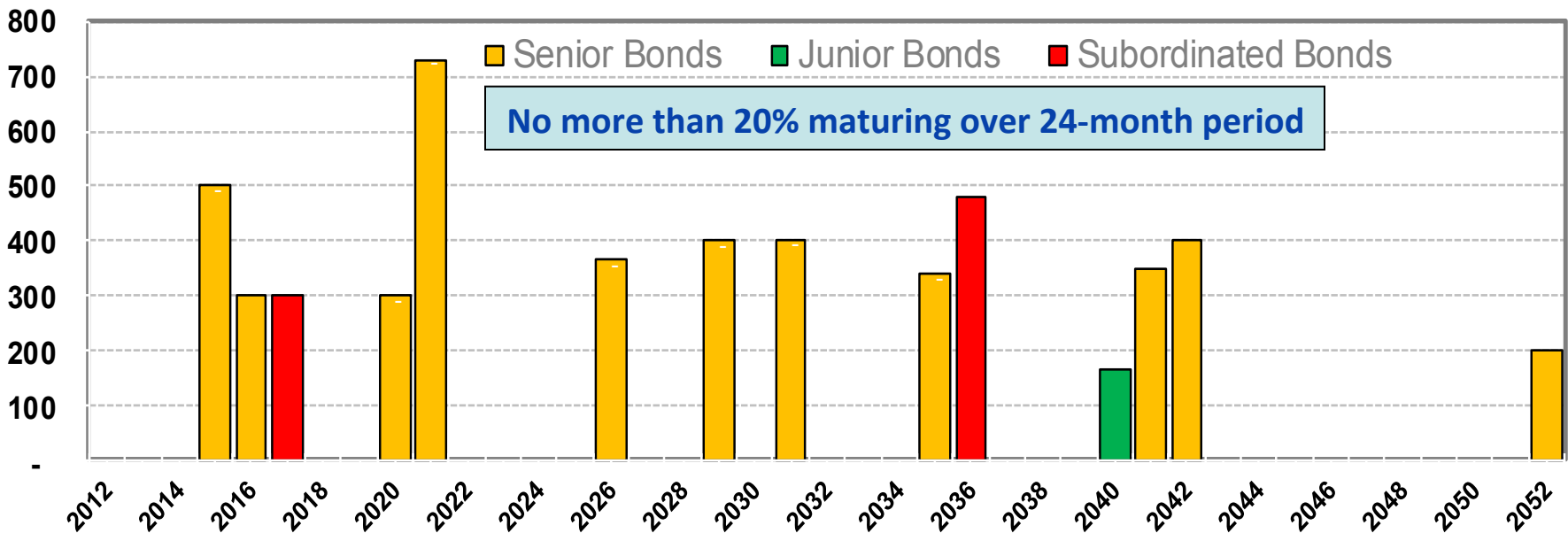
VEHICLE CLASS	Regular Zone QEW to Highway 410 Highway 427 to Brock Road		Light Zone Highway 410 to Highway 427		Entire Highway		
	PEAK PERIOD Weekdays: 6am - 7am & 9am - 10am 3pm - 4pm & 6pm - 7pm	PEAK HOURS Weekdays: 7am - 9am & 4pm - 6pm	PEAK PERIOD Weekdays: 6am - 7am & 9am - 10am 3pm - 4pm & 6pm - 7pm	PEAK HOURS Weekdays: 7am - 9am & 4pm - 6pm	MIDDAY Weekdays: 10am - 3pm	MIDDAY Weekends & Holidays: 11am - 7pm	OFF PEAK PERIOD Weekdays: 7pm - 6am Weekends & Holidays: 7pm - 11am
Light Vehicles* (Cars/Minivans/SUVs)	26.20¢/km	27.20¢/km	24.90¢/km	25.85¢/km	22.70¢/km	21.00¢/km	19.35¢/km
Heavy Vehicles** (Large Trucks/Buses)	52.40¢/km	54.40¢/km	49.80¢/km	51.70¢/km	45.40¢/km	42.00¢/km	38.70¢/km
Heavy Multiple Unit Vehicles** (Tractor trailers)	78.60¢/km	81.60¢/km	74.70¢/km	77.55¢/km	68.10¢/km	63.00¢/km	58.05¢/km

- >> Rates vary by time of day, day of week and zone of highway
- >> Avg revenue per trip: **2012(Q3)-\$6.72, 2011(Q3)-\$6.26, 2010(Q3)-\$5.75**

2012 Issuances/Bond Maturity Profile

- » April 25th: issued \$400 million of 4.19% Senior Notes, due April 2042, to early redeem the \$200 million of 5.10% Senior Notes due on January 20th 2014 and for general corporate purposes.
- » September 6th: issued \$200 million of 3.98% Senior Notes, on September 2052, for general corporate purposes.

\$ millions



» Total Long-Term Debt: \$ 5.8 billion



Excerpt from July 2012 Report



Insight beyond the rating.

Debt Ratings:

Senior/Junior/Subordinated Bonds

A/A(low)/BBB, Stable Trend for all bonds

“DBRS has confirmed the ratings of 407 International Inc. being all trends are Stable.”

“Despite a heavy debt burden and weaker traffic in 2011, the Company continues to exhibit sound operating efficiency, solid cash flow generation, sizable reserves and good long-term traffic prospects”

“Discussions with the Company have indicated that it intends to gradually increase leverage over the next three to five years by way of bullet bonds of staggered maturities while maintaining a cash-based senior and junior debt service coverage ratio (DSCR) above 2.00 times and a senior DSCR, including shadow amortization as per its Master Trust Indenture, above 1.70 times.”

“As such, while the 407 has in the past raised debt in excess of its capital expenditure, going forward the Company is likely to increase leverage at a faster pace, although DBRS has obtained comfort that the growth in debt will be measured.”

“Cash balances in excess of such amounts would be paid as dividends, if permitted by the trust indenture”

Strengths:

- (1) Large and wealthy service region
- (2) Limited cost-effective competing routes
- (3) Strong toll-enforcement capability
- (4) Sizeable reserve funds
- (5) Rating confirmation test limits excessive leverage

Challenges:

- (1) Cyclicity of traffic volumes
- (2) High dividend payouts
- (3) Accreting debt burden
- (4) High proportion of bullet debt
- (5) Limited toll-setting autonomy



Excerpt from September
2012 Report

Debt Ratings:

Senior/Junior/Subordinated Bonds

A/A-/BBB, Stable Outlook

“407 recently introduced plans to gradually increase financial leverage while endeavoring to maintain healthy DSCRs and the ratings. We believe the company might seek to incrementally increase leverage to mitigate any expected cash flow upside in the future, such that its DSCRs would not grow materially. Given 407’s strong cash flows, we expect funds associated with such potential leverage activity to flow through to shareholders.”

“We consider the company’s prudent debt management record, strong cash flows, healthy liquidity, well-spaced debt maturity ladder, and demonstrated capital market access mitigating factors.”

.... “We consider an upgrade unlikely, largely because of the company’s leverage plans.”

Major Rating Factors

Strengths:

- Highway 407's strong demand profile
- Well-tested congestion-based tolling mechanism
- Solid debt service coverage metrics

Weaknesses:

- Full volume exposure
- Leverage policy in support of dividends
- Capital structure contains bonds with inflation indexing and bullet maturities.



CONTINUOUS IMPROVEMENT & INNOVATION

- » Changes to Regulations on notice provisions:
 - » Improved customer communication and opex savings.
- » Enterprise Architecture:
 - » Greater efficiency and flexibility with reduced opex.
- » Website – enhanced personal customer pages, new self-serve options:
 - » Better customer service and reduced opex.
- » Website – new B2B features will assist large accounts manage their billing:
 - » Improved commercial customer relationship and reduced opex.
- » Increased number of business accounts with a dedicated representative:
 - » Increased customer satisfaction.
- » Progressive roll-out of improved technology:
 - » Cost effective approach to maintenance, tolling-site renewal and replacement of technology.

LATEST TECHNOLOGY PROTECTS REVENUE

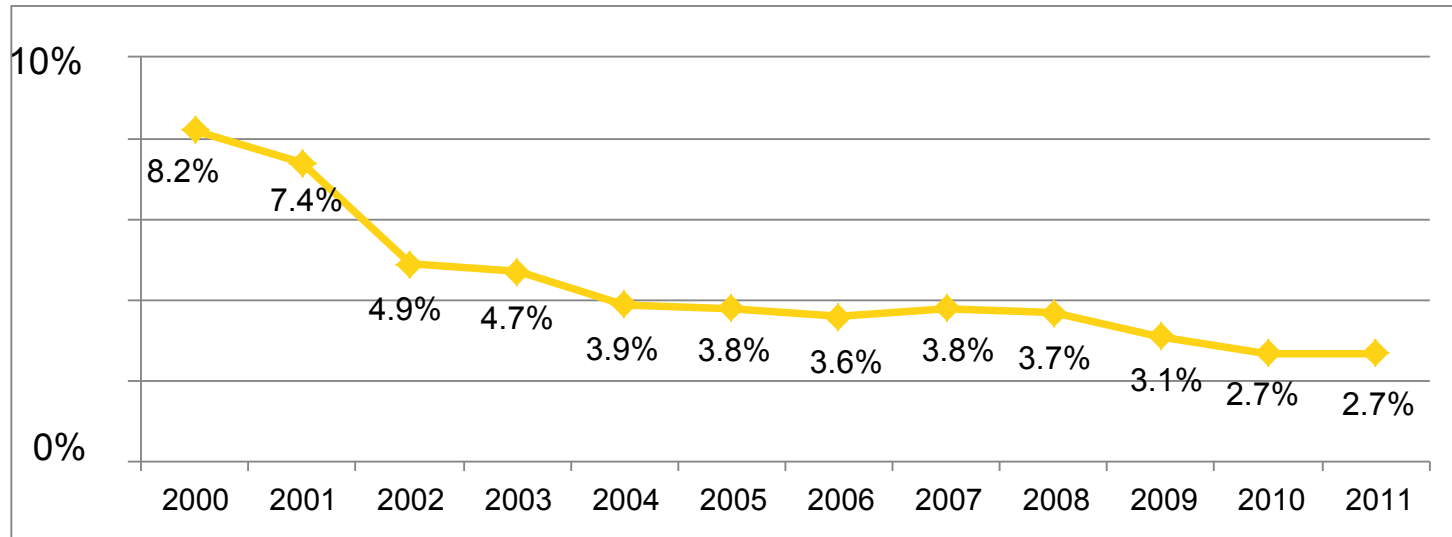


- » New “seeker” system provides enhanced “locator” data of vehicles as they pass under gantry – reducing number of images required.
- » Roadside technology continuously updated with proven and reliable technology.
- » Front capture camera for toll enforcement on heavy vehicles.



UNBILLABLES

- » Open-access, all-electronic highway raises enforcement challenges
- » Legislation makes toll evasion an offence
- » Initiatives to reduce unbillable trips (where a plate cannot be read or a transponder does not read the account and billing cannot be completed and includes “non-revenue” trips by police, etc.)
 - » Increase transponder penetration
 - » Optical Character Recognition Software upgrade
 - » Video Detection and Capture upgrade
 - » Camera replacement project - targeted front capture cameras
 - » Tolling enforcement by police and Video Fingerprinting



SUMMARY

- » Solid financial performance built on a tested legal environment.
- » 407 ETR continues to be the good choice for customers looking to save time and money.
- » Maintaining the value of the brand through good communications and emphasis on safety, savings and supporting the communities we serve.
- » Protecting revenues through innovations in tolling and collections.
- » EDG Project will provide direct connect to 407 ETR and 401, completing the Toronto by-pass.
- » Cantoll will provide integrated services to users while expanding its business.

407 EAST: PHASE 1 – 407 EAST DEVELOPMENT GROUP

