

The World's First All-Electronic Open-Access Toll Highway

*RBC Capital Markets
2016 Corporate Infrastructure & Pipelines Conference*

September 20, 2016



407 ETR
Express Toll Route
FAST. SAFE. RELIABLE.

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.
- ◆ All financial amounts are shown in Canadian dollars unless otherwise indicated.
- ◆ Additional information relating to 407 ETR and / or 407 International, including the 2015 Annual Information Form dated February 11, 2016, 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.

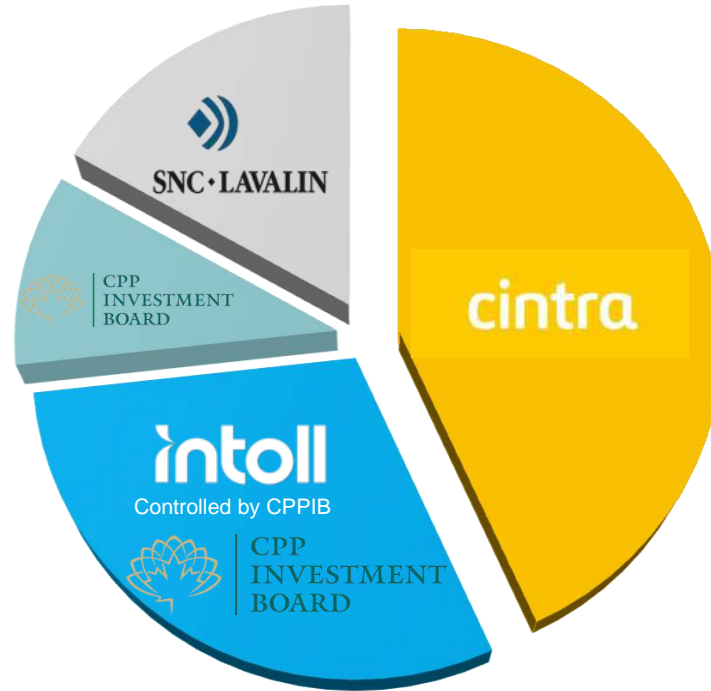
407 International Shareholders

SNC Lavalin: 16.77%

Engineering, construction and investor in infrastructure projects. Developer and Initial Investor.

CPPIB: 10% + 30%

Canada Pension Plan Investment Board. Over \$287 B under mgmt. Bought 10% of Cintra interest and Intoll in 2010.



Cintra: 43.23%

100% subsidiary of Ferrovial. Owns and operates toll roads worldwide. Developer and Initial Investor.

2001 Company builds east and west extensions (40km).

1999 Privatization. Taxpayers receive over \$3.1 billion; directed to other government priorities.

1997 Government builds central section (68km). Cost to taxpayer \$1.5 billion.

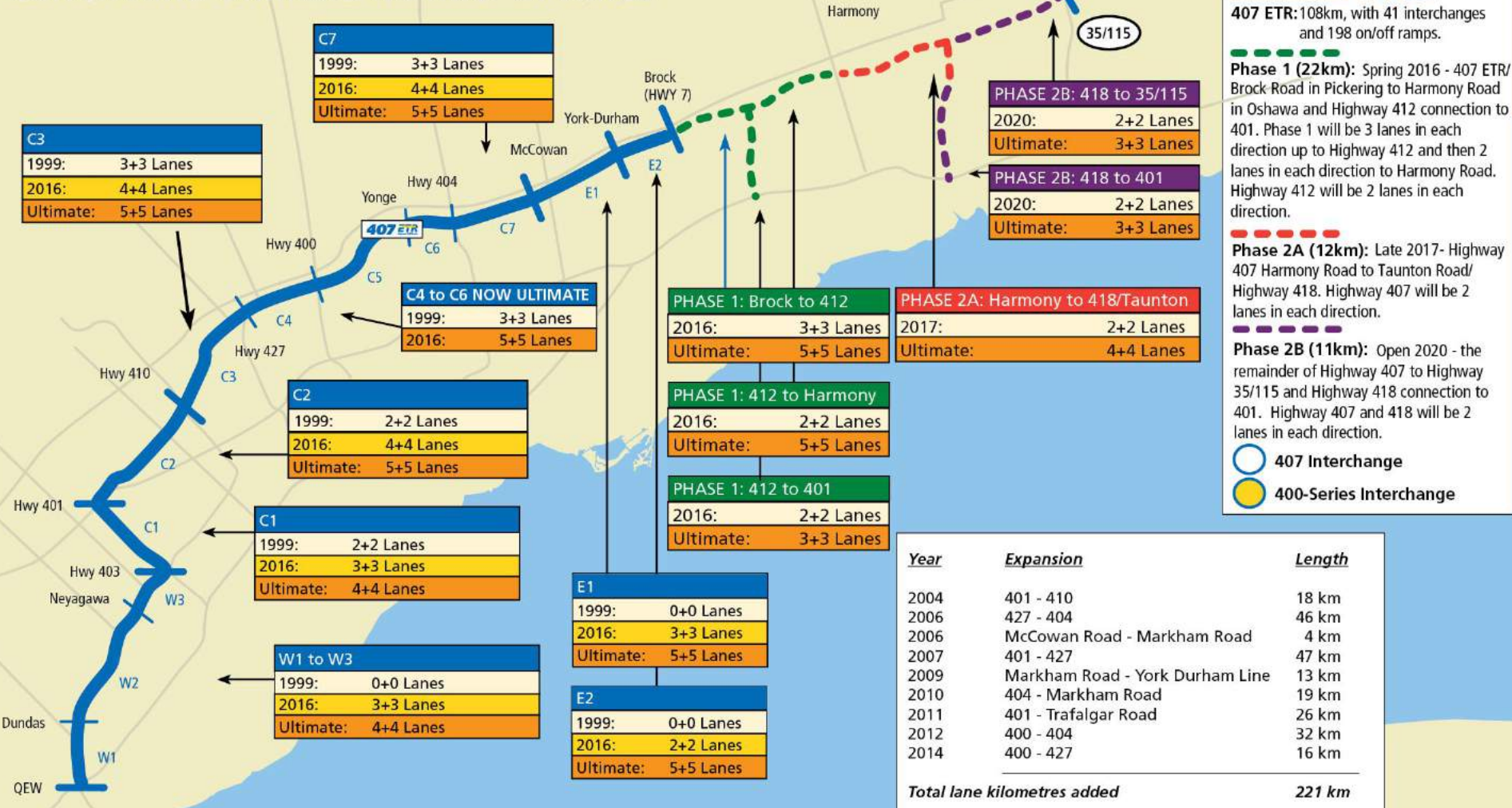
1980s Preliminary construction.

1950s Government acquires (reserves) lands.



- ### Since Privatization
- ◆ 108 kilometres (67 miles), 41 Interchanges with 7 major highway to highway interchanges
 - ◆ Open-access, all-electronic tolling with 198 entry-exit points
 - ◆ 99-year concession
 - ◆ Over \$1.6 billion invested to extend and expand highway and meet customer demand
 - ◆ Over 200 lane-km added

Current and Ultimate Number of Lanes



C3
1999: 3+3 Lanes
2016: 4+4 Lanes
Ultimate: 5+5 Lanes

C7
1999: 3+3 Lanes
2016: 4+4 Lanes
Ultimate: 5+5 Lanes

C4 to C6 NOW ULTIMATE
1999: 3+3 Lanes
2016: 5+5 Lanes

C2
1999: 2+2 Lanes
2016: 4+4 Lanes
Ultimate: 5+5 Lanes

C1
1999: 2+2 Lanes
2016: 3+3 Lanes
Ultimate: 4+4 Lanes

W1 to W3
1999: 0+0 Lanes
2016: 3+3 Lanes
Ultimate: 4+4 Lanes

E1
1999: 0+0 Lanes
2016: 3+3 Lanes
Ultimate: 5+5 Lanes

E2
1999: 0+0 Lanes
2016: 2+2 Lanes
Ultimate: 5+5 Lanes

PHASE 1: Brock to 412
2016: 3+3 Lanes
Ultimate: 5+5 Lanes

PHASE 2A: Harmony to 418/Taunton
2017: 2+2 Lanes
Ultimate: 4+4 Lanes

PHASE 1: 412 to Harmony
2016: 2+2 Lanes
Ultimate: 5+5 Lanes

PHASE 1: 412 to 401
2016: 2+2 Lanes
Ultimate: 3+3 Lanes

PHASE 2B: 418 to 35/115
2020: 2+2 Lanes
Ultimate: 3+3 Lanes

PHASE 2B: 418 to 401
2020: 2+2 Lanes
Ultimate: 3+3 Lanes

Regulatory Framework

Well defined regulatory framework. 407 ETR is not subject to periodic regulatory reviews as the Concession and Ground Lease Agreement applies for the full concession term (i.e. until 2098) and can only be changed by mutual agreement.

◆ Highway 407 Act (Royal Assent - December 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

◆ Highway Traffic Act:

- Plate visibility
- Powers of police officers (search and seizure)
- Definition of toll device and transponder mounting
- Toll evasion, sale of interference devices, etc.
- Compulsory use of transponders for heavy vehicles

Regulatory Framework: Plate Denial

When a customer does not pay their bill within a prescribed period of time, the Ontario Government will not allow the person to renew the licence plate sticker required by law

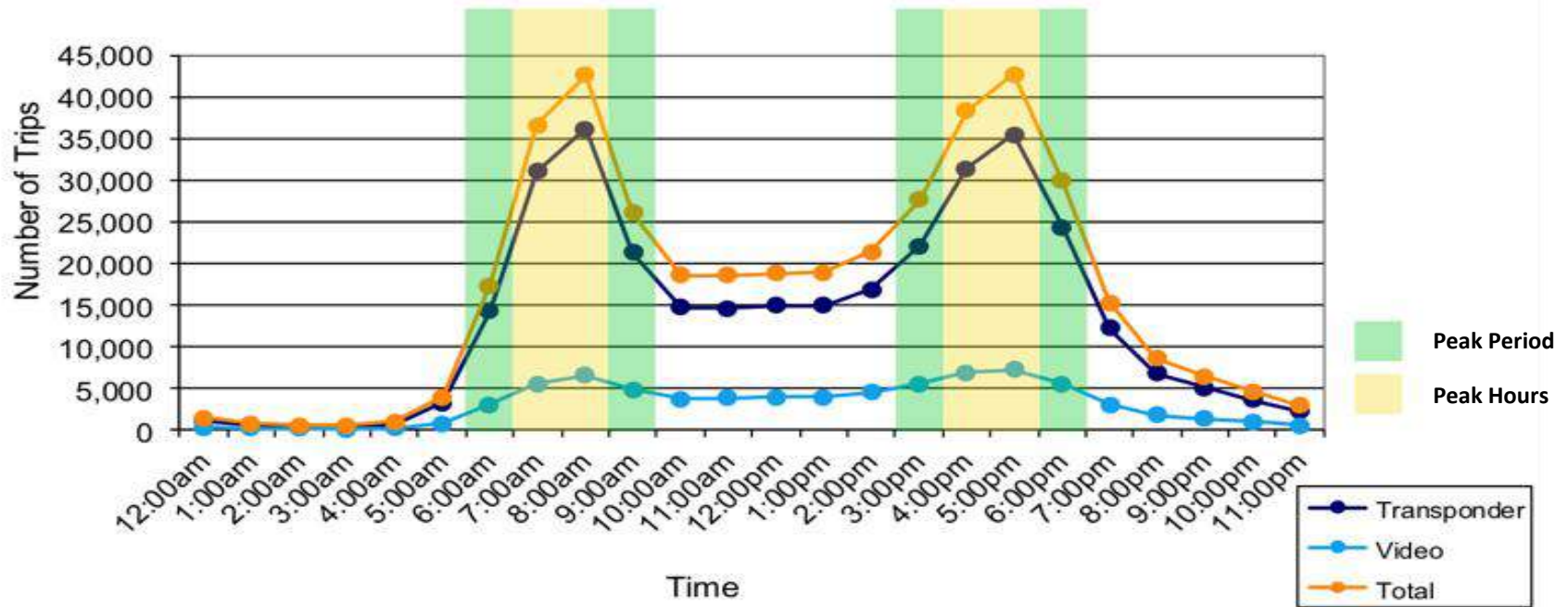
- ◆ Targeted at people who refuse to pay their bills
- ◆ Necessary because there are no toll booths or barriers
- ◆ Can't restrict use, cut off service, etc. like other companies
- ◆ Used by Government before the sale, key part of sale agreement



NOT UNIQUE TO ONTARIO
SIMILAR PLATE DENIAL SYSTEMS IN PLACE IN OTHER JURISDICTIONS TO MAINTAIN OPEN ACCESS ROAD AND FAIRNESS TO ALL DRIVERS.

Average Workday Hourly Trips

Average of almost 400,000 trips each workday in 2015

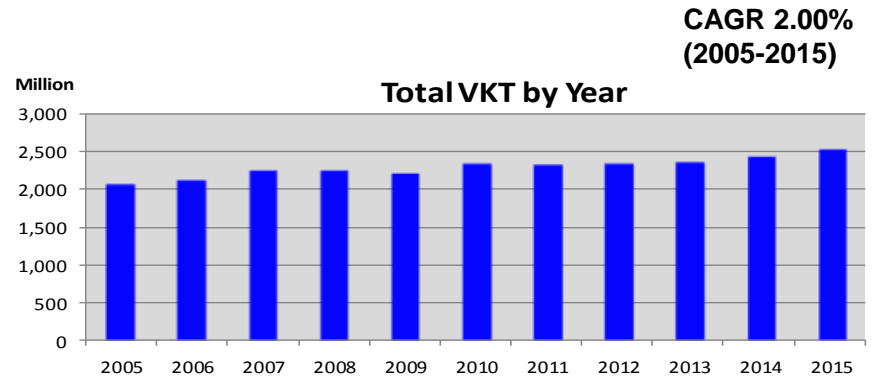
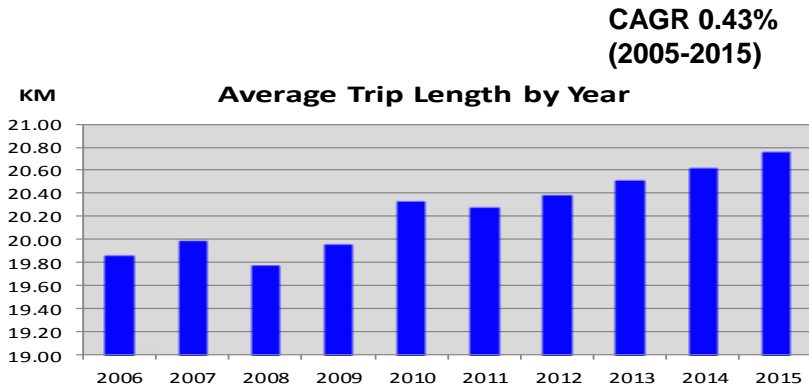
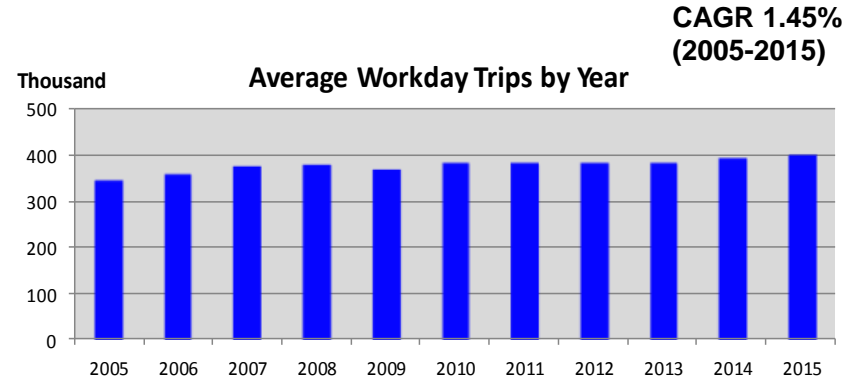
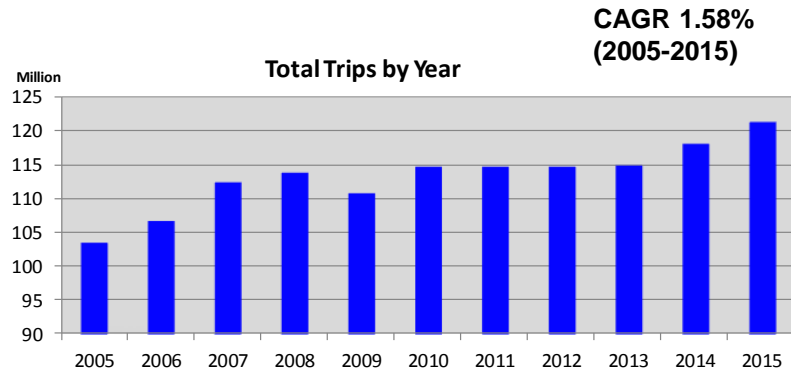


Trips

- ◆ Over 390,000 average trips per workday in 2015
- ◆ Over 121 million trips and 2.5 billion vehicle kilometres travelled (VKT) annually
- ◆ A new record – **493,532** trips on June 30, 2016 – a one day trip record!
- ◆ Average workday daily trips during Q2 of 2016 were 422,411.



Key Traffic Indicators



2016 Tolling



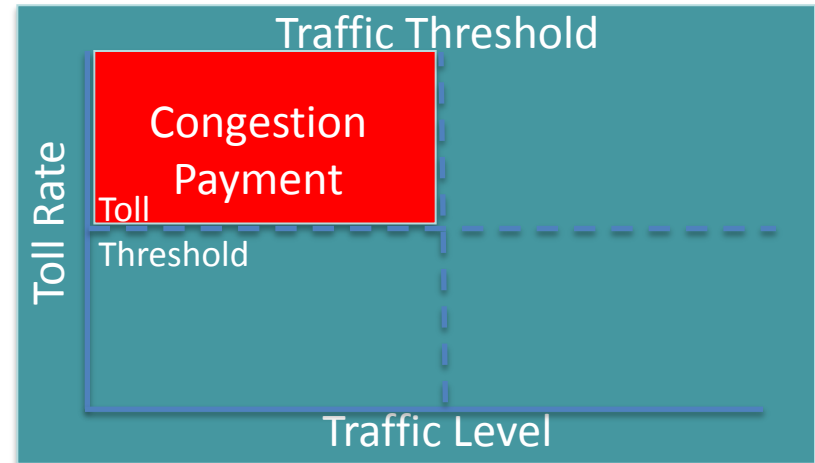
- ◆ Rates vary by time of day, day of week and zone of highway
- ◆ 2016 toll rate changes reflect differences in AM and PM values

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

Schedule 22 of the Concession and Ground Lease Agreement

A Congestion Payment may be due if:

1. Applicable rate > Toll Threshold and Average Segment Flow Rate (ASFR) is less than the Traffic Threshold.
 2. 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.
 - ◆ Schedule 22 includes the concept of a Congestion Payment to ensure traffic relief in the corridor.
 - ◆ Sets minimum traffic levels (Traffic Thresholds) 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.



Customer Base

- ◆ Approximately **1.1 million paper bills** sent each month
 - Down from **2 million bills** prior to promotions – bill consolidation (2-3 bills into 1)
- ◆ **500,000 electronic bill notifications**, all customers can access their bills online
- ◆ **604,386 calls** received in 2015 – answered in an average of **31 seconds**
- ◆ Current call drivers
 - Billing Inquiries
 - Transponder Inquiries
 - Payment

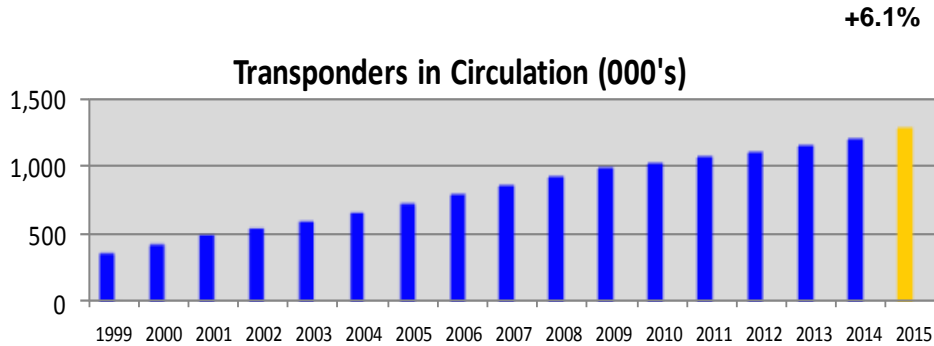


Roadside Technology

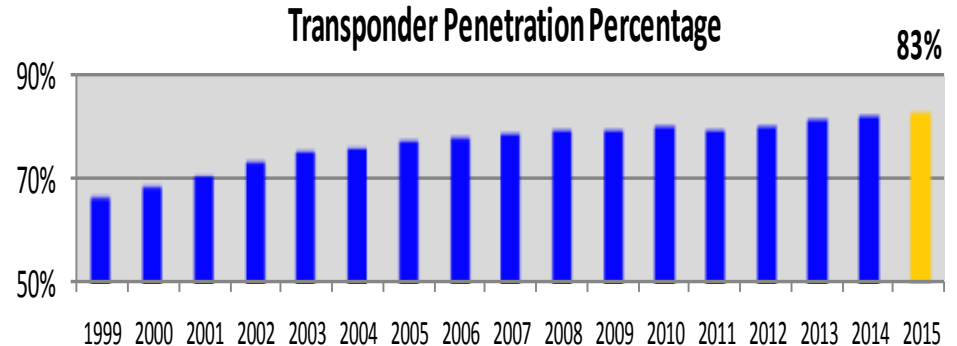
- ◆ Roadside technology continuously updated with proven and reliable technology.
 - New “seeker” system provides enhanced “locator” data of vehicles as they pass under gantry – reducing number of images required.
 - CMOS cameras and LED lighting provides best high-quality images and use less energy.



Transponder Usage

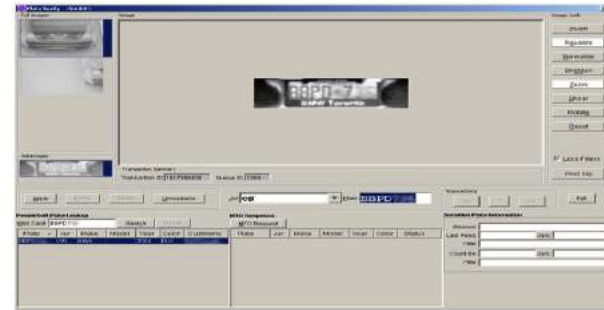


- ◆ Promotions and the savings achieved by customers using a transponder have increased transponder penetration, thereby reducing corporate costs related to non-transponder usage.
- ◆ Transponders assist the company in maintaining a strong customer service relationship.



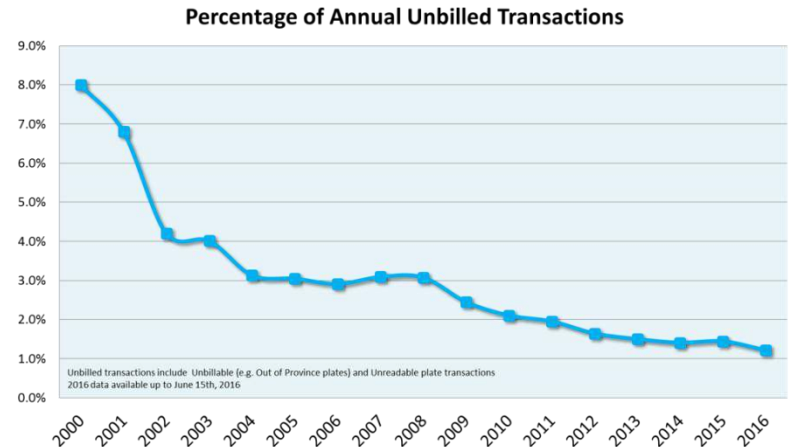
Innovation – Video Exception Processing

- ◆ Most transactions are completed by using automatically read plate character information.
- ◆ However, plate character information alone was not sufficient for processing some video transactions.
- ◆ Enhanced OCR software reduces need for manual review of plates not recognized through first pass.
- ◆ Enhanced software for Video Exception Processing operators allows use of “*” (wildcard) search when one or more plate characters are missing.
- ◆ Unbillable traffic continues to decline.



Technology and Enforcement: Unbillables Down

- ◆ Open-access, all-electronic highway raises enforcement challenges – no ability to withdraw, deny or restrict usage or perform credit review prior to providing service. Drive now – Pay later. No staff at entry.
- ◆ 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).
 - Increased transponder penetration
 - Optical Character Recognition Software upgrade
 - Vehicle Detection and Capture upgrade
 - Camera replacement project: targeted front capture cameras
 - Tolling enforcement by police and Vehicle Fingerprinting



Highway 407 (*East of Brock Road*) Extension Project
Phase 1, 2A, and 2B





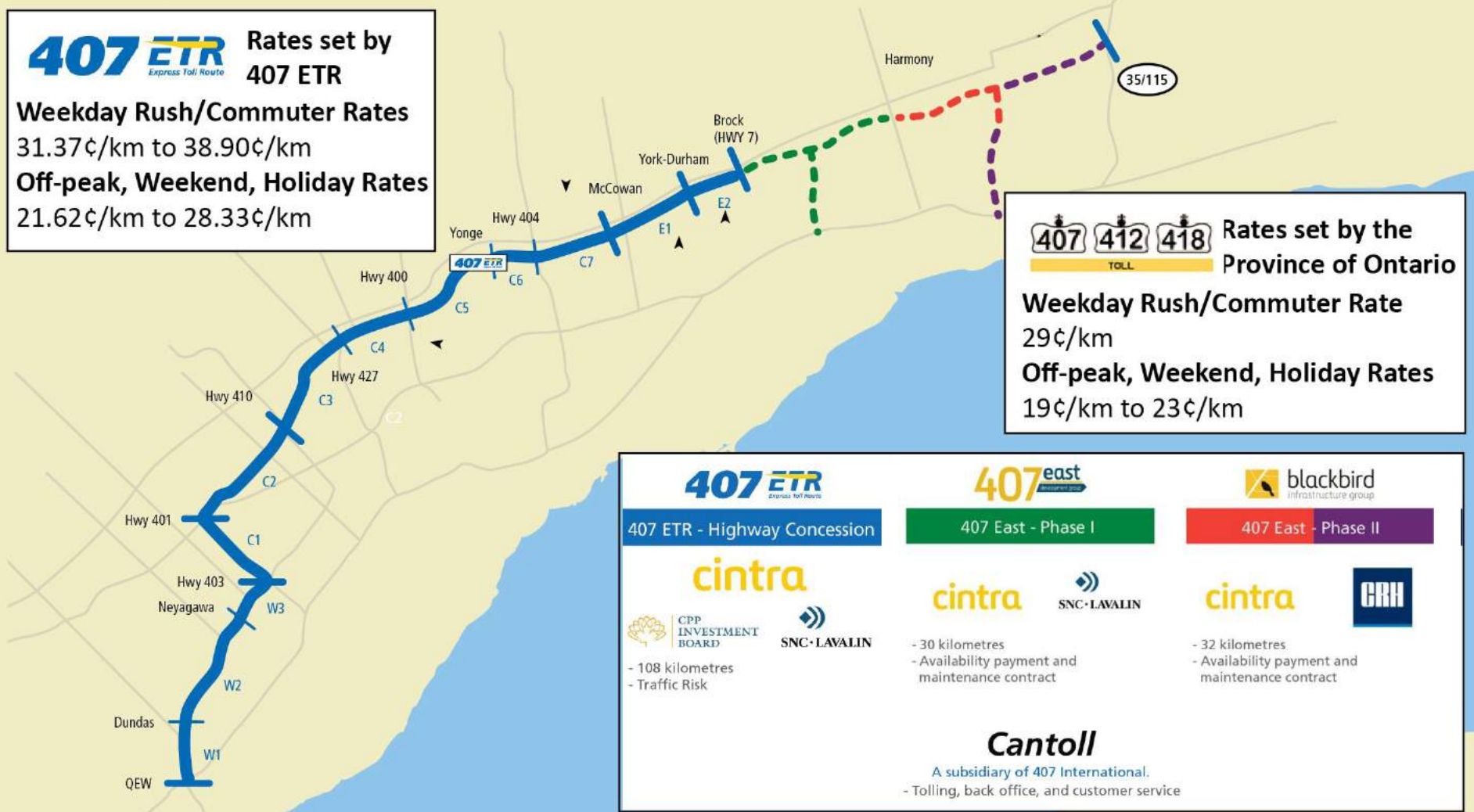
Rates set by
407 ETR

Weekday Rush/Commuter Rates

31.37¢/km to 38.90¢/km

Off-peak, Weekend, Holiday Rates

21.62¢/km to 28.33¢/km



Rates set by the
Province of Ontario

Weekday Rush/Commuter Rate

29¢/km

Off-peak, Weekend, Holiday Rates

19¢/km to 23¢/km



407 ETR - Highway Concession



- 108 kilometres
- Traffic Risk



407 East - Phase I



- 30 kilometres
- Availability payment and maintenance contract



407 East - Phase II



- 32 kilometres
- Availability payment and maintenance contract

Cantoll

A subsidiary of 407 International.
- Tolling, back office, and customer service

Phase 1 and 2 of Highway 407 East: Cantoll Responsibilities



407 East - Phase I



407 East - Phase II



- 30 kilometres
- Availability payment and maintenance contract



- 32 kilometres
- Availability payment and maintenance contract

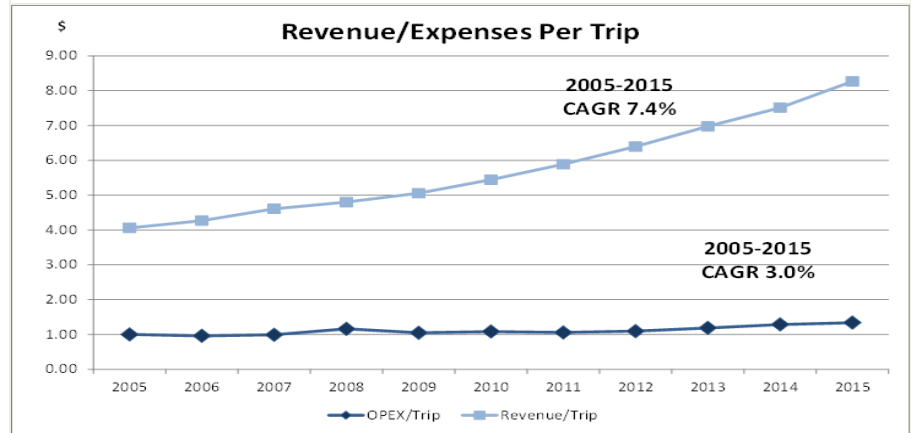
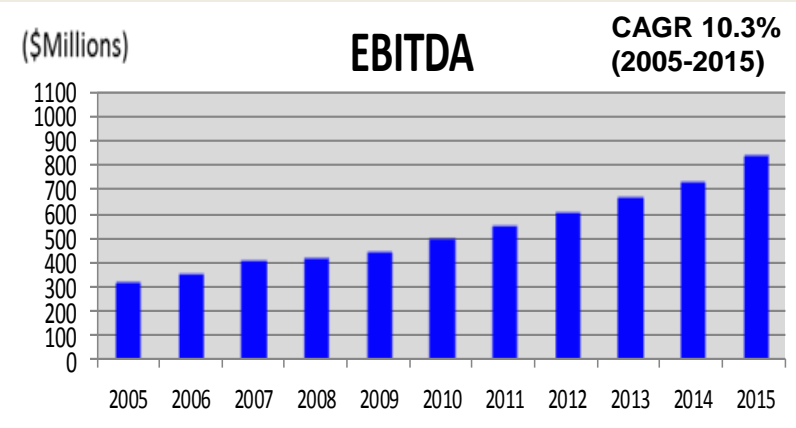
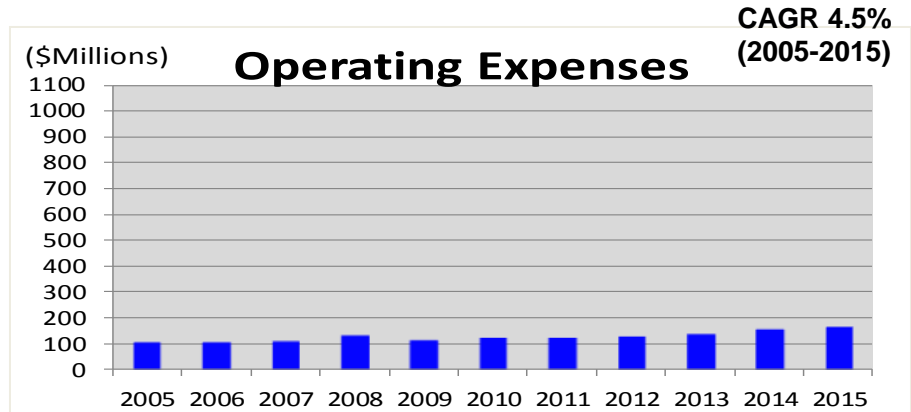
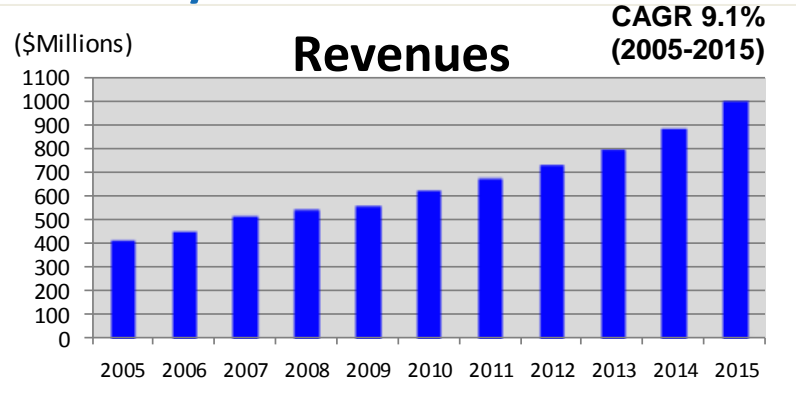
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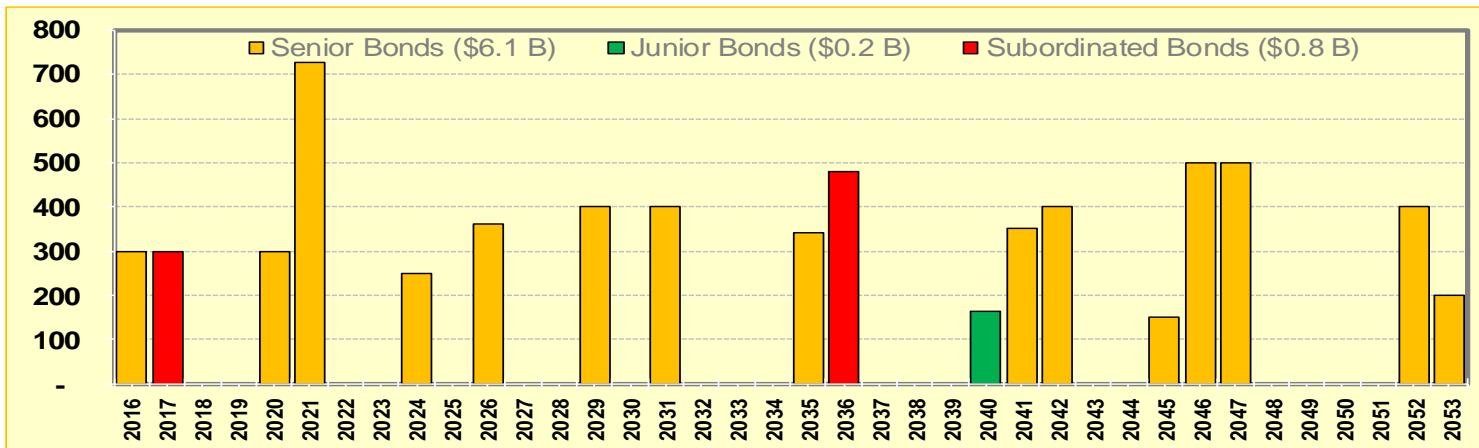
- Tolling, back office, and customer service

Transponder Lease and Transponder Management	Province sets tolls and fees and retains revenues for Phase 1 and Phase 2. Cantoll provides contracted services on fee for service basis based on Provincial standards
Single Billing, Single Bilingual Call Centre	
Account Management, Collections	
Website, In-person Customer Service	

Key Financial Indicators



Bond Maturity Profile



Debt Rating: (December 2015)

Senior/Junior/Subordinated Bonds

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

“The major routes that compete with Highway 407 (Highway 401, Highway 403 and the QEW) are often severely congested, providing commuters with strong incentives to use Highway 407. Heavy urbanization of areas to the north and south of the Highway 407 corridor make a competing highway development of any significant size very expensive and highly unlikely”.



Debt Ratings: (March 2016)

Senior/Junior/Subordinated Bonds

A/A-/BBB, Stable Outlook

“In our opinion, 407 has a strong competitive position, given the road's good rationale, excellent organic growth drivers, and relatively high proportion of commuter traffic”.

Market and Customer Research

Three key sources of data for trends and indicators:

- ◆ Annual Usage and Attitudes Survey
- ◆ Email based President's Survey
- ◆ Survey of customers that contact 407 ETR for service
 - All three benchmark performance and provide valuable customer data and feedback while providing an in-depth look at the key differences between various customer demographics (usage, type of customer, contact, etc.).

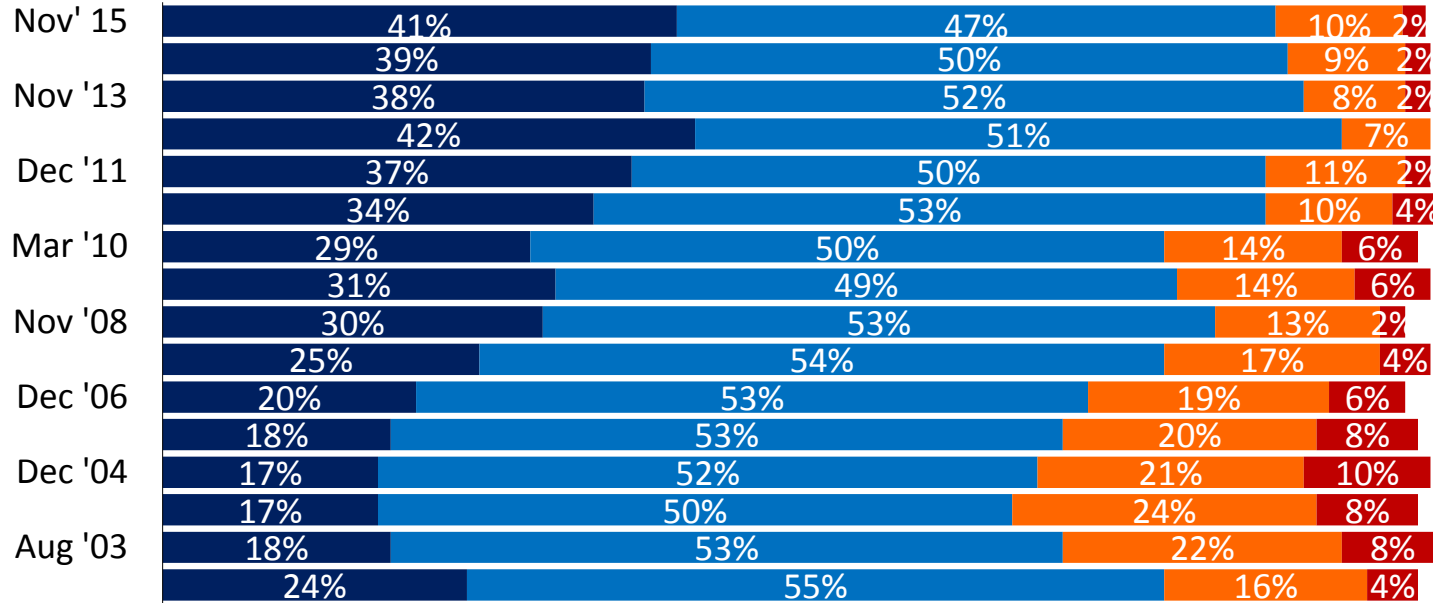
Since 1999, the key attitudes continue to improve or remain stable, particularly in the areas of:

- ◆ Customer Service
- ◆ Impression of the Highway
- ◆ Satisfaction with the overall 407 ETR experience
- ◆ Corporate Reputation

Core Benchmarks Remain Strong



Thinking about your total experience with 407 ETR, please rate how satisfied you are with 407 ETR.



■ Very Satisfied (9,10)
 ■ Satisfied (6,7,8)
 ■ Dissatisfied (3,4,5)
 ■ Very Dissatisfied (1,2)

Note: “Don’t know/Refused” not shown

Confirming the Good Choice

December 2013 Report

Analysis of 3 data sources:

1. Customer trip times/vehicle information (On-Board Diagnostic)
2. Tom-Tom speed data
3. IMS Cellular Data

Confirmed:

1. Time Savings
2. Value of Time
3. Savings on vehicle maintenance costs
4. Potential fuel savings
5. Reliability/Dependability and quality of life



THE VALUE OF TRAVEL TIME AND RELIABILITY

Commuting on 407 ETR.



Major Awards

- ◆ Winner of the 2008 Canadian Council for Public-Private Partnerships National Award for Excellence in Service Delivery.
- ◆ ISO 9001:2008 Certified
 - Committed to continuous improvement and achieving the utmost quality in the products and services we offer to meet the needs and expectations of our customers
- ◆ Winner of 2009 International Bridge, Tunnel and Turnpike Association (IBTTA) President's Award for Excellence and Technology Award.
- ◆ Winner of 2010 Intelligent Transportation Systems Society of Canada's first ever New Canadian Commercial Technology/Innovation or Research and Development Award.
- ◆ Winner of multiple Service Quality Measurement Group awards for Call Centre Excellence and Leadership including First Call Resolution (the industry's most vital indicator), and Best Practices and a large group of certified World Class Customer Service Representatives.



407 ETR in the Community




Sponsorships, Donations and Community Involvement

 Youth sport team sponsorships



 Hospitals and rehabilitation



 Supporting communities along the corridor




Other Partnerships



 Safety initiatives



 Traffic and transportation initiatives



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