



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

ROYAL BANK OF CANADA

INVESTOR PRESENTATION (as at Q3 2013)

November 5, 2013

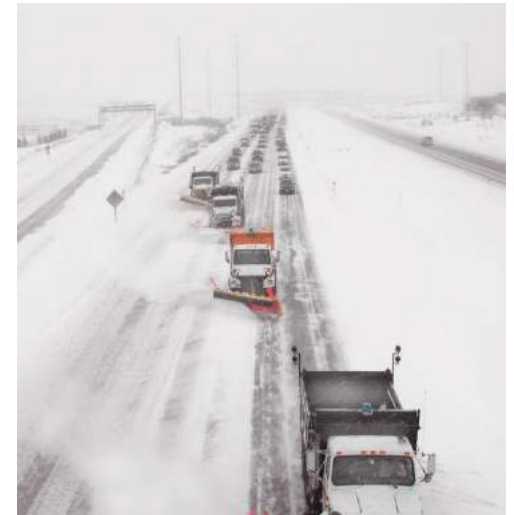


DISCLAIMER/DISCLOSURE

- » 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.
- » All financial amounts are shown in Canadian dollars unless otherwise indicated.
- » Additional information relating to 407 ETR and / or 407 International, including the 2012 Annual Information Form dated February 14, 2013, 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.

ASSET OVERVIEW

- » Highway 407 mainline is 108 km
- » Pavement inventory 1,128 lane km (including ramps)
- » 208 structures
- » 41 Interchanges:
 - » Freeway - 7
 - » Arterials - 34
- » 198 tolling gantries (entries and exits)
- » Expanded Road Patrol – Summer/Winter
- » 7-24 Traffic Control Center (CCTV Coverage, DMS)
- » Roadside Assistance Program
- » Higher Safety Standards
- » Summer & Winter Maintenance Operation Plans
- » Incident Response Plans
- » Coordination with OPP – regular services & paid duty



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

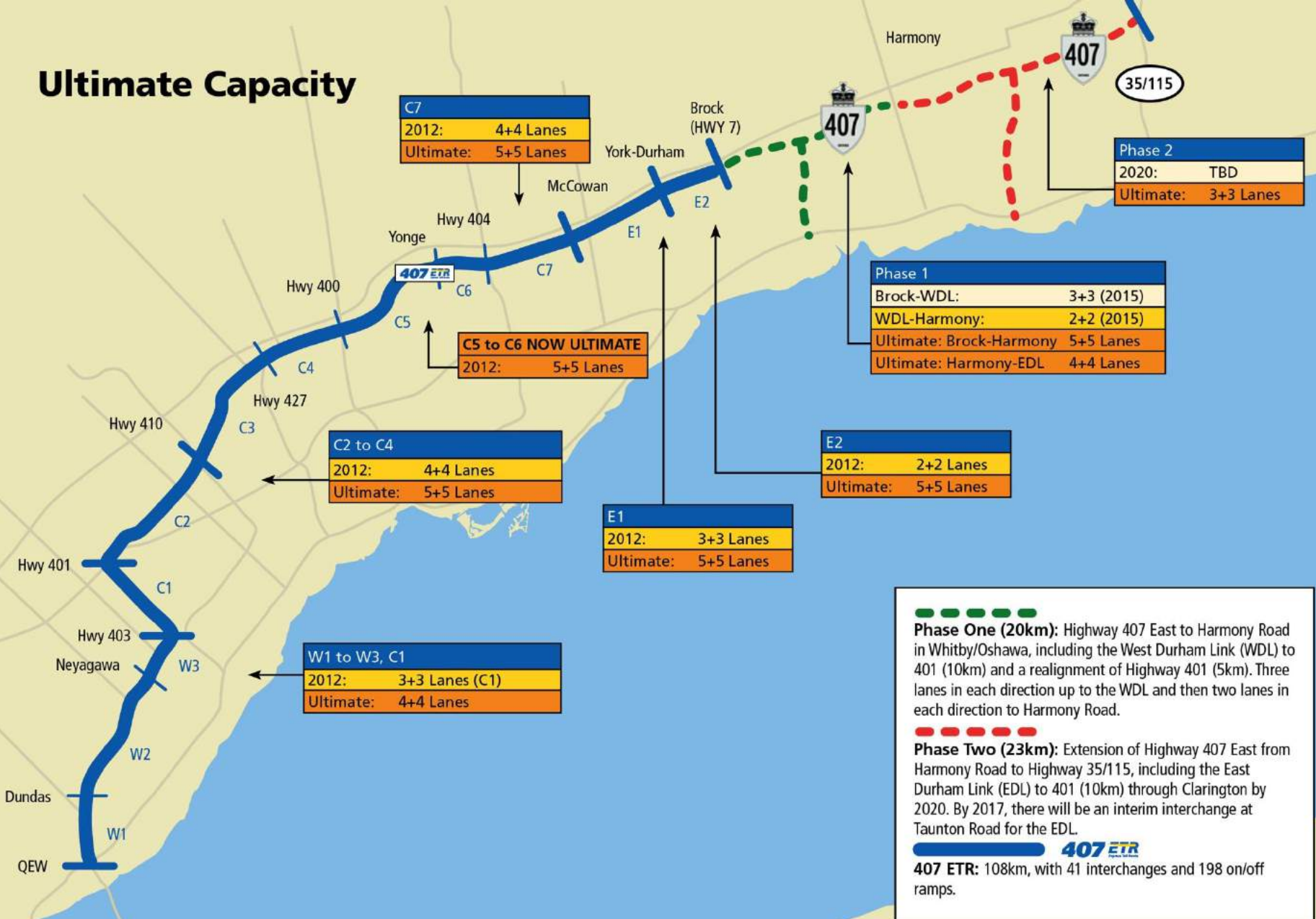
Total lanes added since 2004

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

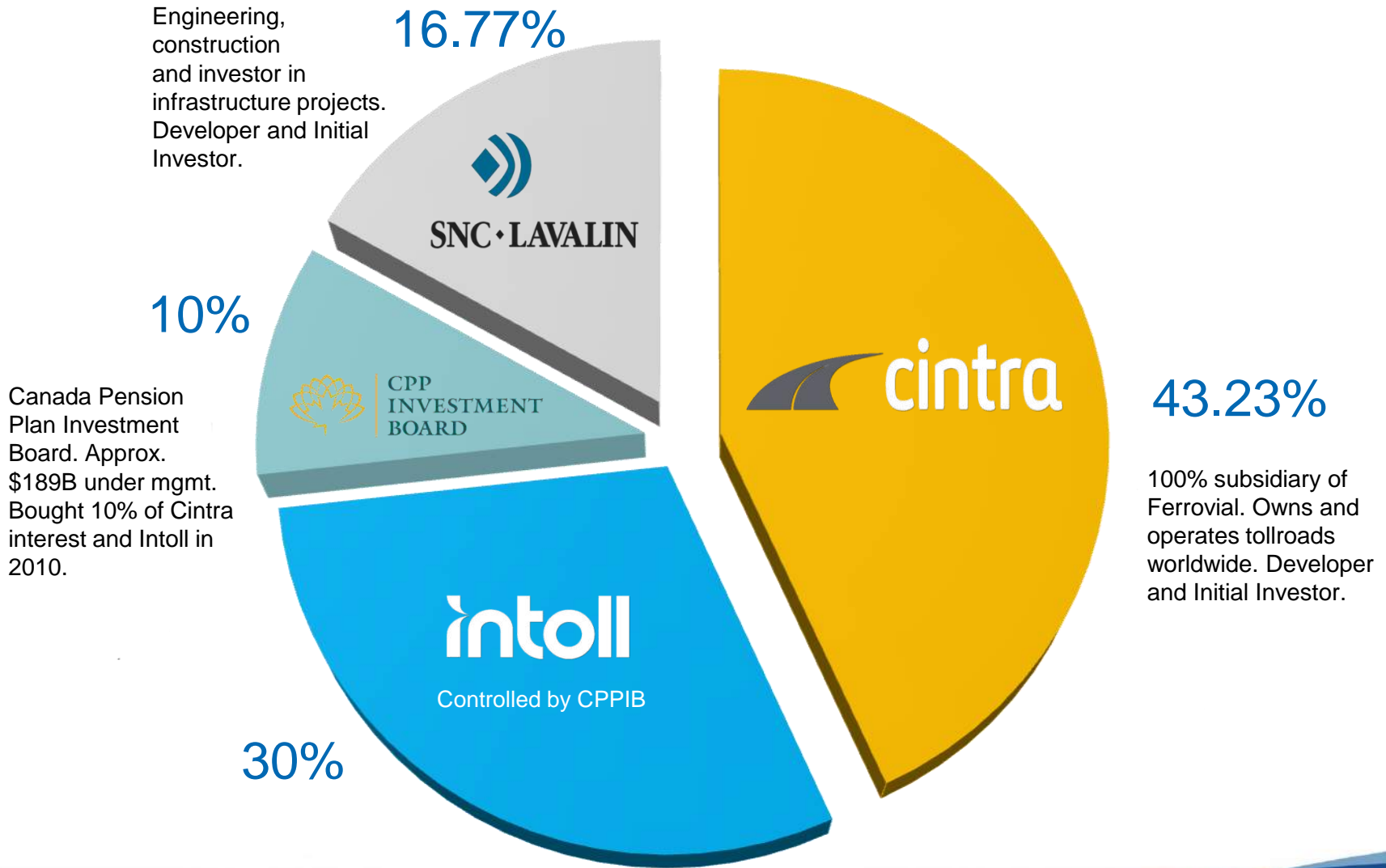


Phase One (20km): Highway 407 East to Harmony Road in Whitby/Oshawa, including the West Durham Link (WDL) to 401 (10km) and a realignment of Highway 401 (5km). Three lanes in each direction up to the WDL and then two lanes in each direction to Harmony Road.

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

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*

TOLL SETTING FRAMEWORK

» CGLA – Schedule 22

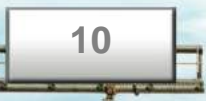
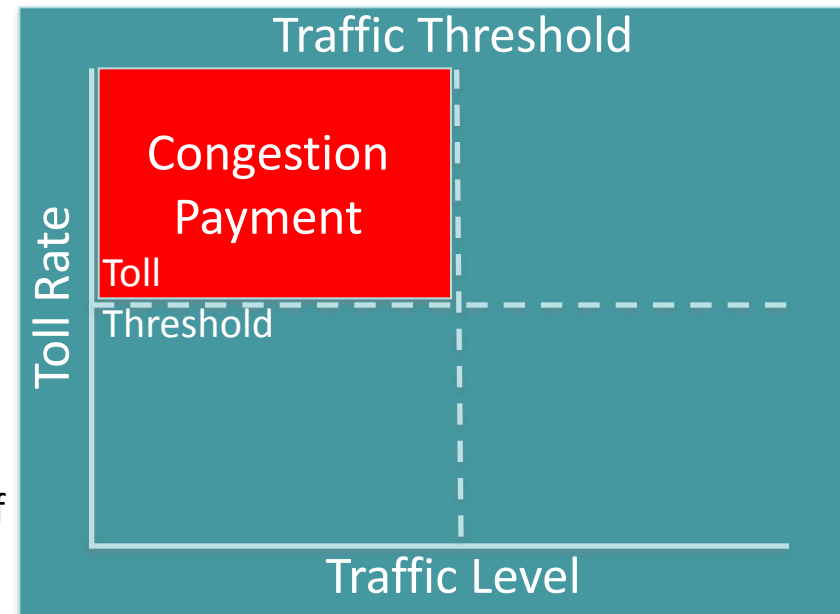
- » Schedule 22 includes the concept of Congestion Payment to ensure traffic relief in the corridor.
- » Sets minimum traffic levels (Traffic Thresholds) in the peak hours for each segment and direction, based on 2002 levels, and a minimum Toll Threshold.
 - » The Traffic Threshold grows by 1%-3% per 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.

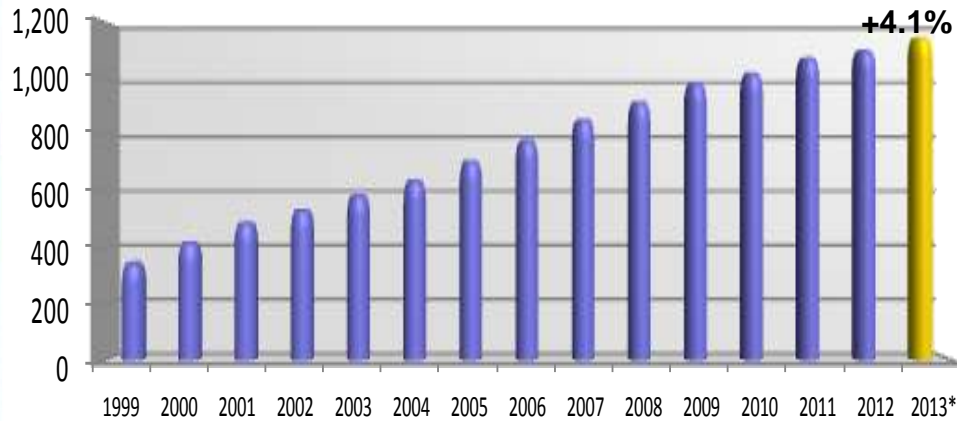
Only one Congestion Payment made (\$23k in 2003).

As Traffic Threshold increases, the likelihood of a “Traffic Shortfall” increases on some segments.



TRANSPONDER USAGE

Transponders in Circulation (000's)

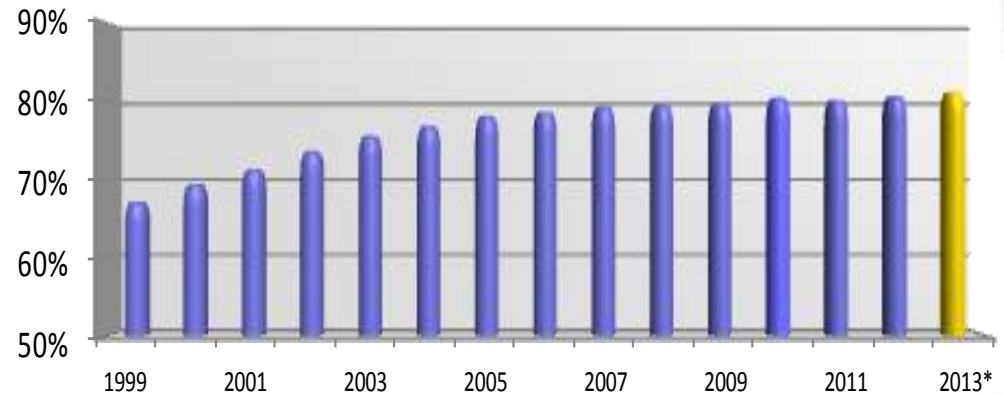


>> Promotions have increased the transponder penetration, thereby reducing corporate cost of pursuing payments for road usage.

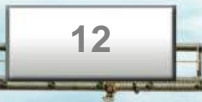
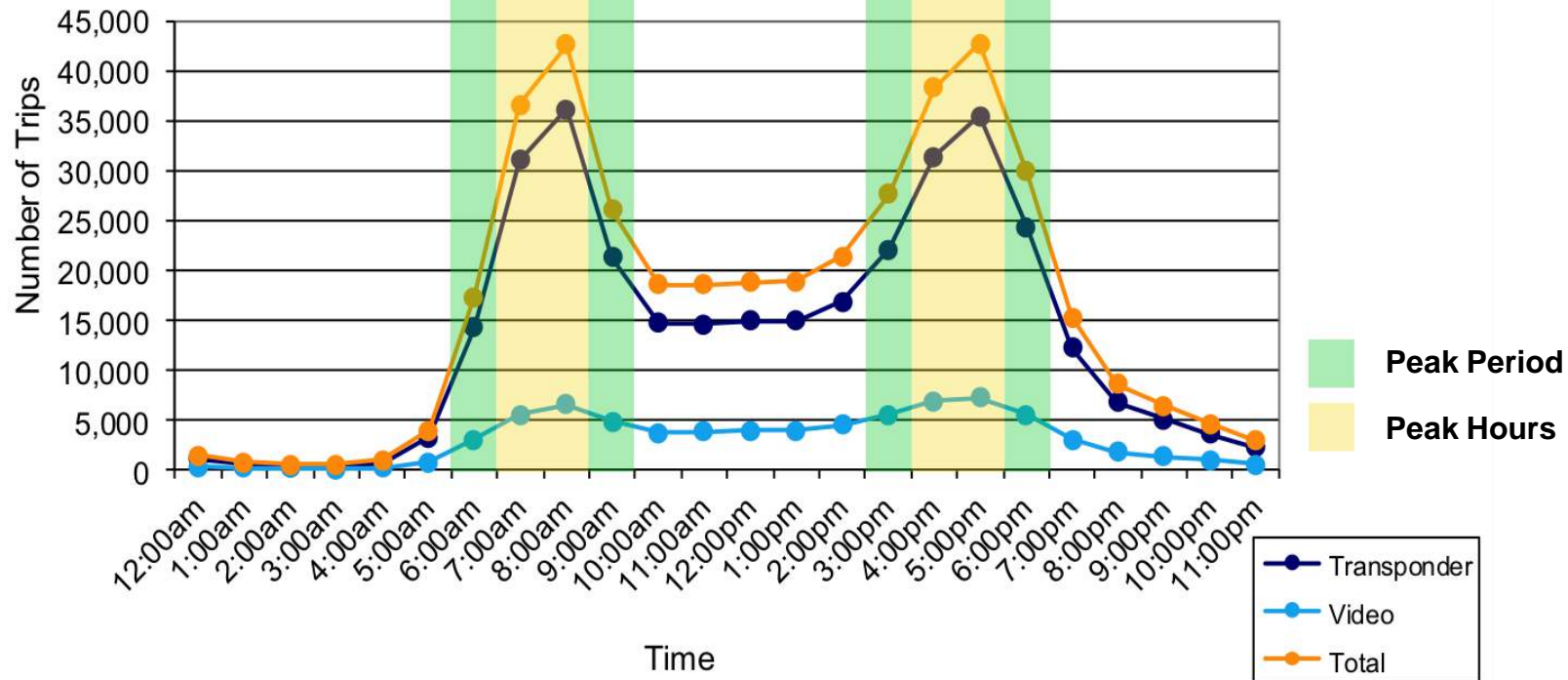
* as of September 2013



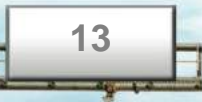
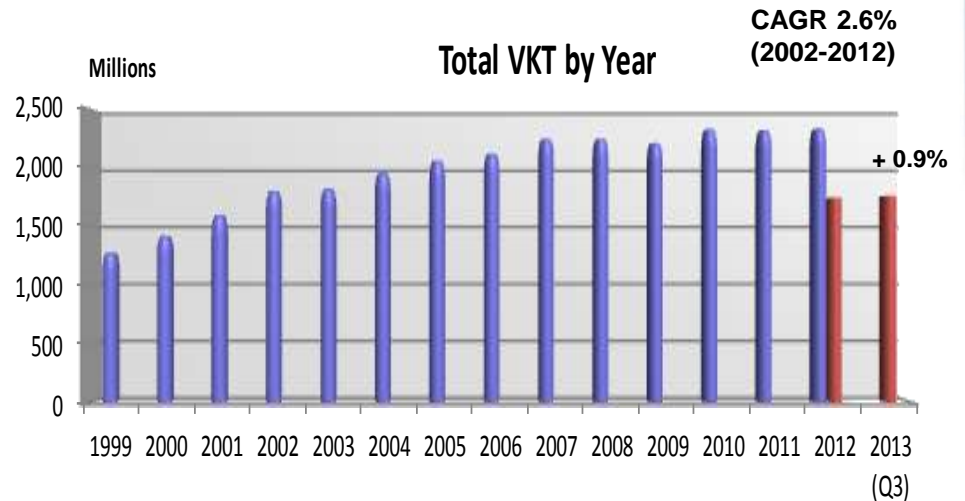
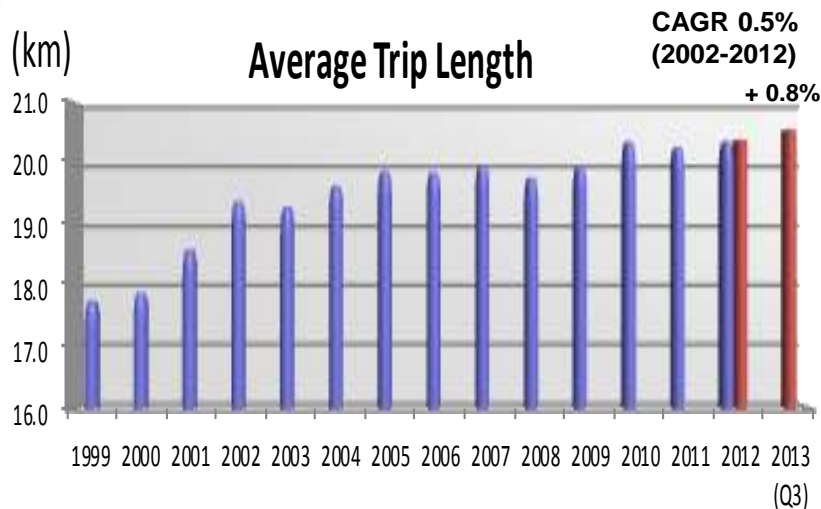
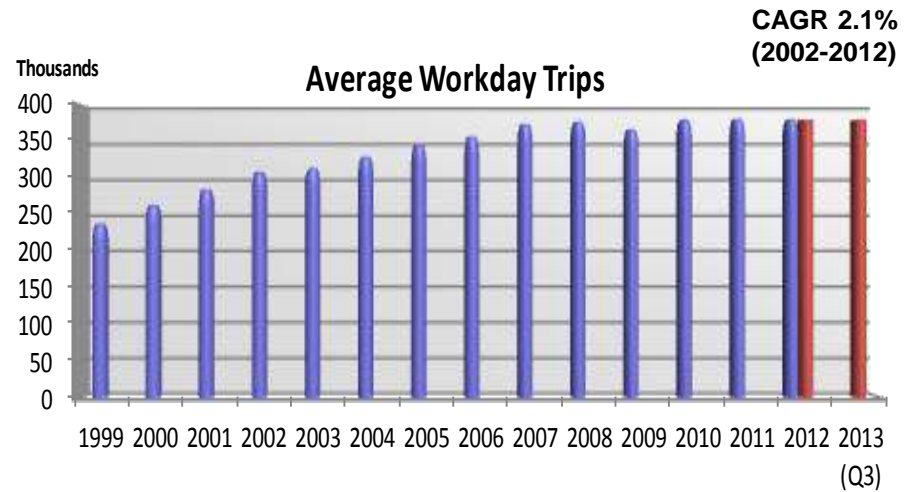
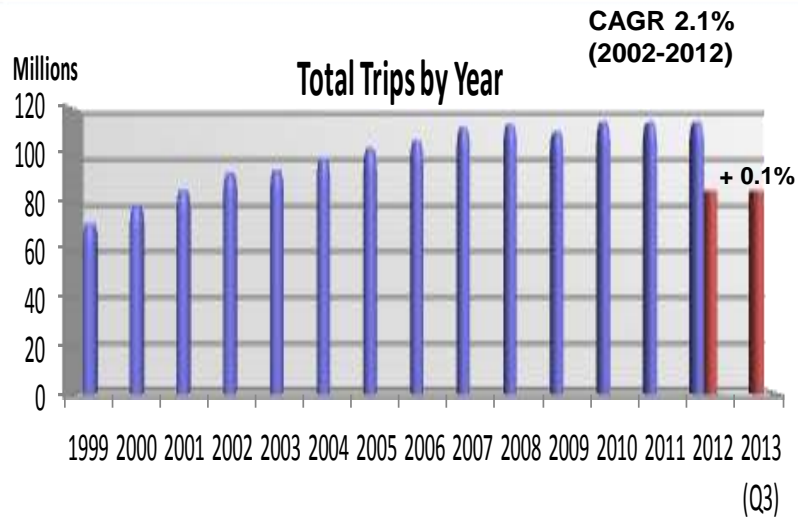
Transponder Penetration Percentage



AVERAGE WEEKDAY HOURLY TRIPS



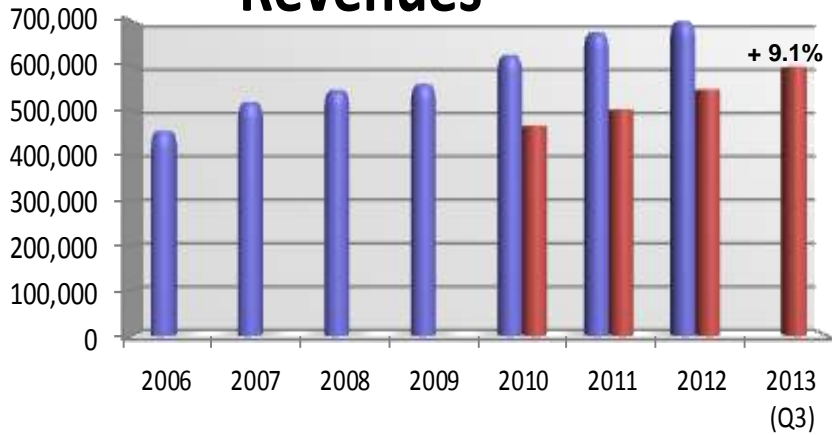
TRAFFIC PERFORMANCE



KEY FINANCIAL INDICATORS

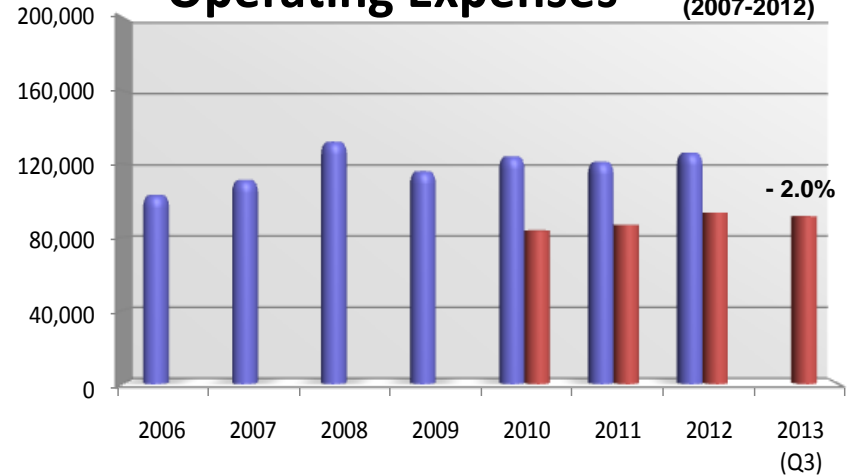
Revenues

CAGR 7.2%
(2007-2012)



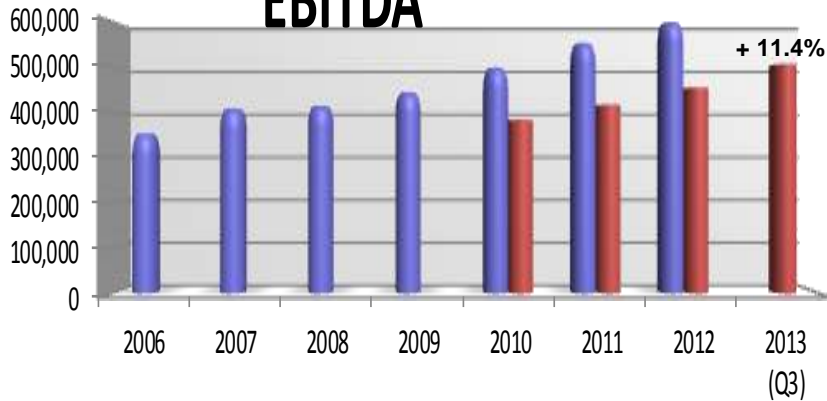
Operating Expenses

CAGR 2.5%
(2007-2012)

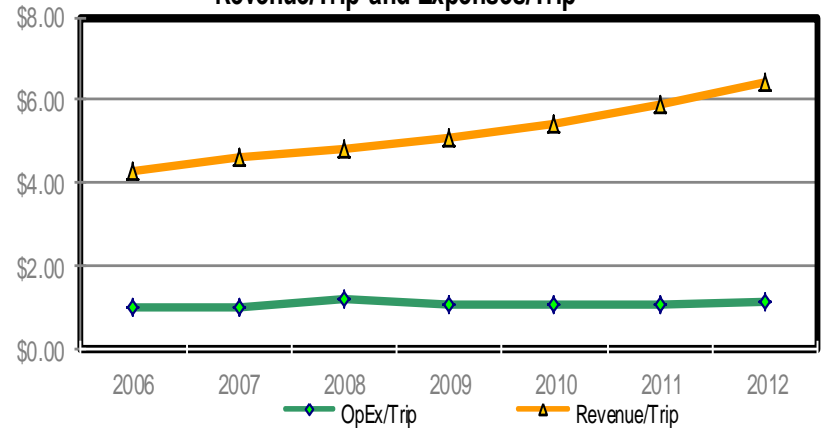


EBITDA

CAGR 8.3%
(2007-2012)



Revenue/Trip and Expenses/Trip



Q3 2013 RESULTS

TORONTO, October 23, 2013 - 407 International Inc. (the “Company”) announced today revenues of \$224.8 million for the third quarter of 2013, compared to \$201.9 million for the same period of 2012. Earnings before interest, taxes, depreciation and amortization (“EBITDA”) totalled \$191.3 million for the third quarter of 2013 as compared with \$168.8 million for same period of 2012. The Company reported net income of \$69.3 million for the third quarter of 2013, compared with net income of \$62.5 million for the same period of 2012.

The Board of Directors declared an eligible dividend of \$0.323 per common share, payable on or about October 23, 2013 to shareholders of record on October 23, 2013.

¹ EBITDA is not a recognized measure under International Financial Reporting Standards and investors are cautioned that EBITDA should not be construed as an alternative to net income or cash from operating activities as an indicator of the Company's performance or cash flows. The Company's method of calculating EBITDA may differ from other companies' and may not be comparable to measures used by other companies. EBITDA less Depreciation and amortization, Interest and other expenses and Income tax, results in Net income.

Q3 2013 RESULTS

	Three-month period ended September 30		Nine-month period ended September 30	
	2013	2012	2013	2012
Selected Financial Information (in millions)				
Revenues	\$ 224.8	\$ 201.9	\$ 596.7	\$ 546.8
Operating expenses	33.5	33.1	91.4	93.3
Depreciation and amortization	16.4	15.8	46.2	45.2
Interest and other expenses	81.3	65.5	191.3	219.3
Income before tax	93.6	87.5	267.8	189.0
Deferred income tax expense	24.3	25.0	70.4	53.9
Net income	\$ 69.3	\$ 62.5	\$ 197.4	\$ 135.1

Traffic

Total trips (in thousands)	30,603	30,025	85,634	85,584
Average revenue per trip	\$7.33	\$6.72	\$6.96	\$6.39
Average workday number of trips	400,039	396,945	379,304	379,469
Total vehicle kilometres (in thousands)	657,046	638,734	1,760,407	1,745,396
Number of transponders in circulation at September 30	1,148,215	1,097,176	1,148,215	1,097,176

Q3 2013 RESULTS

Selected Financial Information (in millions)

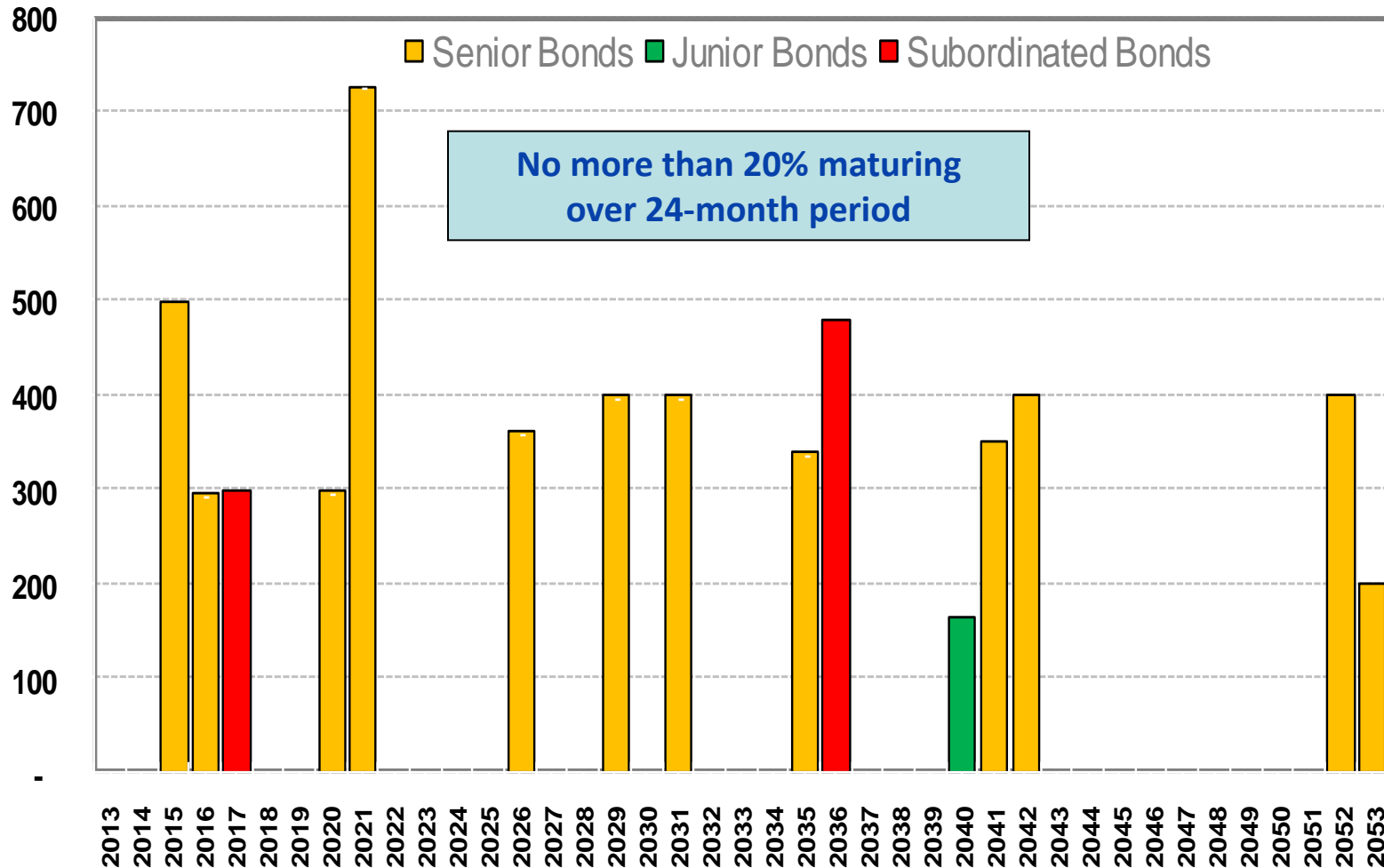
	Nine month period ended	
	September 30	
	2013	2012
REVENUES		
Toll revenue	\$ 541.5	\$ 499.6
Fee revenue	54.2	47.2
Contract revenue	1.0	-
	<u>\$ 596.7</u>	<u>\$ 546.8</u>
OPERATING EXPENSES		
Systems operations expenses	\$ 11.4	\$ 11.7
Customer operations expenses	46.3	50.1
Highway operations expenses	17.6	16.6
General and administration expenses	15.3	14.9
Contract expenses	0.8	-
	<u>\$ 91.4</u>	<u>\$ 93.3</u>

Q3 2013 RESULTS

- » Systems operations expenses include staff salaries, subcontractor costs for operating and maintaining the tolling system, costs for operating and maintaining the Company's office computer network and other costs for operating and maintaining the Company's integrated automation systems.
- » Customer operations expenses include costs incurred to operate the customer service centre and service existing customer relationships as well as general inquiries. These costs include the call centre, customer service centre, account management salaries, transponder distribution channels, billing, customer address system access fees, ombudsman services, collection of overdue accounts and the provision for doubtful accounts.
- » Highway operations expenses include costs relating to operating activities such as maintenance of the major system elements of roadway surfaces, bridges and culverts, drainage and lighting systems, together with seasonal maintenance, highway patrol operations, road safety enforcement and police enforcement.
- » General and administration expenses include costs of public relations, finance, administration, facilities, human resources, business processes, legal, audit and executive.
- » Contract expenses include costs incurred for work performed in completing its contract obligations with customers.

BOND MATURITY PROFILE

\$ millions



>> Total Long-Term Debt: \$ 6.1 billion

INCREASED CUSTOMER CHOICE AND MANAGEMENT OF OPEX (from 2010)

With pre-authorized payments, paying your bill can be this easy. Plus, get **50 FREE KM****



407 ETR
FAST. SAFE. RELIABLE.

Pre-authorize your payments today and get 50 FREE KM!

Signing up for pre-authorized debit or credit at www.407etr.com is convenient and easy – and you'll have approximately 10 days to review your statement prior to your payment being debited. Plus, signing up today will also get you **50 FREE KM****. Here's how:

- ★ Login to your account at www.407etr.com before March 31, 2012.
- ★ Click on Account Settings, then Automatic Payments.
- ★ Follow the on-screen instructions (have your bill handy) and receive your **50 FREE KM****



Pre-Auth up 45%

Paperless up 185%

...less of THIS...



and more of THIS... with paperless billing!

Goodbye paper... Hello paperless billing!

Sign up today and get **50 FREE KM**! Here's how:

- ★ Login to your web account at www.407etr.com
- ★ Click on Account Settings, then 407 ETR Paperless Billing and follow the on-screen instructions.
- ★ Enjoy the convenience of paperless billing – get all your 407 ETR billing information in one place and **50 FREE KM**!

With 407 ETR paperless billing, you can review, pay and save your 407 ETR bills faster and easier than ever before!

Please note: 407 ETR's paperless billing is not opt-in** and can only be registered for at www.407etr.com.



407 ETR
FAST. SAFE. RELIABLE.

Manage your 407 ETR account from wherever you want, whenever you like.



407 ETR
FAST. SAFE. RELIABLE.

It's never been easier to manage your 407 ETR account.

www.407etr.com offers a variety of enhanced services to help you manage your account.

Use your email address and a password to set up your 407 ETR web account. It's safe and secure and gives you 24/7 access to:

- Sign up for paperless billing
- Pre-authorize payments
- Pay your bill
- Order a transponder
- Check your balance
- Update account details
- Set up an annual lease
- Sign up for One Simple Bill

... and so much more!



Website traffic up 37.6%

407 ETR FAST. SAFE. RELIABLE.

EXPRESS

Yes, you're seeing double... the free kilometres!

Visit www.407etr.com today and receive **100 FREE KM*** when you sign up for paperless billing and pre-authorized payment!

Simply login to your web account, click on Account Settings and register for 407 ETR Paperless Billing and Automatic Payments, follow the on-screen instructions and you're done!

Sign up for paperless billing, get **50 FREE KM***
Sign up for pre-authorization, get **50 FREE KM***

50 FREE KM FOR PAPERLESS BILLING

50 FREE KM FOR PRE-AUTHORIZATION

It's that easy to get up to **100 FREE KM**!*

Plus, while you're signing up at www.407etr.com, you'll automatically be entered to win **ONE YEAR OF FREE TRAVEL ON 407 ETR!****

▶ LOGIN TO WIN!

Login to your account by October 31 and you will automatically be entered into a draw for your chance to WIN ONE YEAR OF FREE TRAVEL ON 407 ETR!**. Don't have a web account? It only takes a minute to get one!

Why stop at paperless billing and pre-authorized payment? www.407etr.com offers a variety of services to help you manage your account. Have your bill handy to set up your 407 ETR web account and you'll gain access to:

- Pay your bill
- Order a transponder
- Check your balance
- Update account details
- Set up an annual lease
- Sign up for One Simple Bill
- Link your accounts
- Manage your plates

*100 kilometre credit will be applied at the first vehicle regular time peak hours (see www.407etr.com) per kilometre. Paperless billing offer valid only on new registrations at www.407etr.com by November 30, 2012. Free access to www.407etr.com by November 30, 2012. Credit will be applied to your bill within 10 business days. **Prize is win control starts October 31, 2012. Full conditions www.407etr.com.

INSIDE... MESSAGE FROM THE SEAT SAFETY CLUB COMMUNITY CHILD SPONSORSHIPS

Online payments up 56.5%

- Every 10k customers on paperless saves 407 ETR \$84k and supports reduced use of paper. Average of 12k/mth new registrations.
- Increased web traffic has avoided 98k calls to the call centre – representing a value of over \$750k per year.



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: **2013(Q3)\$7.33, 2012(Q3)\$6.72, 2011(Q3)\$6.26, 2010(Q3)\$5.75**

LATEST TECHNOLOGY PROTECTS REVENUE



- » New “seeker” system provides enhanced “locator” data of vehicles as they pass under gantry – reducing number of images required.
- » Vehicle detection system works to accurately classify vehicle type.
- » CMOS cameras and LED lighting provides best high-quality images and uses less energy
- » Roadside technology continuously updated with proven and reliable technology.
- » Front capture camera for toll enforcement on heavy vehicles.

INNOVATION AT 407 ETR – CMOS CAMERAS

- » New **CMOS** camera and lighting provides better, brighter and larger images.
- » Improves automatic processing of plates.
- » Reduces error rate on visual inspection.
- » Provides more data for vehicle fingerprinting
- » New lighting uses less energy

Larger/Taller Images



Before



After



New energy efficient LED lighting

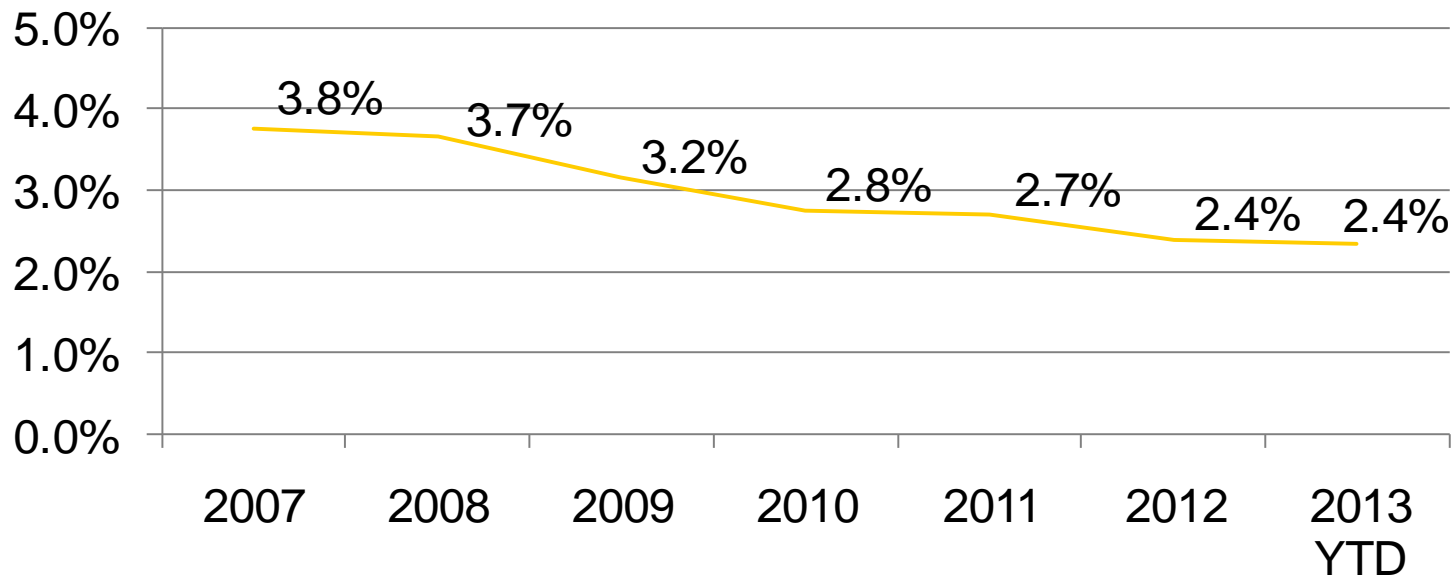


UNBILLABLE CONTINUES TO DECLINE

» Open-access, all-electronic highway raises enforcement challenges

» Initiatives to reduce “unbillable” trips

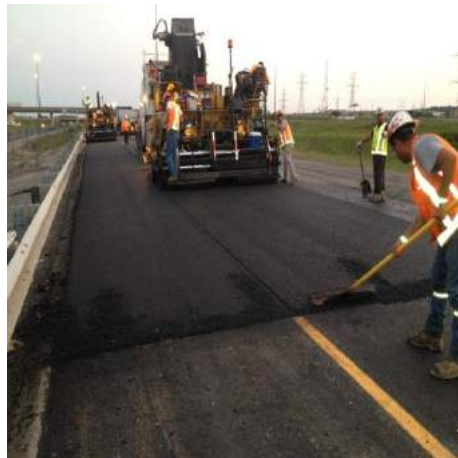
- » Increased transponder penetration
- » Vehicle Detection and Capture upgrade (seekers, cameras...)
- » Camera replacement project
- » Front capture cameras – targeted deployment
- » Optical Character Recognition (OCR) Software upgrades



Unbillable trips include customer trips that cannot be billed and trips by emergency responders, exempted vehicles, employee travel and maintenance vehicles.

2013/2014 ASPHALT RESURFACING

- Resurfacing of Highway 407 ETR from Trafalgar to Dundas (A total of 96 mainline lane-km not including shoulders). The project also includes arterial road interchanges and 40 bridges at various locations. Asphalt strengthening of the inside shoulders on the 407 ETR mainline are included in the contract. The total quantity of asphalt is over 194,000 tonnes and over 1,000,000 m² of asphalt grinding.
- Work to be completed over a two-year period with a completion date of September, 2014.



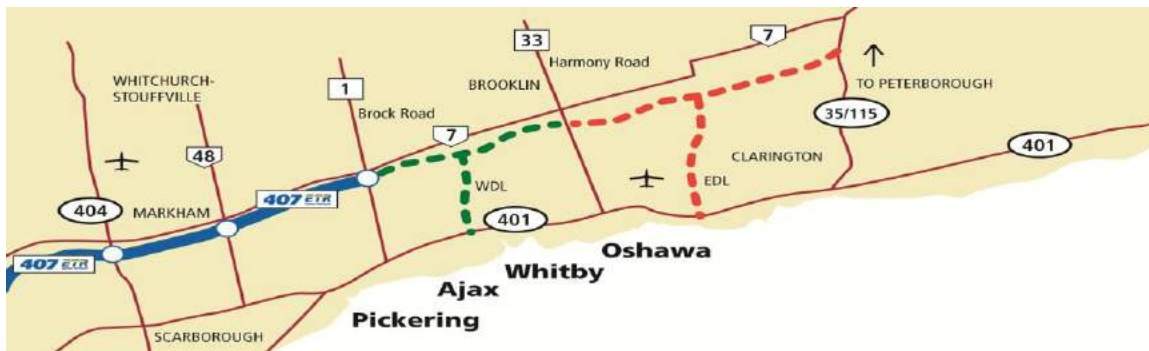
TWO DIFFERENT PROJECTS – TWO DIFFERENT MODELS



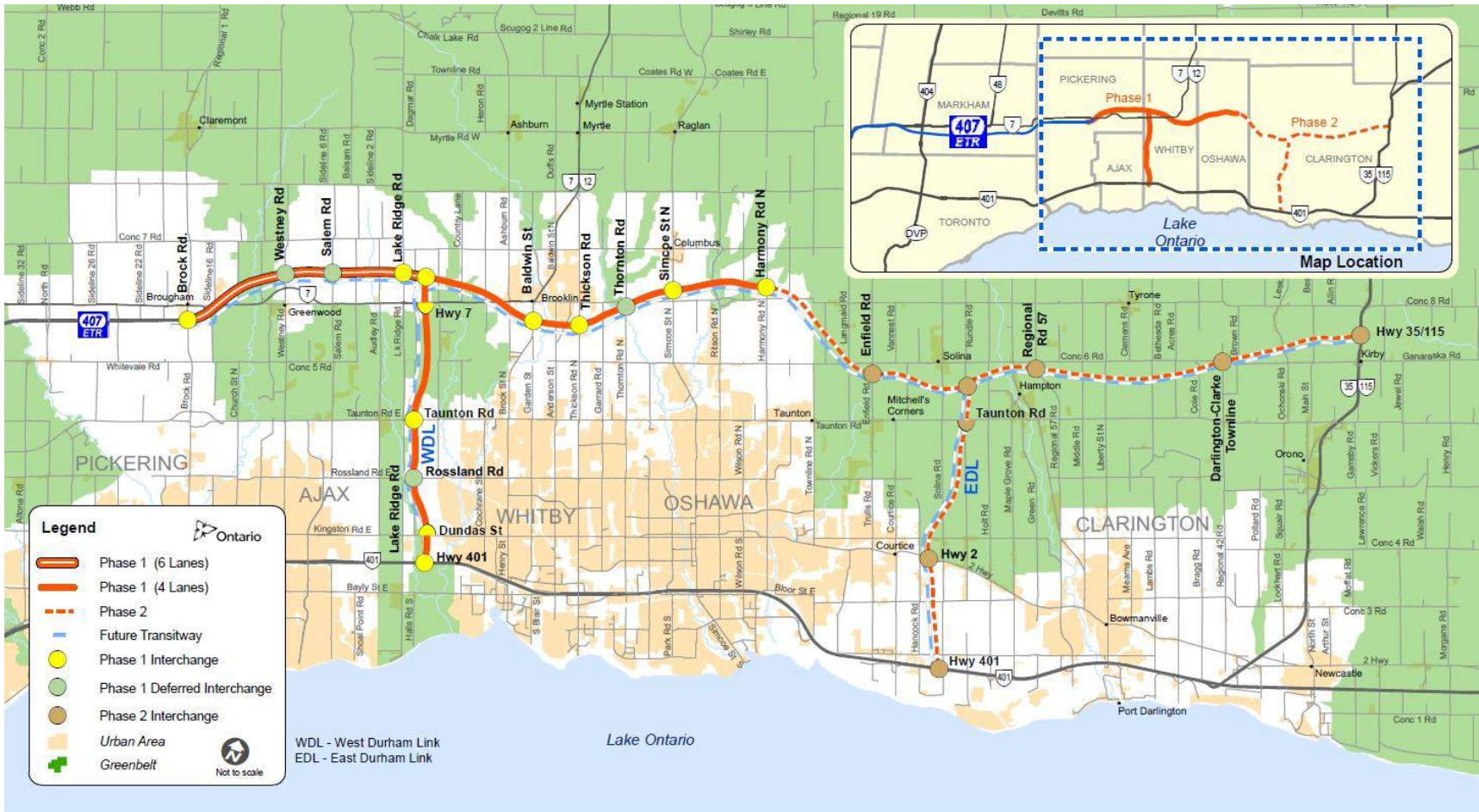
407 ETR /407 International	407 East Development Group – Phase 1
108 km (Burlington-Pickering)	22 km (Pickering-Oshawa + 10 km WDL)
Cintra, CPPIB, SNC-Lavalin	Cintra and SNC-Lavalin
99-year Concession (1999-2098)	3+30-year DBFO (2012-2045)
407 ETR sets tolls, keeps revenues	Province sets tolls, gets revenues
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.



407 EAST: PHASE 1 – 407 EAST DEVELOPMENT GROUP



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 Highway 401, completing the Toronto by-pass.
- » Cantoll will provide integrated services to users while expanding its business.

SUPPORTING SAFETY ON AND OFF THE ROAD



MISSING

Seeing a superhero conquer the world.



Don't miss out on life's best moments.

FOCUS ON THE ROAD



St. John Ambulance

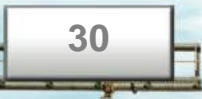
SAVING LIVES
at work, home and play



Accident Awareness

Explosion Evacuation Prevention

DONATIONS



INVESTOR CONTACTS

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