

The background of the slide is a photograph of a highway. In the upper left, a blue sign with white text reads '407 ETR Express Toll Route EAST'. Below the sign, a car is visible on the road. The right side of the slide is covered by a large blue semi-circle.

407 ETR
Express Toll Route

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

Presented to Ferrovial Analysts
26 November 2003

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- 
- Overview
 - Customer Service
 - Contractual and Statutory Framework
 - Operations Tour *(break)*
 - Traffic & Planning *(over lunch)*
 - Schedule 22
 - Finance

407 ETR
Express Toll Route



Overview

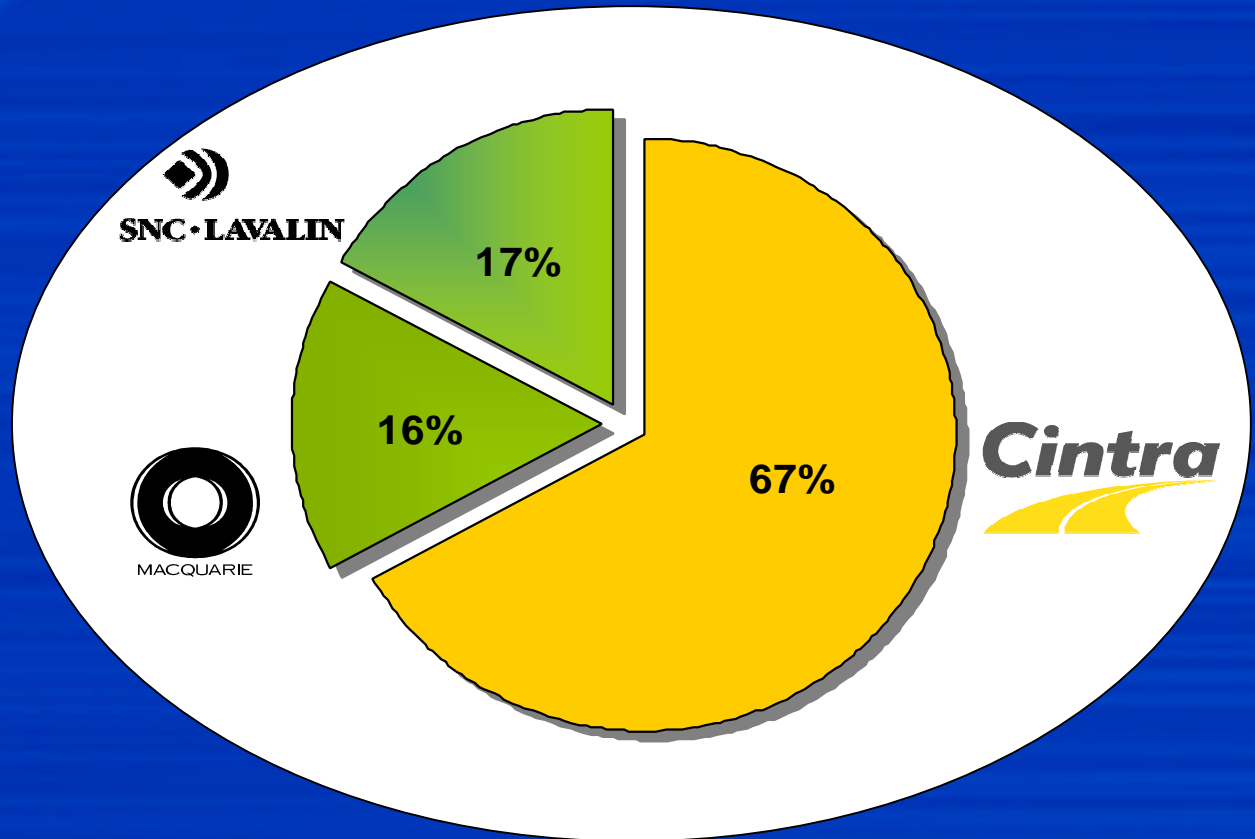
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Bid & Closing Process

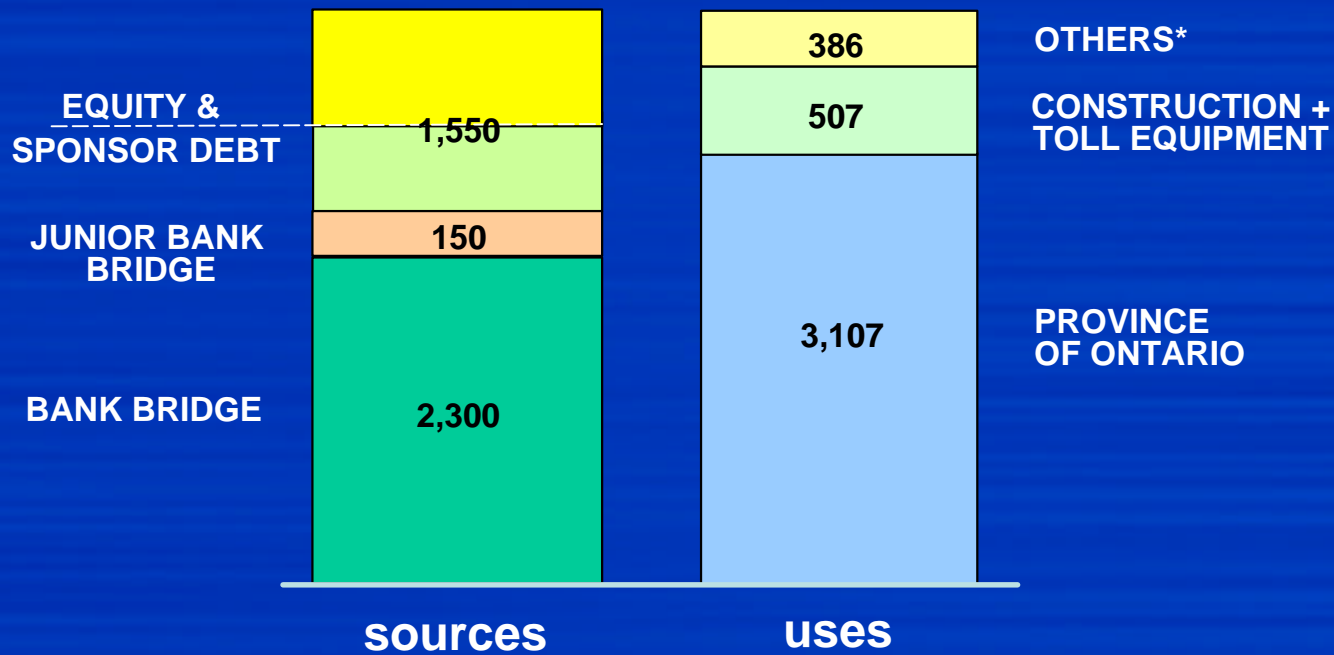
- 02/98 Province announced intention to sell Highway 407 ETR;
- 09/98 Province appointed RBCDS/Merrill Lynch as advisors;
- 10/98 Cintra and SNC-Lavalin form consortium;
- 11/23/98 Prequalification documents submitted to Province;
- 12/23/98 Notification of qualified bidder;
- 01/25/99 Indicative bids submitted (55, 99, 199 years);
- 03/30/99 Quotation presented for S1 (Central+West+East Partial) and S2
- 04/01/99 407 Int. notified of being within 5% of top bid in S1 bid;
- 04/07/99 Second bid presented;
- **04/07/99 Preferred Qualified Bidder notification (\$3,107,000,000);**
- 04/12/99 Signed CGLA and submitted \$250,000,000 deposit; and
- 05/05/99 Closing day (payment effective).

407 ETR
Express Toll Route

407 International Inc.



Sources and Uses of Funds



* Working Capital + Interest support

Project Finance

Shareholders' Equity: \$775 Million

May 5, 1999

Sponsor Subordinated Debt:
\$775 million

Junior Debt:
\$150 million

Senior Debt:
\$2.3 billion

Currently

3 Bond issues through Dec. 2001:
\$725 million

1 Bond issue July 2000:
\$165 million

10 Bond issues through March 2000:
\$3.0882 billion



Pickering

TORONTO

Oakville

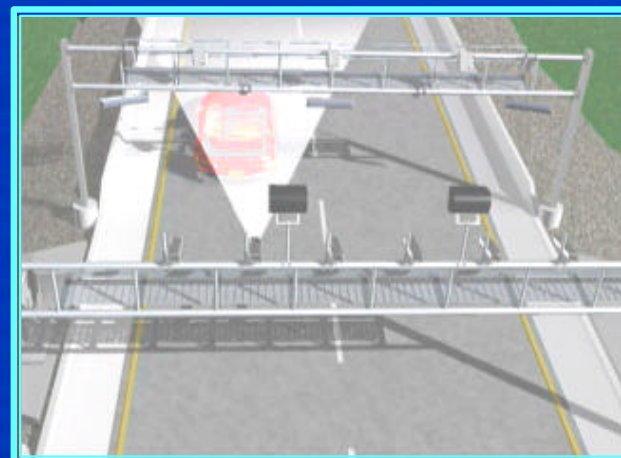
Burlington

Hamilton

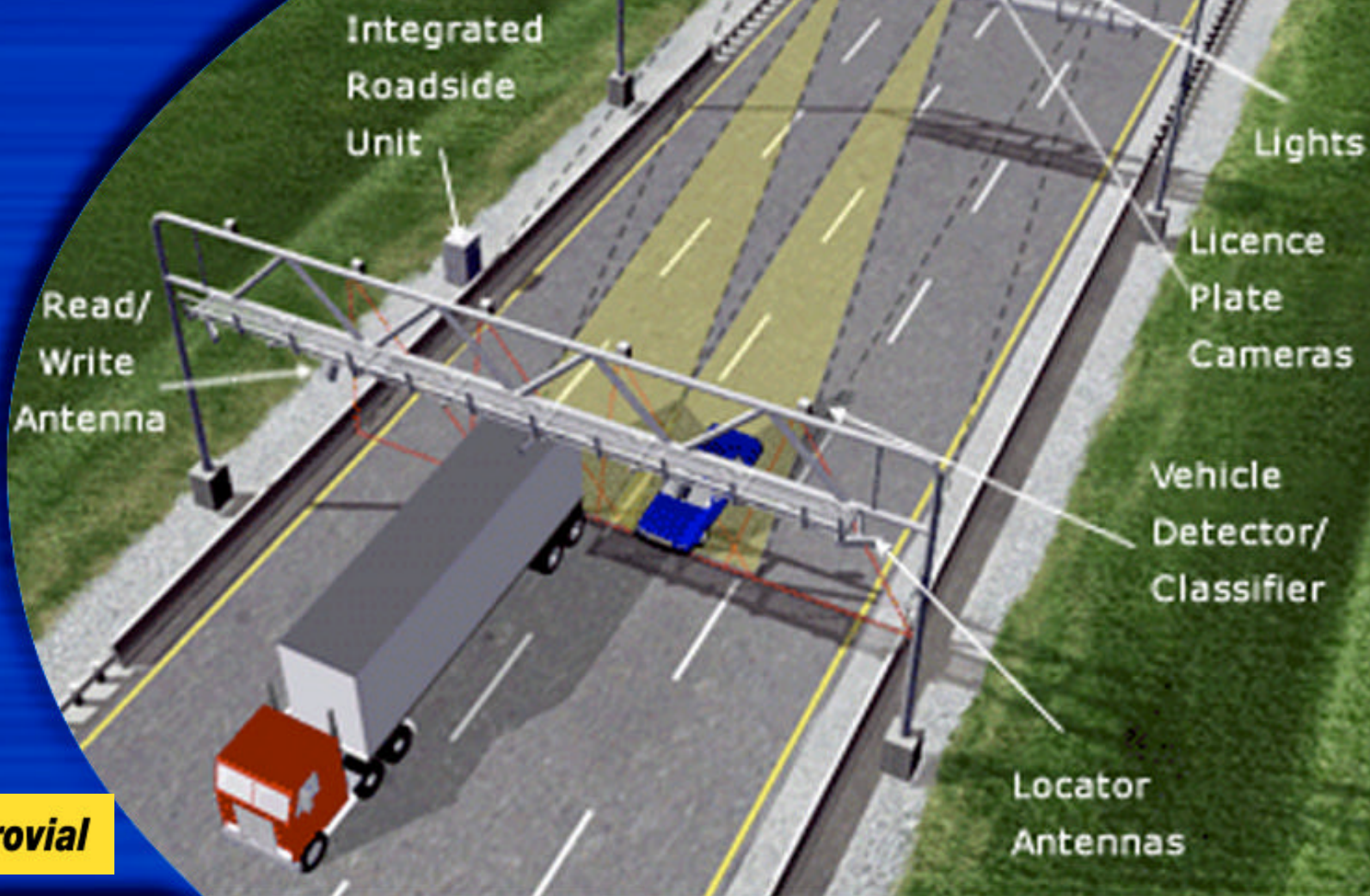


- NO toll-booths, “closed ticket” tolling scheme (on/off ramps)
- NO stopping or slow-downs to pay toll
- ALL vehicles able to use highway
- Transponder not required. If a valid transponder is not detected, digital photograph(s) are taken at entry and exit
- Tolls billed monthly

World's 1st



407 ETR
Express Toll Route



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Transponders

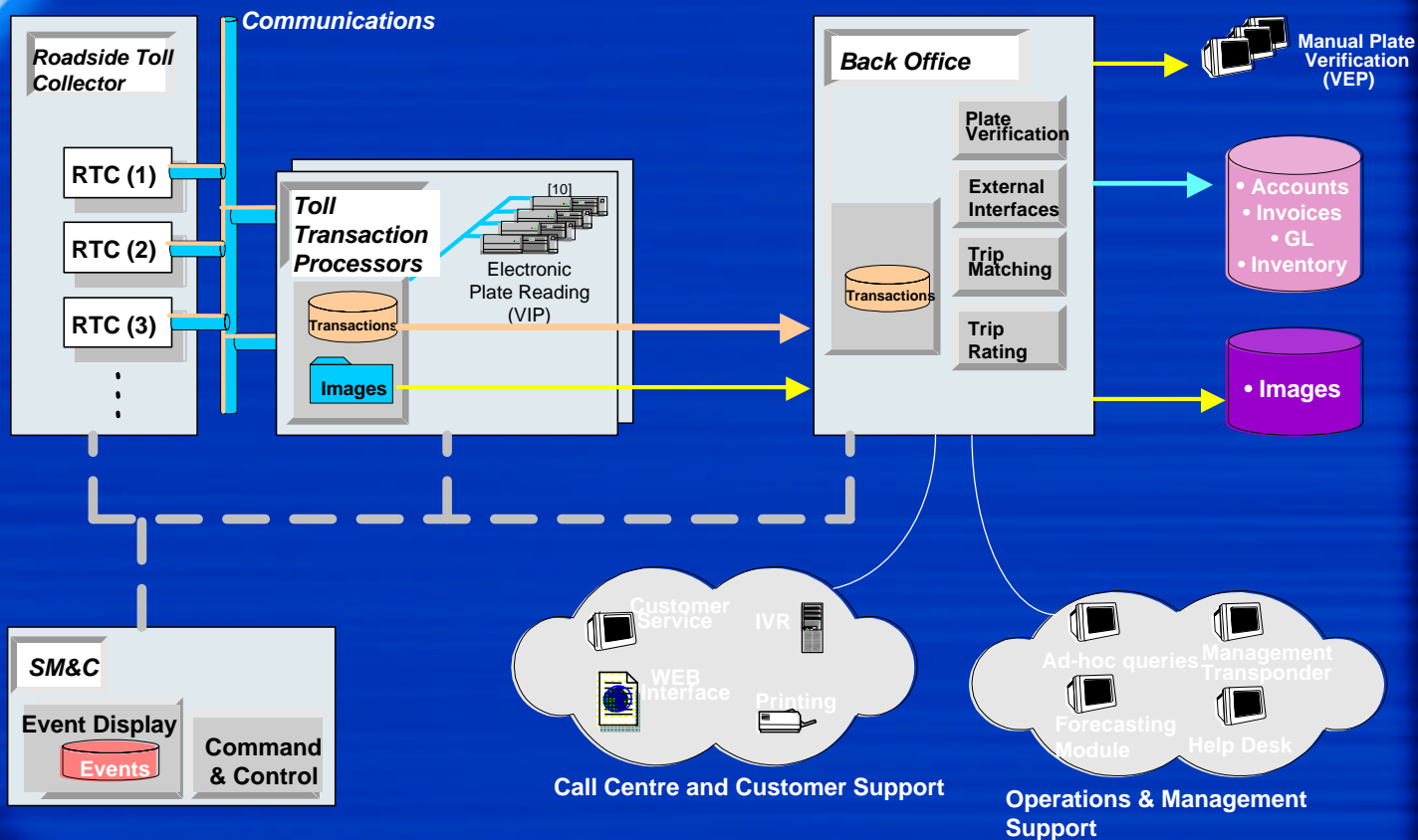
- Over 573,000 transponders in circulation
- Read-write
- Battery operated
- Frequency
- Both IAG and ASTM v.6 protocols accepted



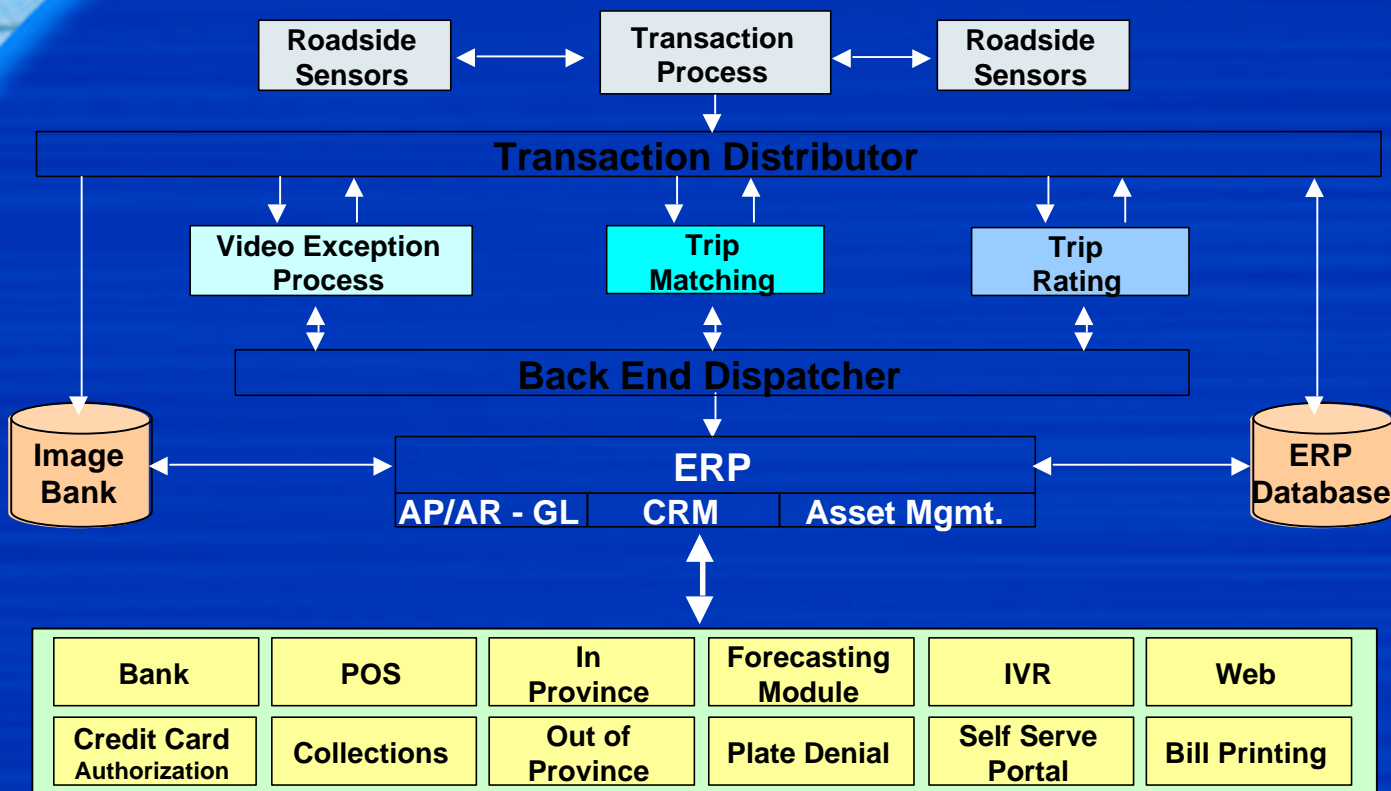
Transponders

- **Leased**
 - \$10 Activation Fee (per transponder)
 - \$1 Monthly Lease Payment (per transponder)
 - \$1 Monthly Account Fee
 - \$50 Replacement Fee
- **Security deposit for business accounts**
 - \$250 for up to 10 transponders
 - \$1,000 for more than 11 transponders
- **Power Management**
 - Early warning system

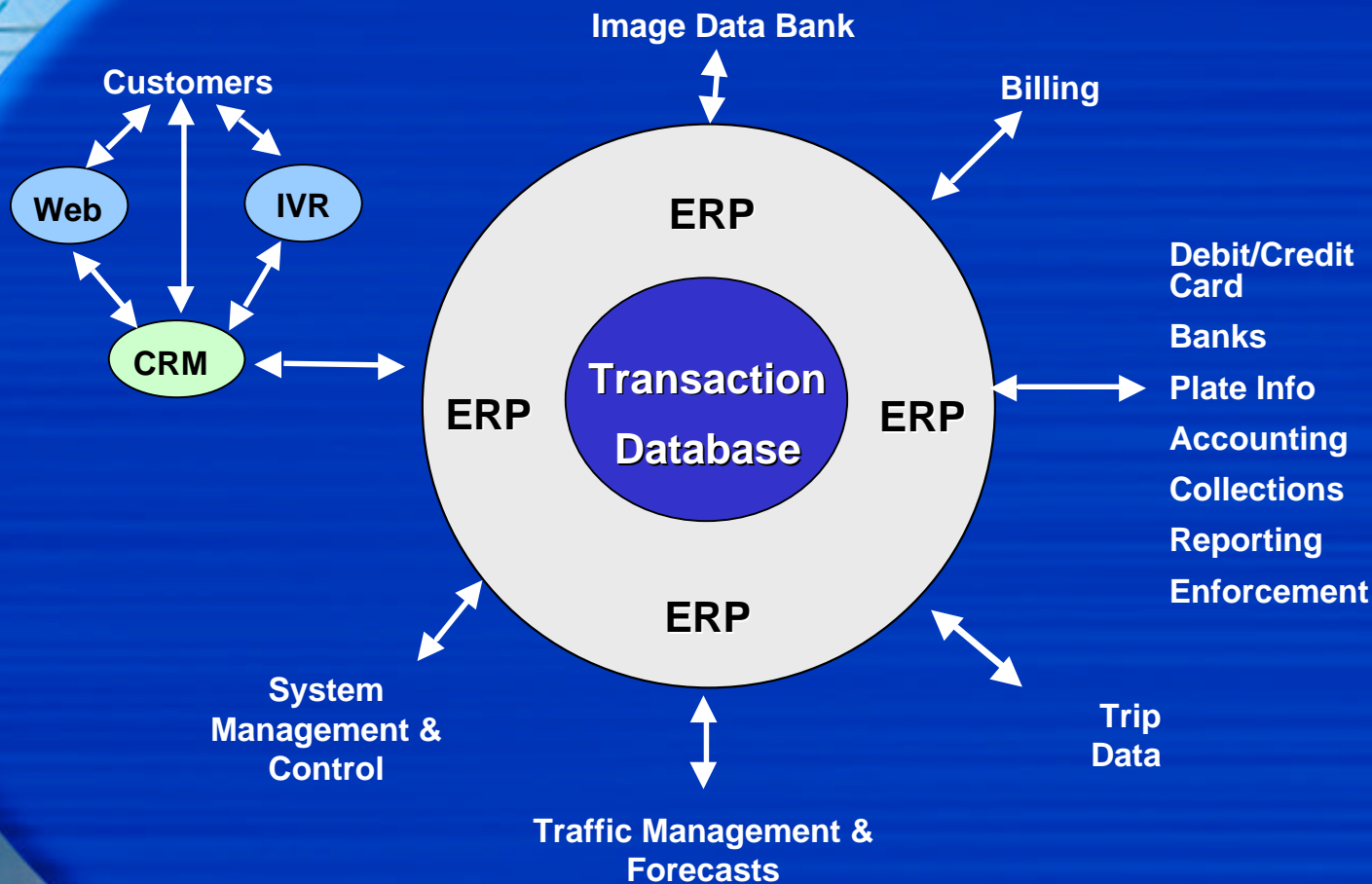
Tolling System & Back Office



Functional Diagram



Business Interlinks



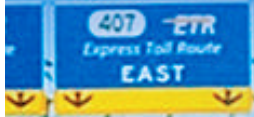
Issues Specific to 407 ETR

- Severe winter weather conditions
- A high class winter maintenance operations
- Fully illuminated along its Central section
- Open-access highway with 40 interchanges; 7 are expressway interchanges
- High safety standards are applied
- Storm water management ponds
- Responsibility for traffic signals and overpass structures
- Independent auditing in relation to safety
- Patrolled by roaming vehicles 24/7 in winter; 16/7 in summer
- Significant customer service requirements

Efficiency Improvements

- Improved the tolling system and highway operations
- Bought out subcontracts for the management and operation of the tolling system and highway infrastructure
- Built state-of-the-art call centre
- Improved customer service accessibility
- Replaced the Back Office in stages:
 - improved system operation; relieve supplier contracts
- Better tolling enforcement
- Reduced the level of unbillables
- Plans initiated to take over winter maintenance from outside contractor using state-of-the-art equipment

407 ETR
Express Toll Route



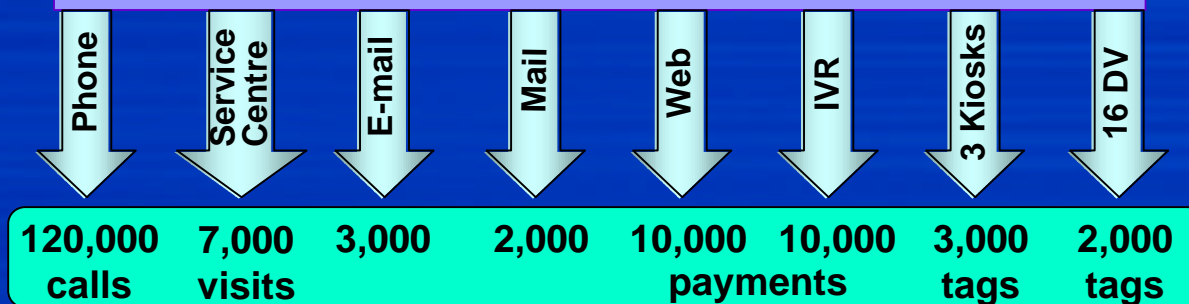
Customer Service

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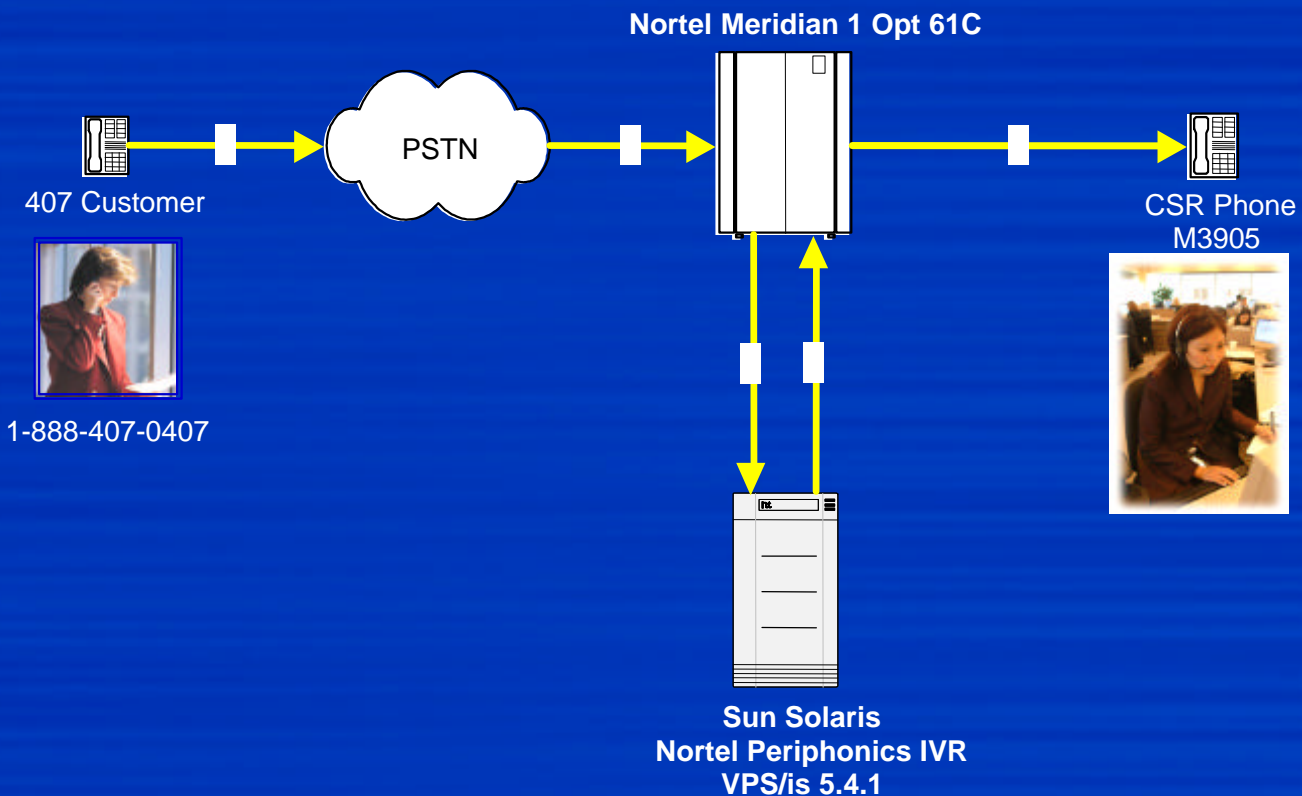
Customer Service Channels of Choice



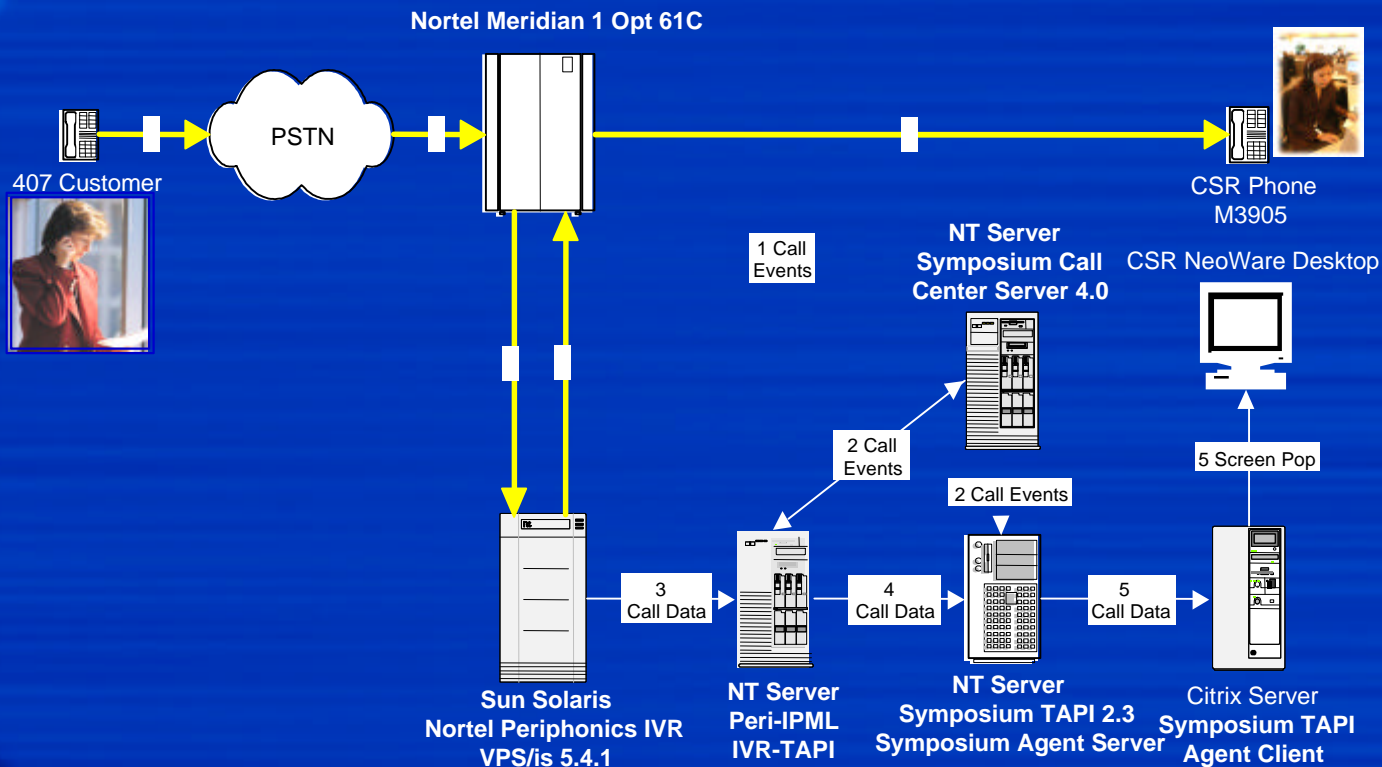
Channels of Choice (Monthly)



Current Call Flow



Call Flow with CTI Capability



Complaint Management

ISO 10018 Framework



24-hour Commitment
5-day Close



Customer Care CSR

Team Leader

Customer Advocate

Team Leader

12 CSR's

**Complaint
Management
Database**

Reports

- 24hr response
- 5-day close
- CSR Follow-up

**Quality
Assurance**

**Root Cause
Analysis**

**Solution &
Continuous
Improvements**

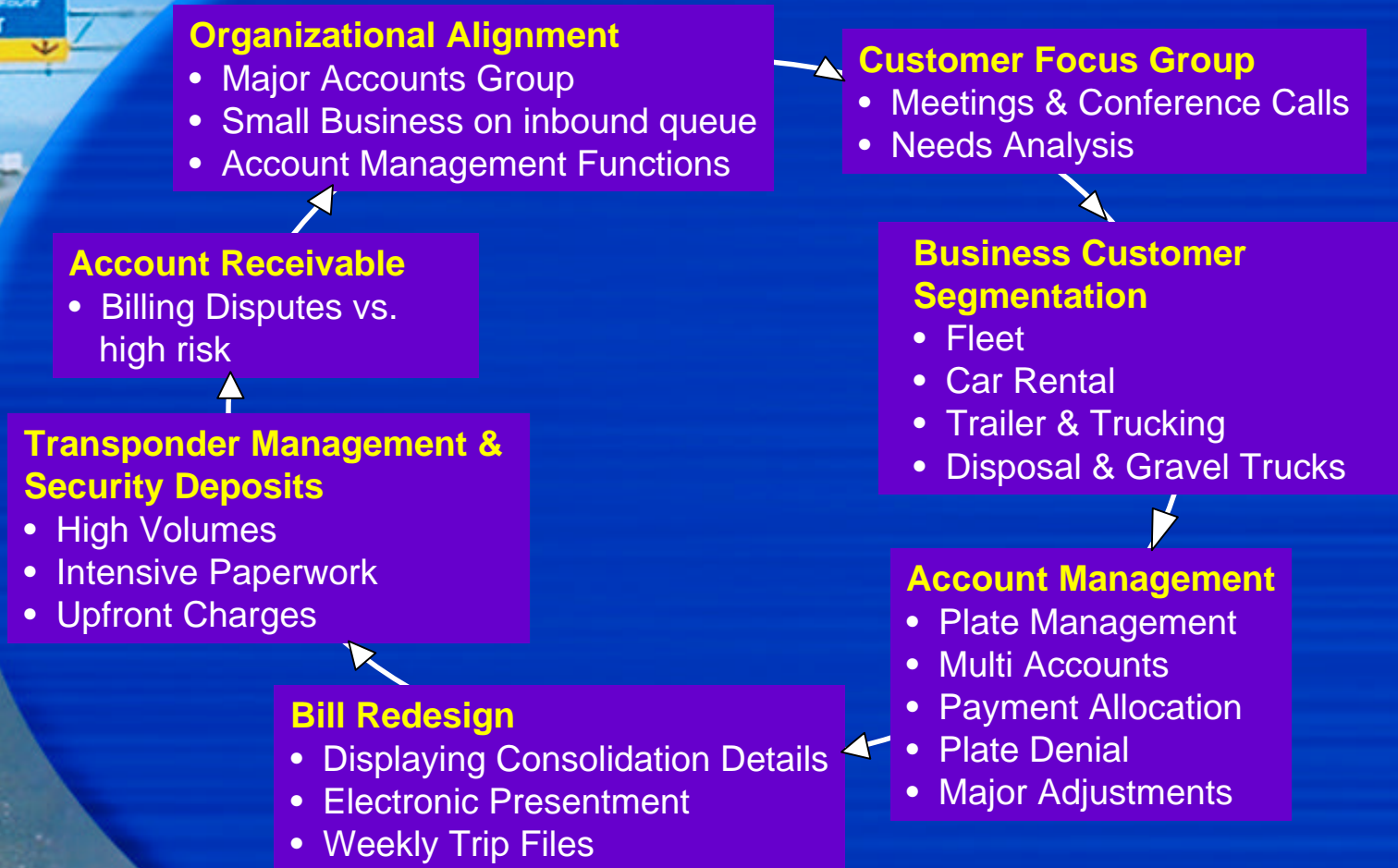
Recruit, Train, Retain

- Recruiting through agency, multiple test, interviews
- New hire training for 2½ weeks
- Current redesign – customer centric
- Special testing & training for complaint management
- Continuation training modules
 - Customer focus skills
 - Diffusing difficult customers
 - Soft collection skills
 - Billing analysis
 - New policies and tools (i.e., plate denial)

Current Initiatives

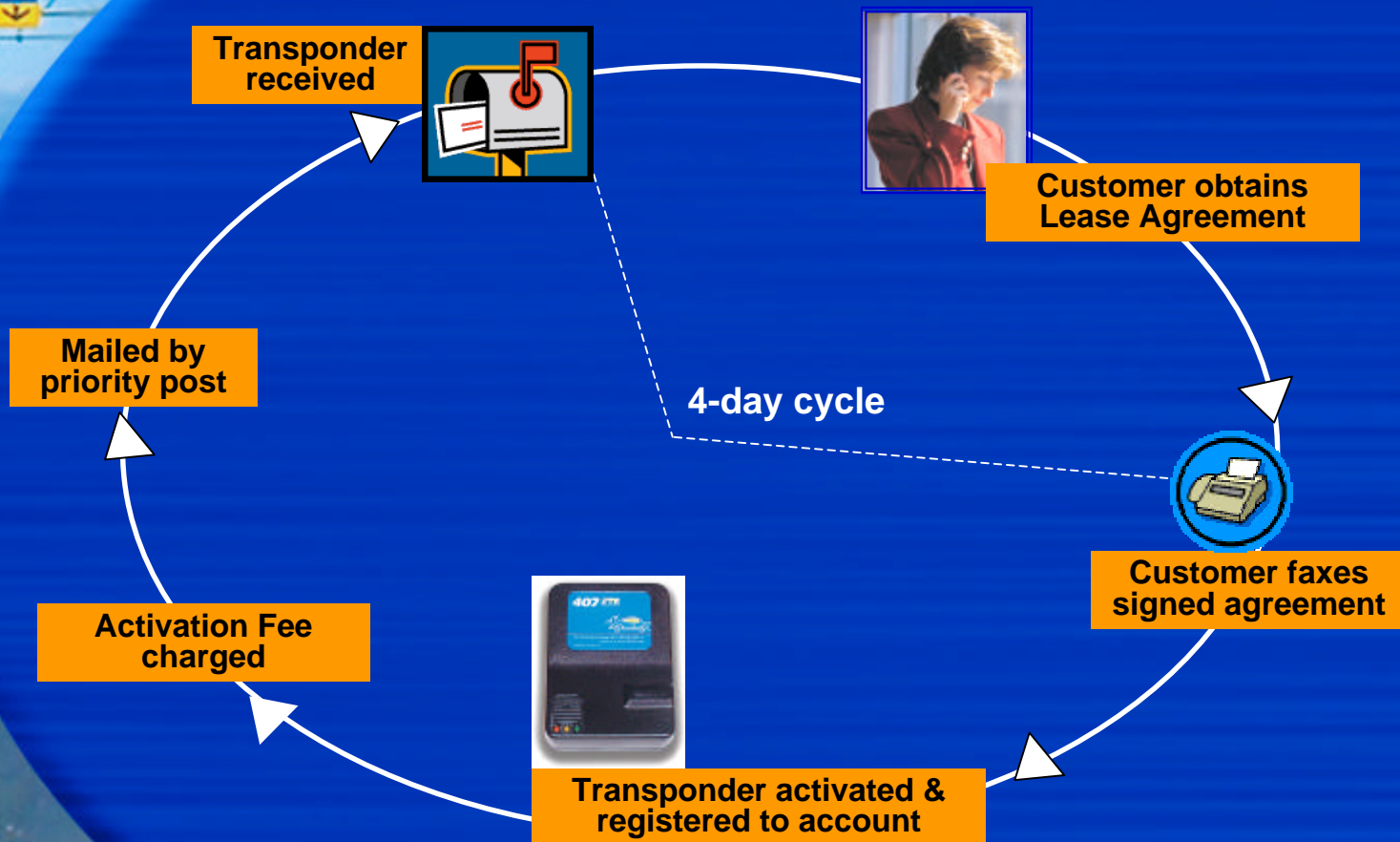
- Gaining more efficiencies via new billing platform
- Developing an ISO Complaint Handling Framework
- Developing more customer centric training
- Automation through IVR and Web
- Fine-tuning Force Flex Team
- Business portfolio redesign
- CRM at desktop

Business Portfolio Redesign



Streamlining Channels

Transponder Fulfillment by Phone



Future Focus



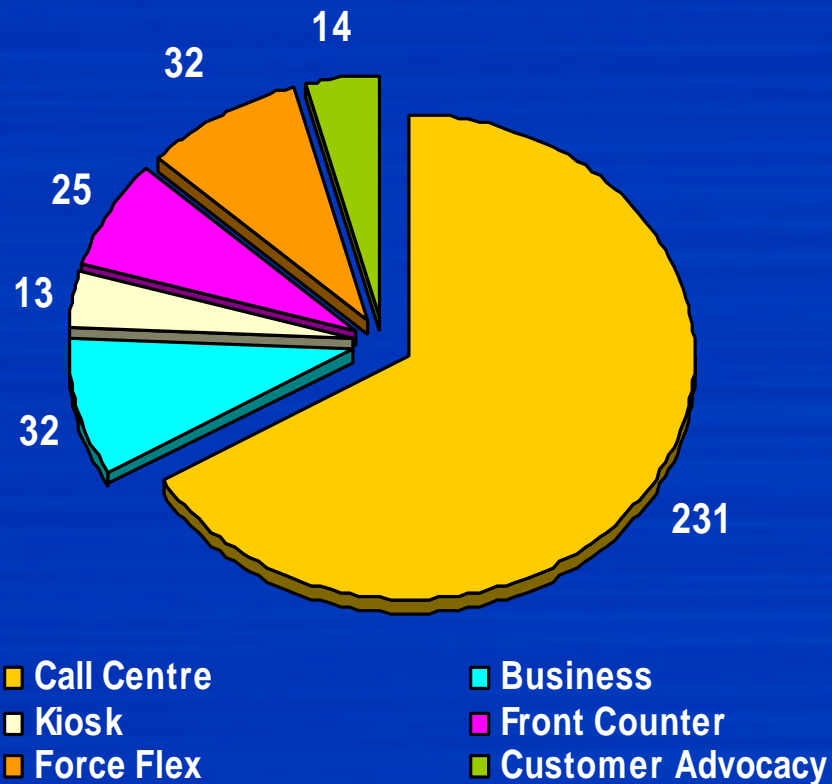
Customer Satisfaction

- Continue to raise the service excellence bar
- External customer satisfaction measures
- First call resolution measure
- Fair treatment of plate denial disputes
- Reduce costs by:
 - Streamlining processes
 - Leveraging technology
 - Promoting self-serve
 - Proactive outbound calls

Customer Base Overview

- Approximately 1,500,000 bills sent each month
- 120,000 calls received monthly
- Current call drivers primarily from
 - general inquires
 - bill payments
 - account consolidation
 - out-of-Province billing inquires
- 347,000 average trips per workday
- 384,040 on 10 October 2003 – **a one day trip record !**
- Growing customer base of over 5,800,000
- Over 93,000,000 trips per year (2002)

Customer Service Team



Head Count





Contractual and Statutory Framework

Share Purchase Agreement; Highway 407 Act;
Highway Traffic Act; Concession & Ground Lease Agreement

Share Purchase Agreement

- **Governs the Purchase of the Shares**
 - Closing Arrangements, Pre-Conditions of Sale, Representations and Warranties, Indemnification
- **Restriction of Transfer Agreement**
 - Places a 5-Year restriction on the:
 - Sale of Company Assets
 - Disposition of Securities of the Company
 - Disposition of Securities of the Purchaser
 - Change of Control of an Equity Participant

Highway 407 Act (Bill 70)

- Replaces Capital Investment
- Plan Act
- Controlled Access Highway
- Highway Traffic Act
- Collection of Tolls
- Plate Denial
- Expropriation
- Highway Management
- Safety Standards
- Maintenance and Repair
- Limitation on Liability
- Deemed Public Body
- Personal Information

Highway Traffic Act

- **Plate Visibility**
 - Obstruction of Plates
- **Heavy Vehicles**
 - No Device
 - Invalid Device
 - Improperly Affixed
- **Toll Evasion**
 - Engaging in activity or using device or material to evade or obstruct or interfere with the toll system
- **Sale of Interference Device**
 - Sell, offer to sell or advertise for sale, device or material designed or intended to interfere with toll system

Concession & Ground Lease Agreement

- 
- Exclusive Rights for 99 years
 - Revenues - Toll and Ancillary
 - Land Acquisition
 - Governmental Authorizations
 - Safety Standards
 - Direction to Undertake Work
 - Change Order\Request
 - Reporting Requirements
 - Audit Rights
 - Enforcement
 - Toll Regulation (Schedule 22)
 - Insurance
 - Events of Delay
 - Defaults
 - Dispute Resolution

407 ETR
Express Toll Route



Traffic & Planning

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Future Extensions

407 East Completion

- Direct impact on 407 ETR
- Approximately 10,000 to 12,000 additional daily trips in 2011

Mainline:	45 Km
Ajax Link:	11 Km
Oshawa Link:	<u>10 Km</u>
Total:	66 Km



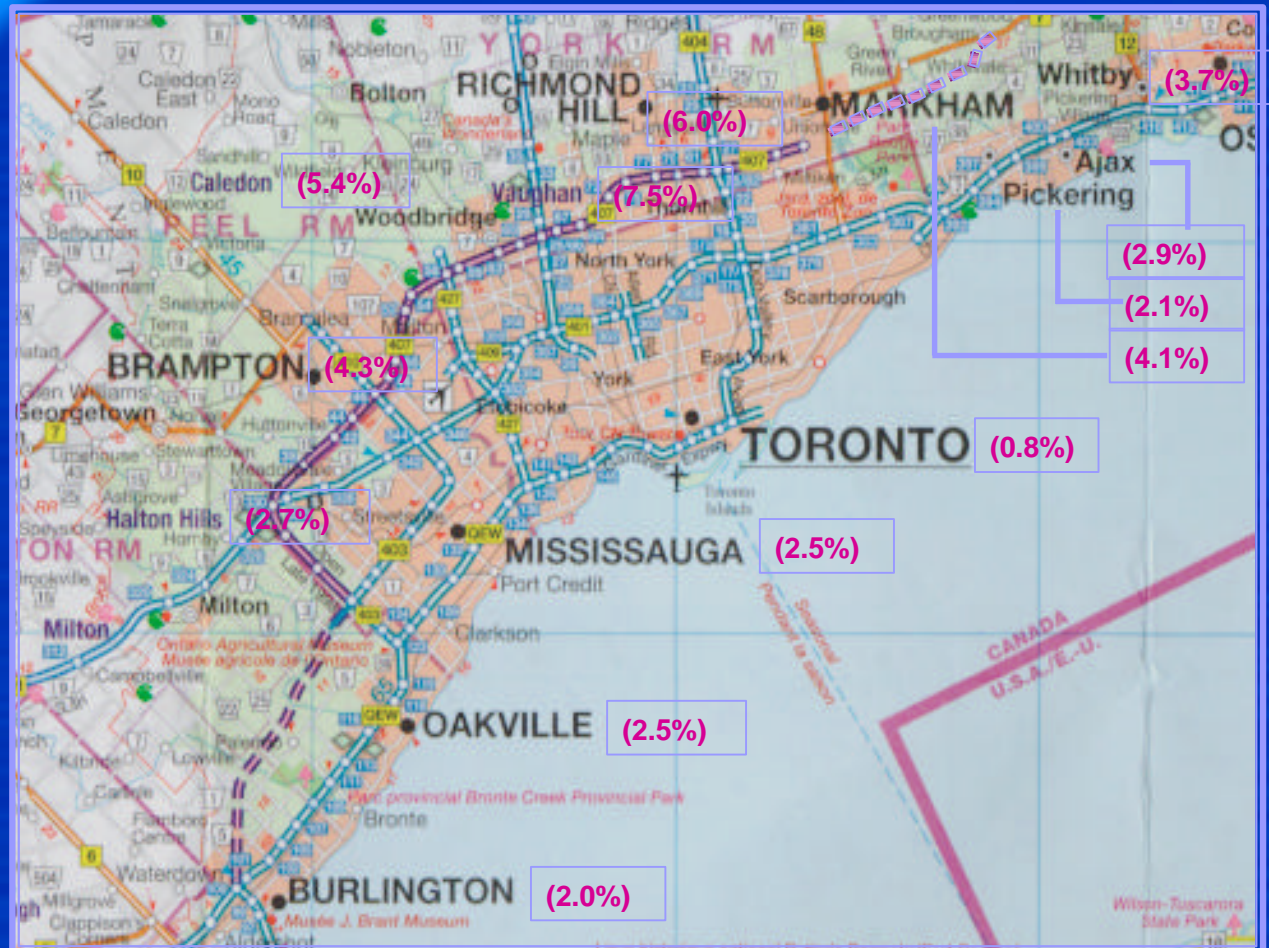
Future Extensions

Mid Peninsula Highway

- Under study – potentially to connect with 407 ETR on the west end
- No specifics on new traffic to 407 ETR



Population Growth – 1996 to 2001



Source:
MTO

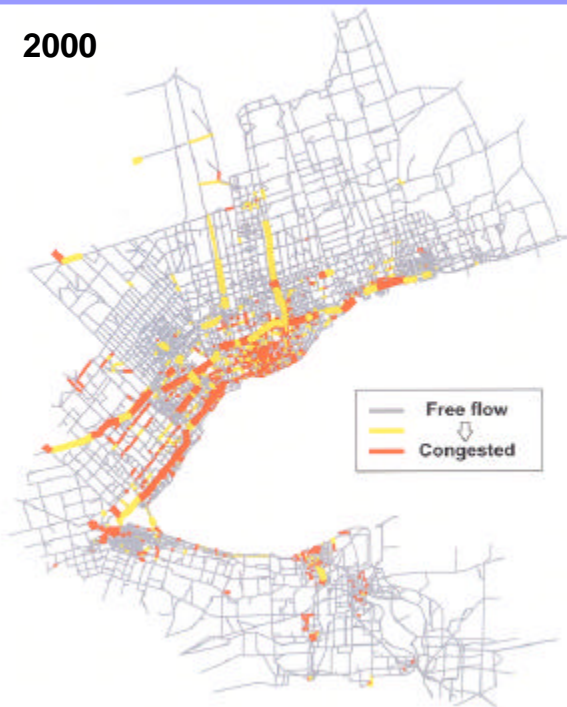
Population Growth – 2001 to 2021

Source:
MTO

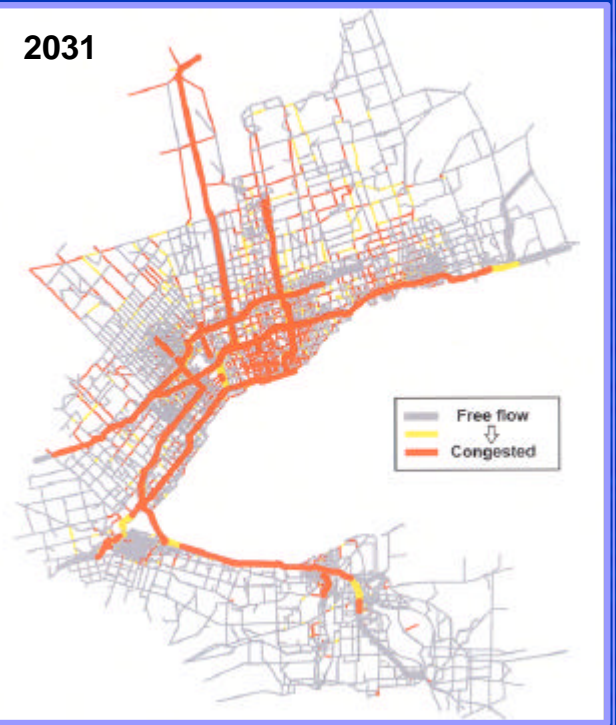


Road Congestion – peak periods

2000

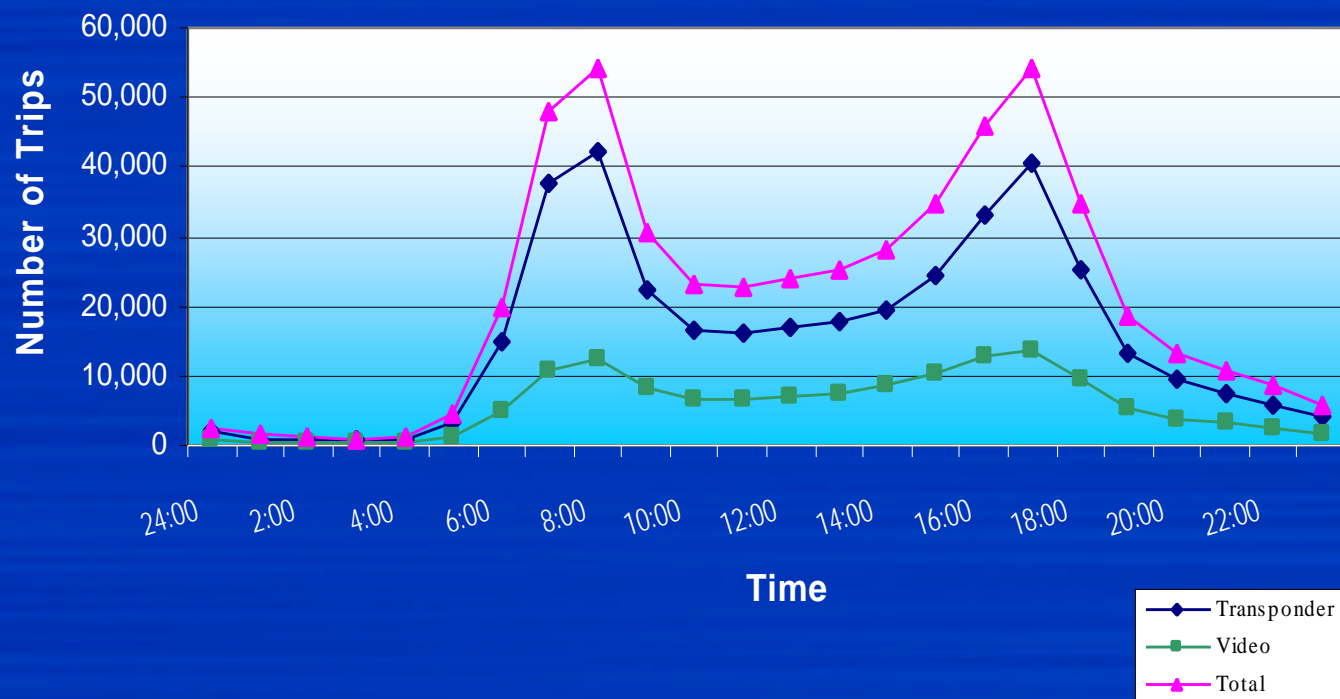


2031

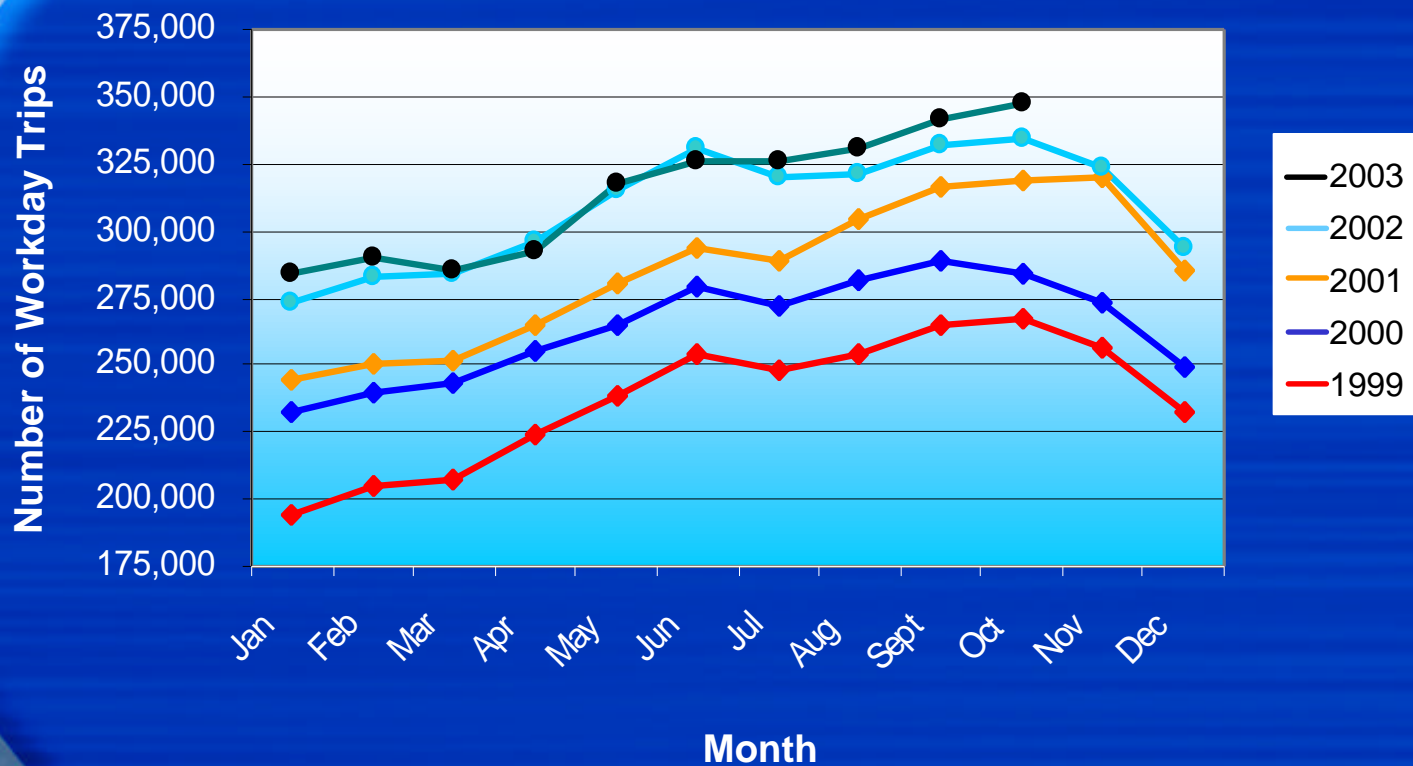


Source:
MTO

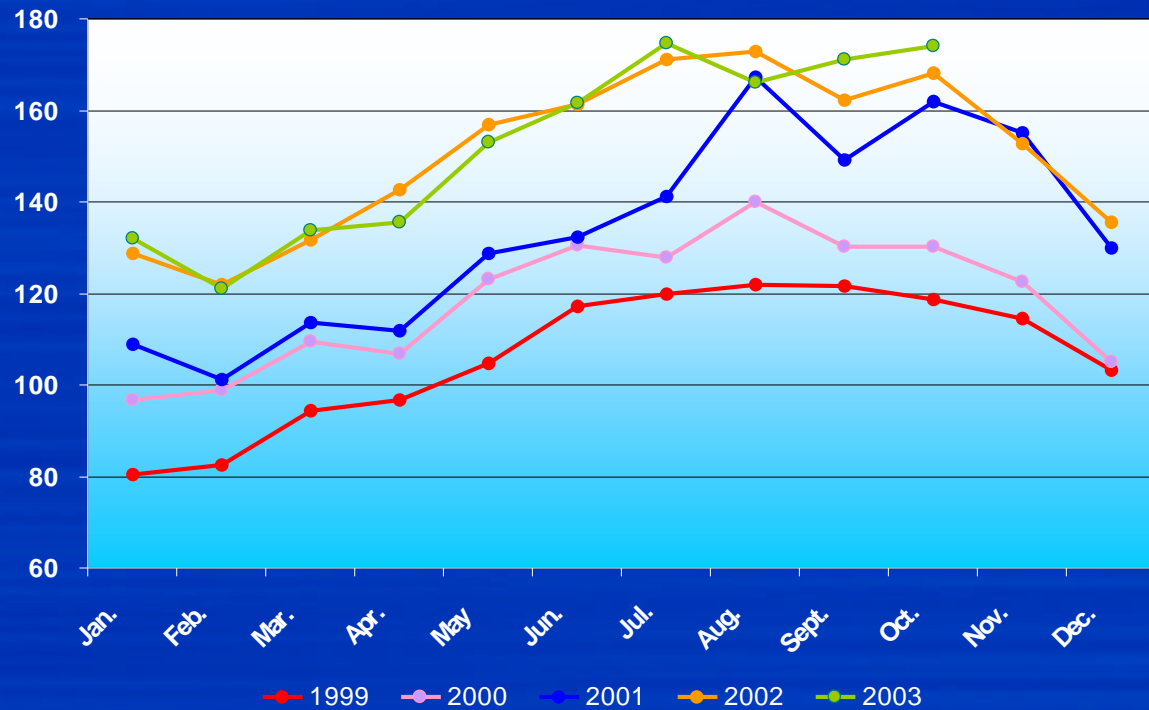
Typical Traffic Distribution



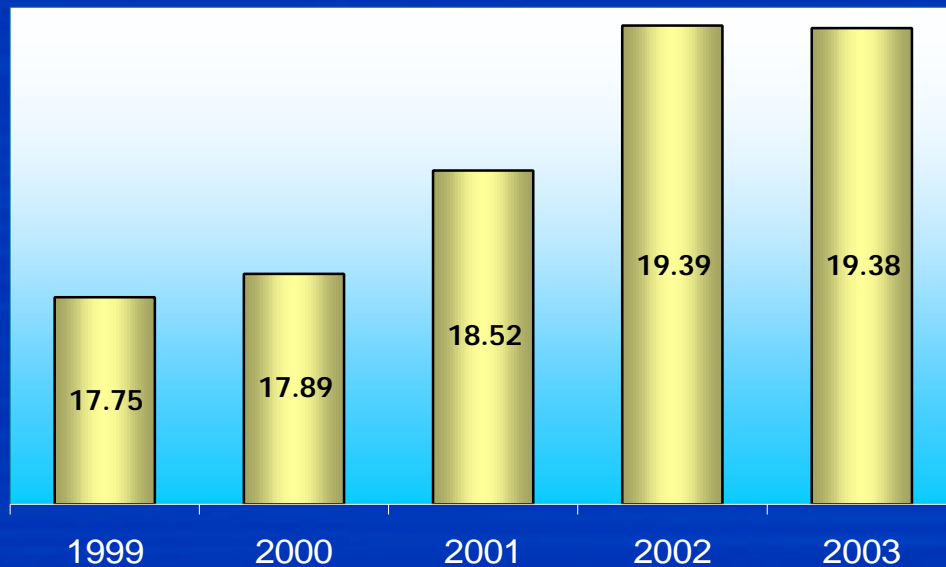
Average Workday Trips



Km (millions)

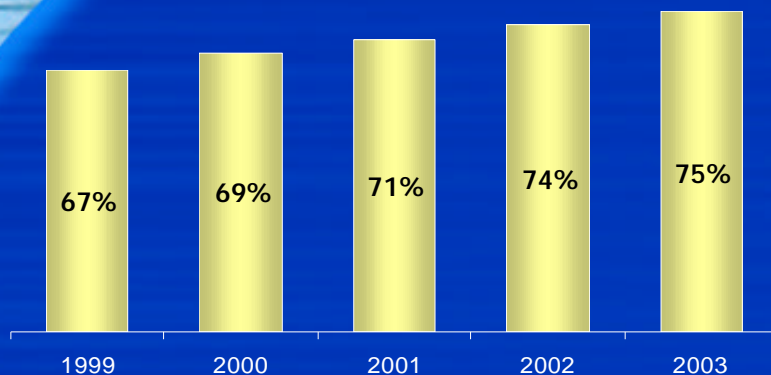


Average Travel Distance

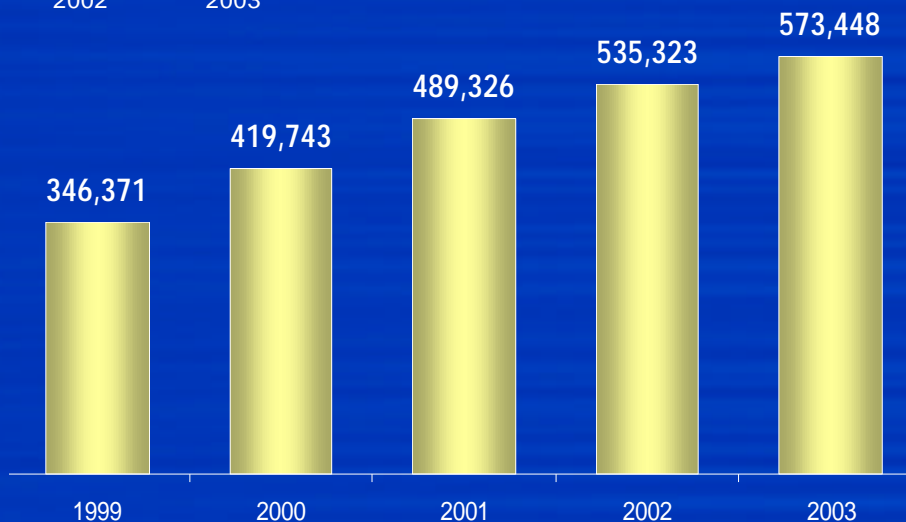


2003 – September data

Average Transponder Penetration

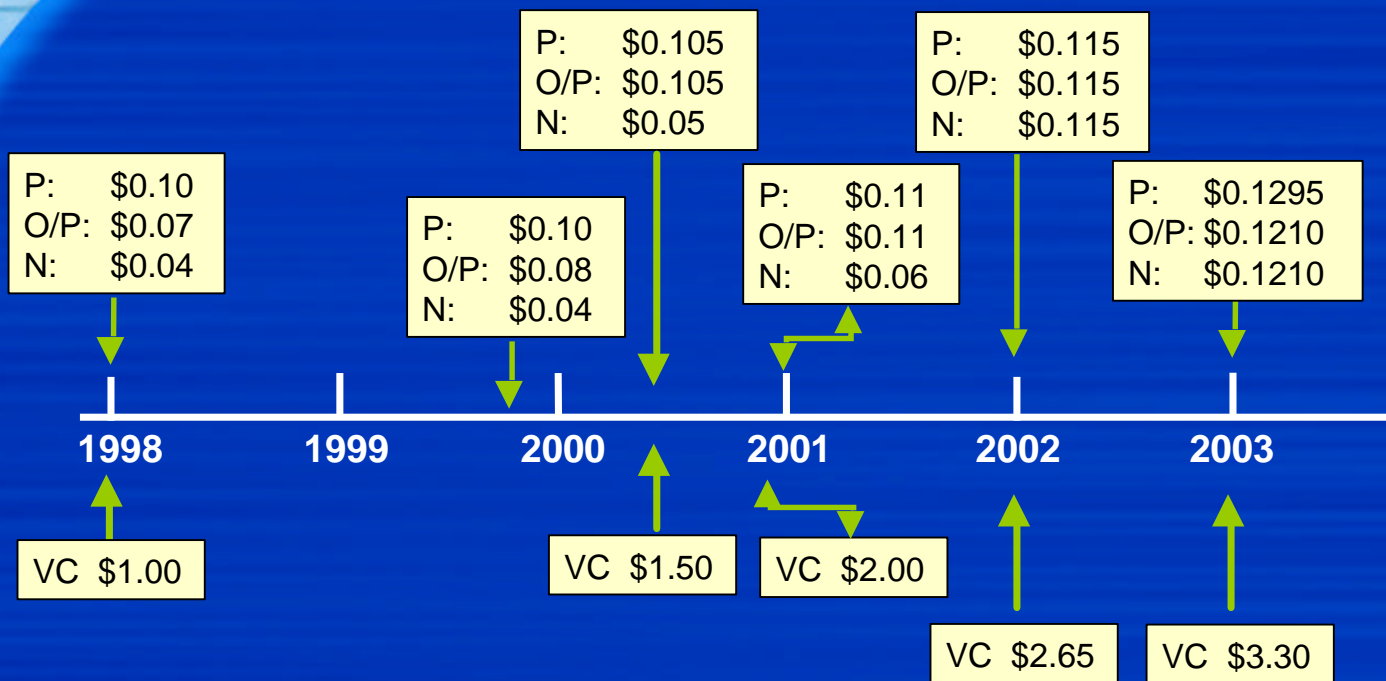


2003 – September data



Historic Toll Structure

(light vehicle; per km)



Current Toll Structure (per km)

Effective February 1, 2003

	Peak Rate	Off-Peak Rate
	Weekdays 6 a.m. – 10 a.m. and 3 p.m. – 7 p.m.	Weekdays 10 a.m. – 3 p.m. and 7 p.m. – 6 a.m. All weekends & holidays
Light Vehicles*	12.95 cents	12.10 cents
Heavy Single Vehicles**	25.90 cents	24.20 cents
Heavy Multiple Vehicles**	38.85 cents	36.30 cents

* Without a valid transponder, add \$3.30 per trip. If rear licence plate is not visible to or recognizable by the toll system, add \$50.00 plus tolls per trip.

** Without a valid transponder, add \$50 per trip.

Toll Rate Comparison

<u>Facility</u>	<u>2003 Toll Rate CDN\$/KM/Peak</u>
91 Express Lanes (SR 91California)	\$ 0.39
Richmond - Virginia – Downtown Expwy	\$ 0.16
Foothill Transportation Corridor – North Segment (CA)	\$ 0.15
San Joaquin Hills Transportation Corridor	\$ 0.14
Delaware Turnpike (Delaware)	\$ 0.14
Foothill Transportation Corridor – East Segment (CA)	\$ 0.13
Dulles Greenway (Texas)	\$ 0.13
407 ETR	\$ 0.1295
Richmond - Virginia – Powhite Parkway	\$ 0.12
Chesapeake Expressway	\$ 0.10
Orlando East-West Expressway (Florida)	\$ 0.10
Sam Houston Tollway (Texas)	\$ 0.09
Dallas North Tollway (Texas)	\$ 0.09

1.3% exchange

Toll Rate Comparison

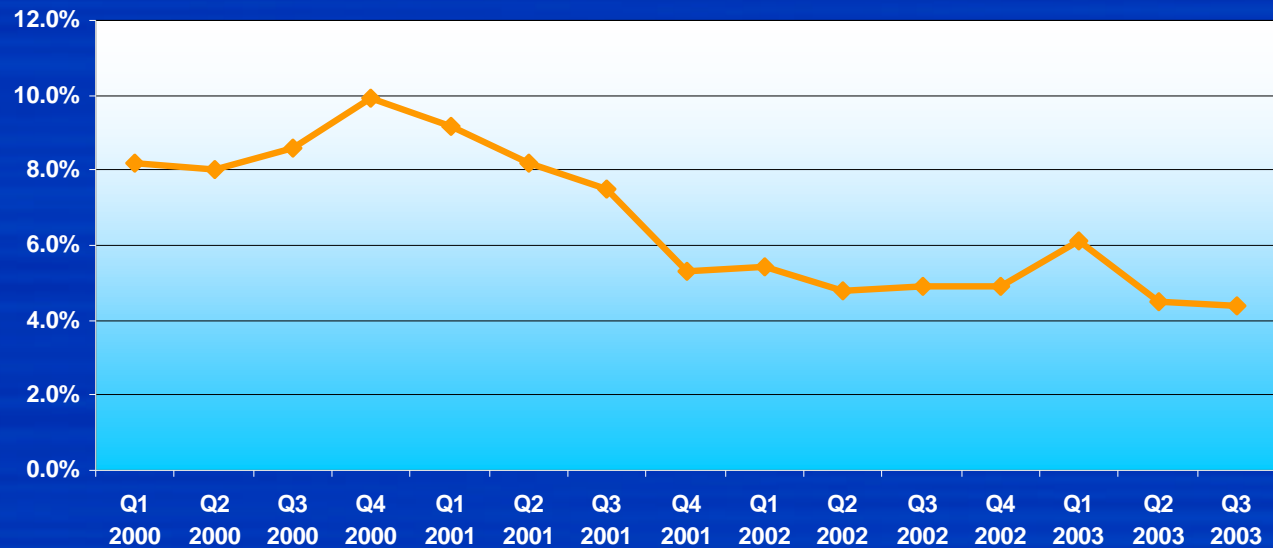
<u>Facility</u>	<u>2003 Toll Rate</u> <u>CDN\$/KM/Peak</u>
Tour - Bordeaux (France)	\$ 0.21
AUSOL (Spain)	\$ 0.20
A1 (Spain)	\$ 0.19
AUTEMA (Spain)	\$ 0.14
407 ETR	\$ 0.1295
Lyon - Valence (France)	\$ 0.12
Milan - Genova (Italy)	\$ 0.08
Rome - Naples (Italy)	\$ 0.07

*Data has been modified to include GDP factor per Country

Environment

- 79 Stormwater Management Ponds
- Prewetting with Epoke units reduce salt usage
- Noise berms in residential areas
- Landscaping – reforestation program (Kyoto Accord)
- Weed control program
- Litter pick-up – proactive roadside enhancement
- Grass cutting and roadside maintenance enhance vista

Unreadables / Unbillables Non-Revenue





407 ETR
Express Toll Route



TCREA

Tolling, Congestion, Relief and Expansion Agreement
(Schedule 22)

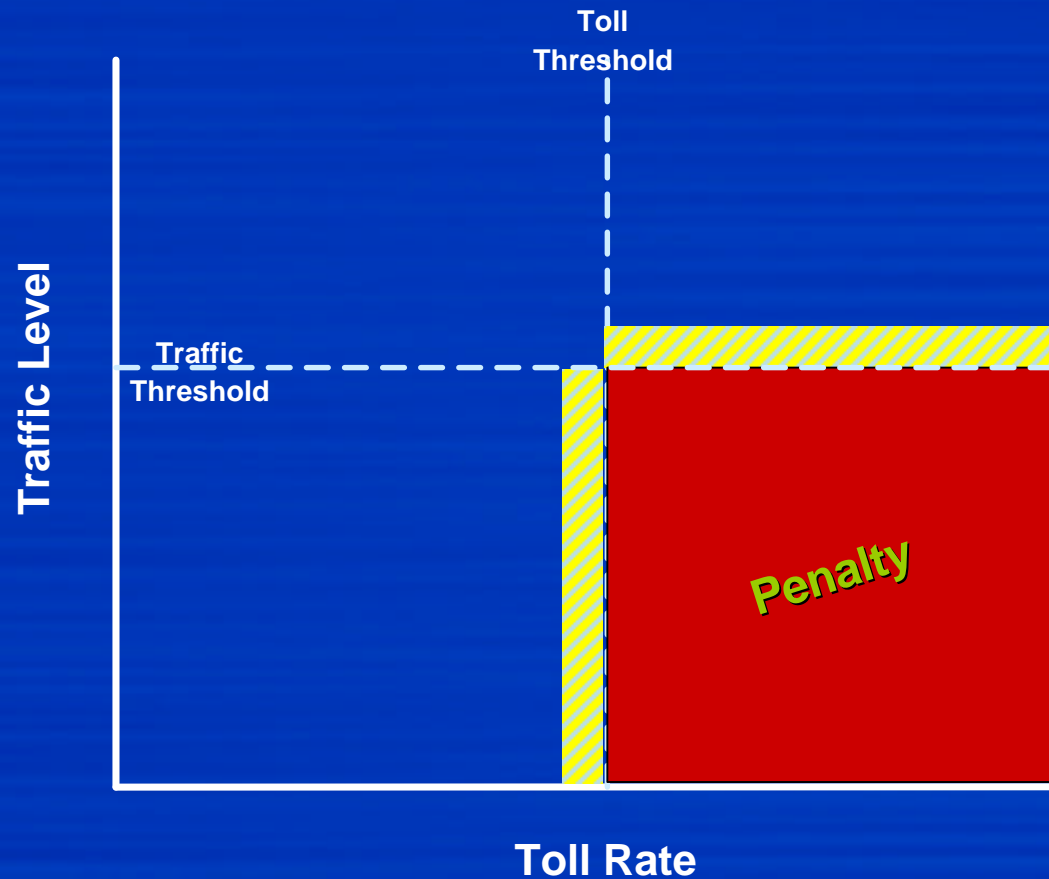
TCREA Toll Regulations

- **Base year**
 - the year in which the previous calendar year had > 4 months of complete highway in operation
- **Traffic Threshold**
 - is 95% of the average segment traffic flow during the peak period for the highest peak traffic levels during 60% of business days of the base year
 - this traffic threshold value grows by 1% - 3% per year after the base year, up to a maximum of 1,500 vehicles per hour per lane
- **Toll Threshold**
 - \$0.11/km for light vehicles, x 2 for heavy single unit and x 3 for heavy multi-unit is initial toll threshold in year 1999
 - increase 1.5% in 2000 and 2% beyond, up to 30% accumulated (plus inflation or minus deflation)

TCREA Toll Regulations

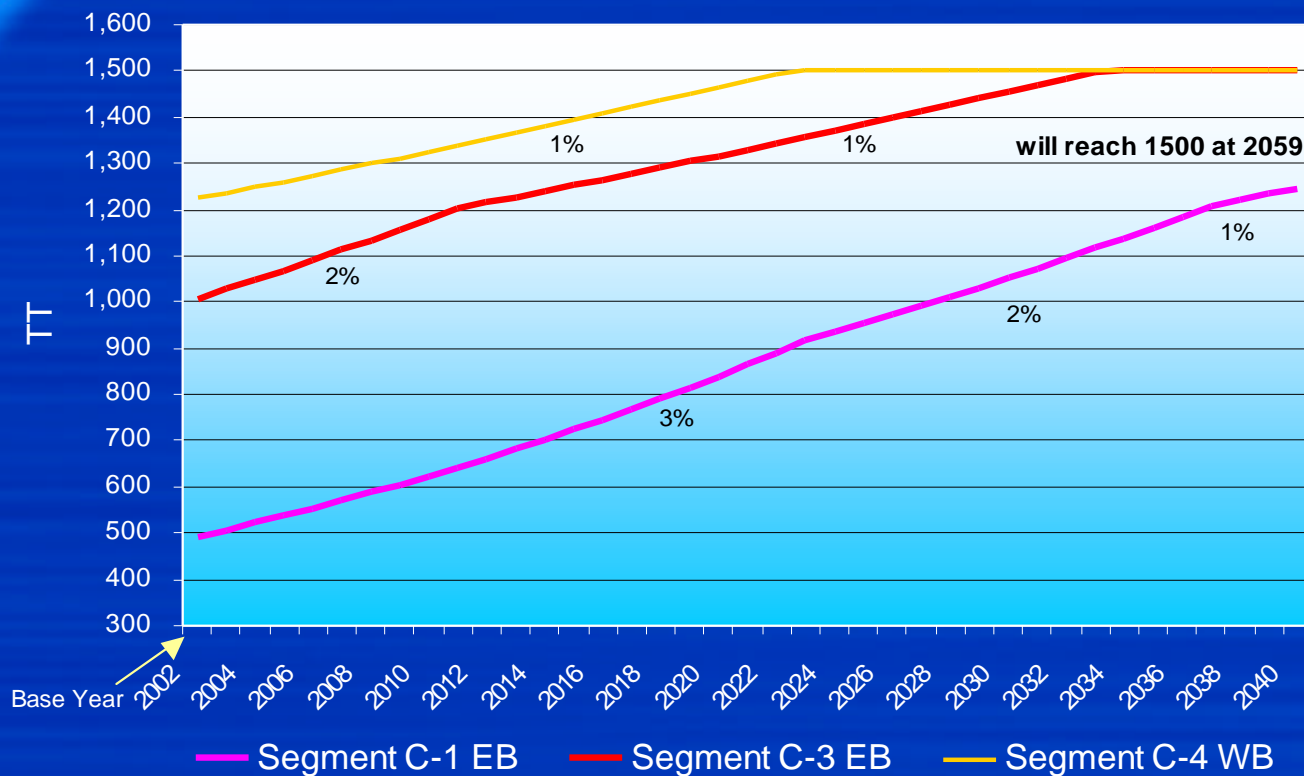
- **Tolls can be raised**
 - up to the toll threshold until the base year
 - concession free to raise tolls after the base year, conditional upon maintaining traffic levels above traffic threshold on a segment basis
- **Penalties**
 - twice the excess of real toll revenue over the toll threshold if tolls were raised beyond toll threshold and traffic levels fall below traffic threshold
- **Expansion**
 - additional lanes must be built within two years by segment after congestion levels are reached

Thresholds

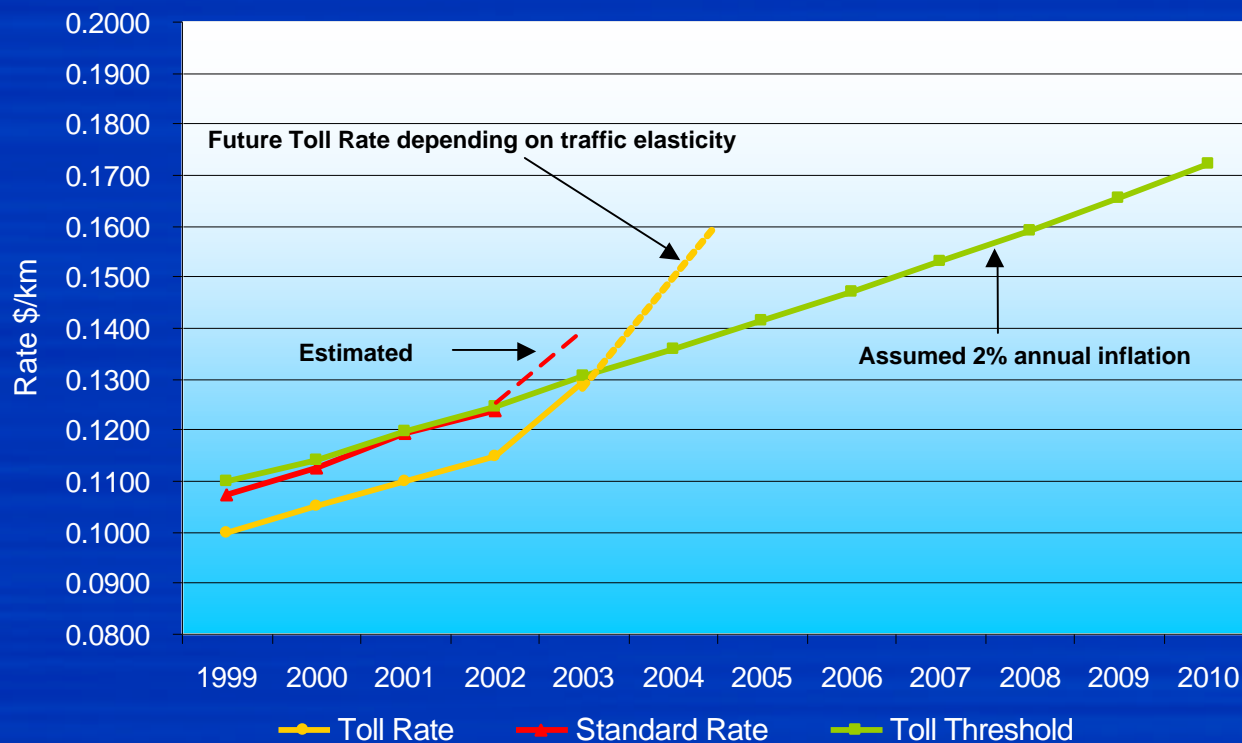


TT Growth Sample

Segment C-1 EB, C-3 and C-4 WB EB



Toll Rate, Standard Rate and Toll Threshold



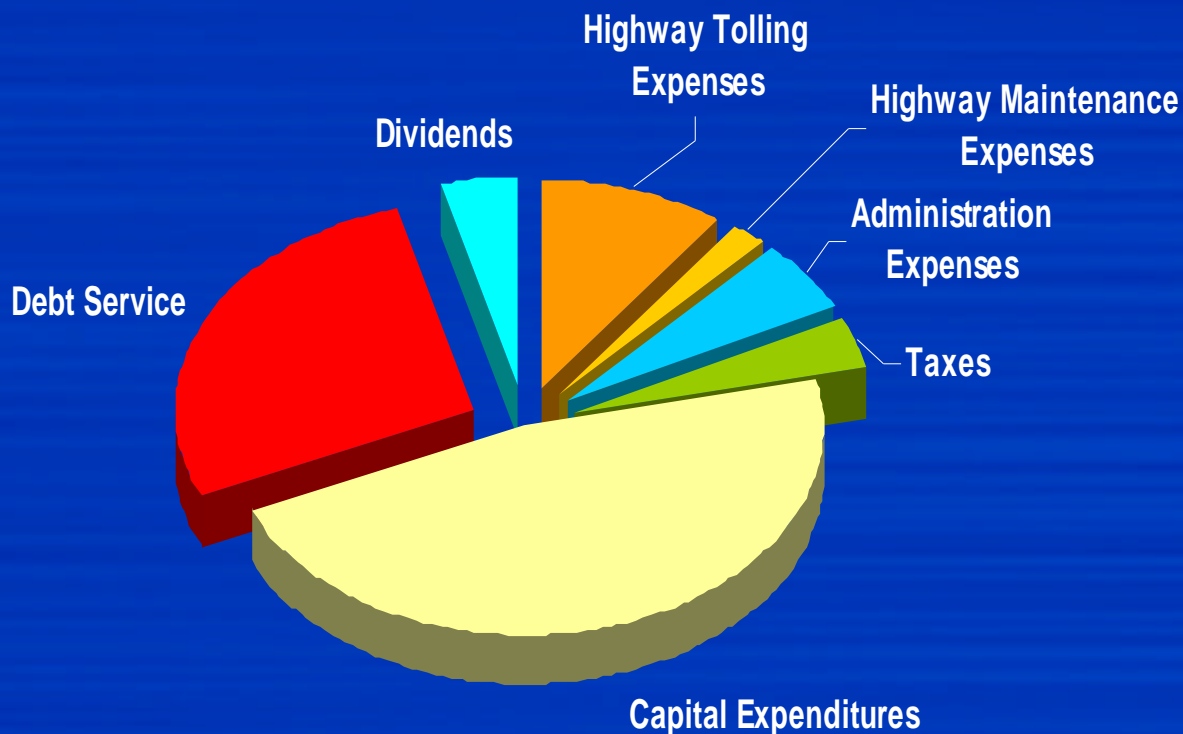
407 ETR
Express Toll Route



Finance

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Uses of Cash 1999-2002



In the past three years, the company spent 47% of its cash on the construction of the extensions and other capital expenditures, 27% on debt service and 17% on operating expenses

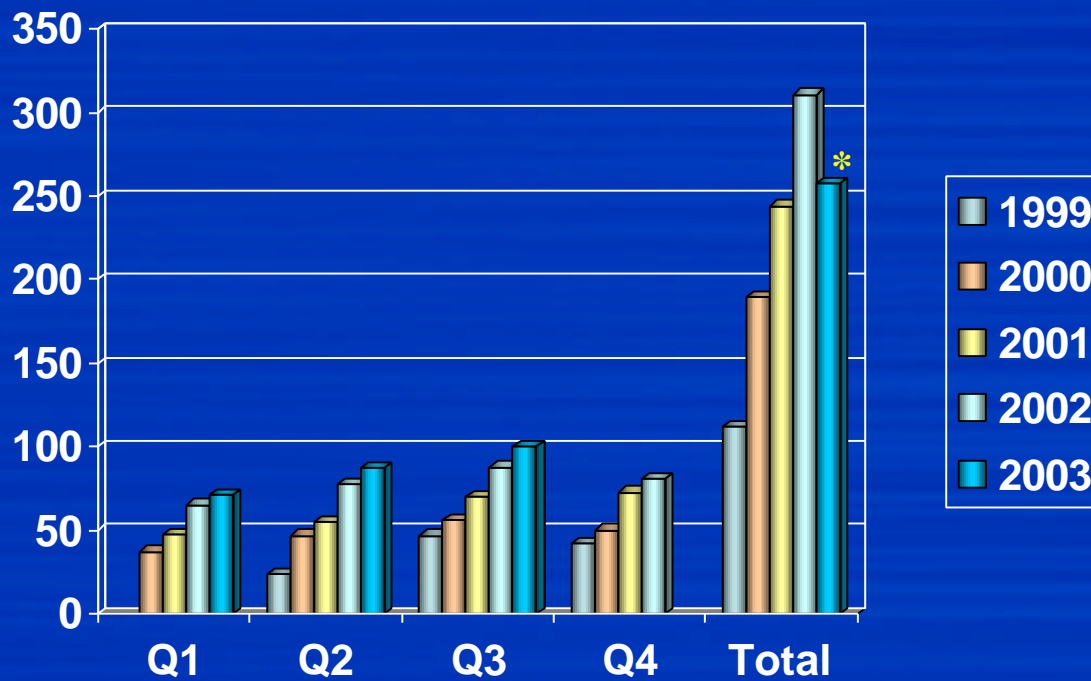
Profit & Loss

	Annual	Annual	Nine months
	2001	2002	ended
			2003
Revenues	\$ 244,051	\$ 310,972	\$ 257,656
Operating expenses	69,278	103,461	82,679
Depreciation and amortization	48,079	48,102	38,855
	117,357	151,563	121,534
Income from operations	126,694	159,409	136,122
Interest and other expenses, net	217,237	253,019	175,588
Loss before income taxes	(90,543)	(93,610)	(39,466)
Income taxes	6,000	5,497	3,374
Net loss	\$ (96,543)	\$ (99,107)	\$ (42,840)

Cash Flows

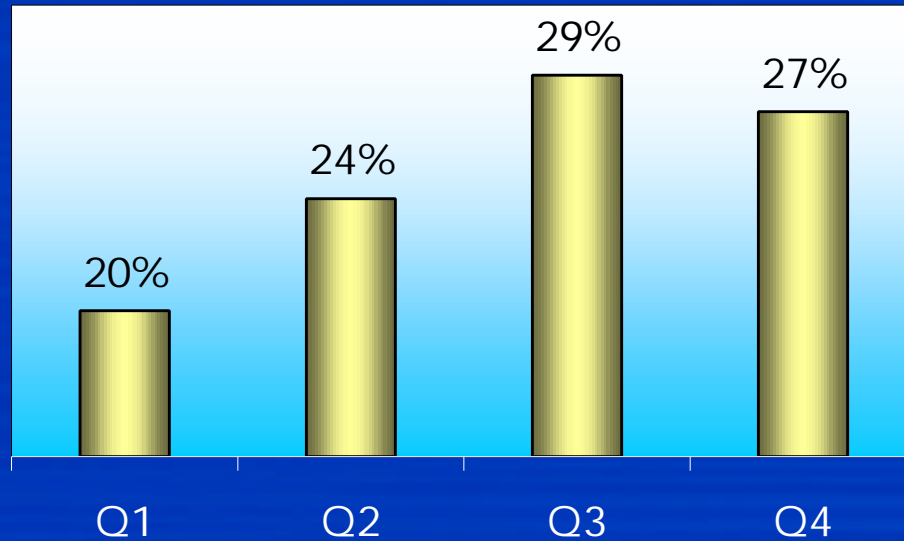
	Annual 2001	Annual 2002	Nine months ended 2003
Cash flows from operations	\$ 44,558	\$ 36,295	\$ 60,754
Change in working capital	2,383	(12,342)	(42,778)
Investment in capital expenditures	(257,392)	(53,454)	(25,674)
Proceeds from debt issuances	656,821	-	31,100
Repayment of long-term debt	(425,182)	-	-
Change in reserves and others	10,615	78,019	7,300
	31,803	48,518	30,702
Dividends and distributions to equityholders	-	(57,829)	(49,500)
Net increase (decrease) in cash	\$ 31,803	\$ (9,311)	\$ (18,798)

Revenue Growth (\$ million)

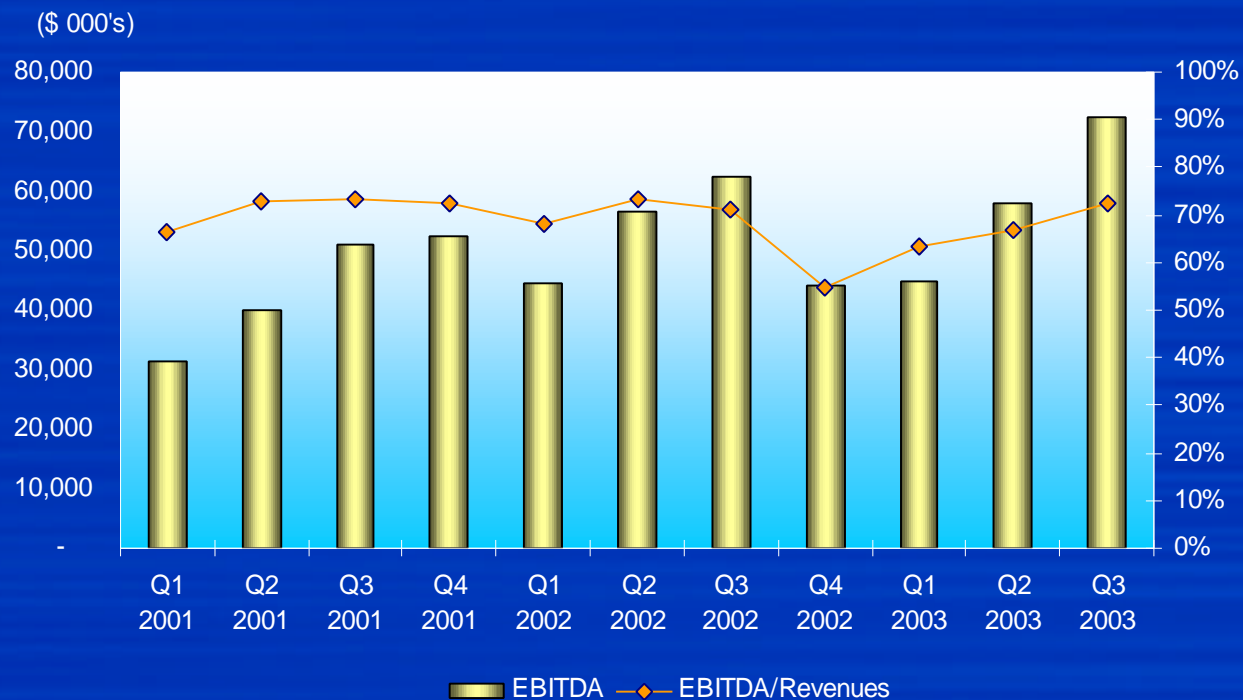


* Up to Q3-03

Average Quarterly Revenue



EBITDA



Revenue & Expenses

Operating Expenses, Revenue per Trip and Expenses per Trip



OpEx Breakdown



Balance Sheet

	As at December 31				As at Sept. 30
	1999	2000	2001	2002	2003
Assets					
Current					
Cash and cash equivalents	\$ 53,662	\$ 48,616	\$ 80,419	\$ 71,108	\$ 52,310
Restricted cash	98,450	118,838	128,460	51,512	42,098
Accounts receivable	32,883	51,047	60,716	77,762	95,938
	184,995	218,501	269,595	200,382	190,346
Restricted cash	183,102	252,117	226,600	224,015	224,412
Capital Assets	3,276,360	3,627,942	-	-	-
Property, plant and equipment	-	-	2,192,083	2,182,930	2,173,977
Other assets	65,041	74,139	1,714,160	1,710,310	1,703,983
	\$ 3,709,498	\$ 4,172,699	\$ 4,402,438	\$ 4,317,637	\$ 4,292,718
Liabilities					
Current					
Accounts payable and accrued liabilities	\$ 45,386	\$ 116,276	\$ 118,668	\$ 90,426	\$ 70,241
Current portion of long-term debt	150	150	150	205,114	425,126
Current portion of obligation under capital leases	-	-	-	5,988	4,471
	45,536	116,426	118,818	301,528	499,838
Long-term debt	2,889,617	3,355,849	3,663,346	3,550,456	3,424,076
Obligation under capital leases	-	-	-	6,271	4,720
Liability component of subordinated convertible debenture	92,618	122,327	133,920	-	-
Deferred gains	32,295	34,567	39,367	35,411	32,453
	3,060,066	3,629,169	3,955,451	3,893,666	3,961,087
Shareholders' equity					
Share capital	650,000	650,000	650,000	650,000	650,000
Subordinated convertible debenture	-	-	-	154,568	154,568
Equity component of subordinated convertible debenture	39,243	20,648	20,648	-	-
Deficit	(39,811)	(127,118)	(223,661)	(380,597)	(472,937)
	649,432	543,530	446,987	423,971	331,631
	\$ 3,709,498	\$ 4,172,699	\$ 4,402,438	\$ 4,317,637	\$ 4,292,718

Balance Sheet Analysis

- **Cash and Cash Equivalents**

- declined from 2001 to 2003 primarily due to the quarterly distributions to equityholders and the payment for the construction claim in 2002, partially offset by positive cashflows from operating activities in these years

- **Restricted Cash represents cash contributions made by the Company to service interest payments relating to the bonds and cash reserves set aside with the trustees for the protection of the bondholders**

- declined in 2002 mainly from the replacement of the Operating and Maintenance Reserve Fund and the Renewal and Replacement Fund with a letter of credit and reduction in pre-paid interest reserves used to service interest coupon payments

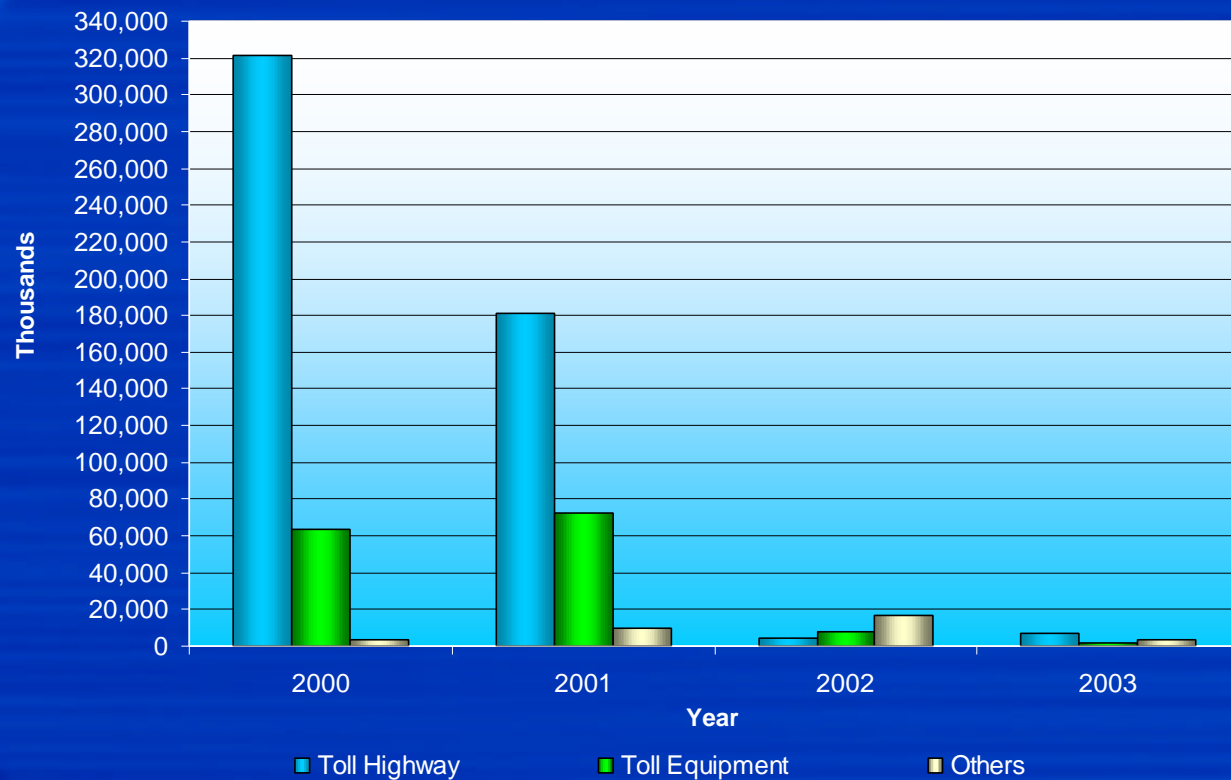
- **Accounts Receivable**

- the increasing trend was primarily a result of growth in trade accounts receivable, as a result of revenue growth offset with higher provisions for certain delinquent accounts. 407 ETR voluntarily suspended its enforcement right of vehicle permit denials under the 407 Act in February 2000, and began exercising this right again in the third quarter of 2003 to a limited extent

Balance Sheet Analysis

- **Property, Plant and Equipment**
 - increased in 2000 and 2001 representing mainly the construction of the Extensions along with the continued development of a new tolling, billing and accounting system. Property, plant & equipment additions in 2003 include primarily highway widenings
- **Accounts Payable and Accrued Liabilities**
 - in 2002, \$30.3 million of construction related accruals from 2001 were paid, including a \$25 million construction claim
 - declined in 2003, mainly as a result of re-estimating certain contingencies in the first quarter
- **Current Portion of Long-term Debt**
 - Subordinated bond series 01-C2 and subordinated bond series 01-C1 where reclassified to current portion of long-term debt in 2002 and 2003 to reflect their upcoming maturities in December 2003 and February 2004 respectively

Capital Expenditure



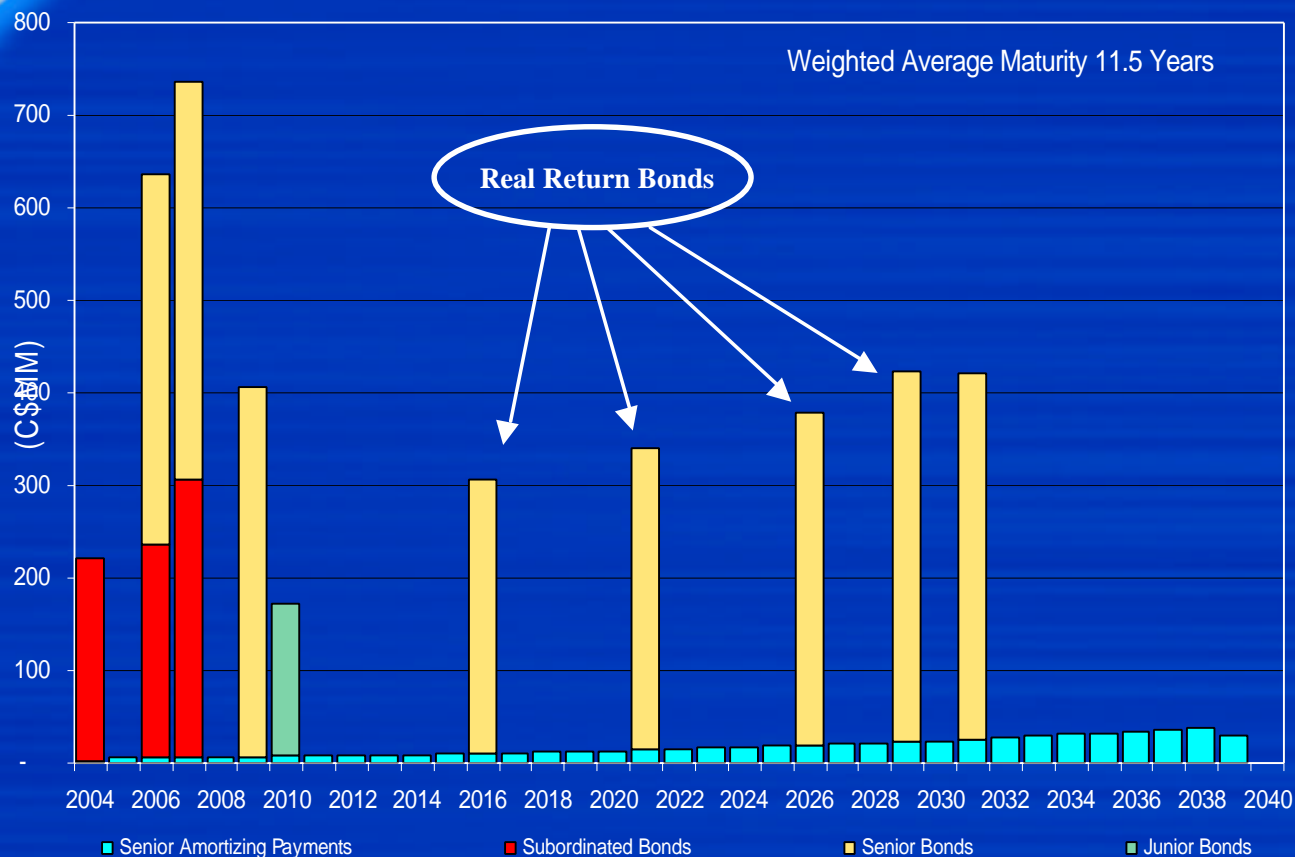
Depreciation Criteria

- Toll Highway is amortized on a usage basis using projected revenues over 70 years. Effective January 1, 2002, the estimated useful life of the Toll Highway was extended from 40 years to 70 years to reflect the weighted average useful life of the different components of the highway
- Operations Centre 30 years straight-line
- Toll Equipment 10 years straight-line
- Transponders 5 years straight-line
- Office Equipment 5 years straight-line
- Motor Vehicles 3 years straight-line
- Snow Clearing Equipment 10 years straight line
- Computer Equipment 5 years straight line

Balance Sheet Analysis

- **Long-term Debt** *(including current portion)*
 - increased in 2001 mainly as a result of drawing on the Subordinated Term Credit Facility to complete construction of the Extensions coupled with accrued interest for the inflation component of the Real Return Bonds and accretion of deferred pay bonds
 - increased in 2002 and 2003 mainly due to accrued interest for the inflation component of the real return bonds and accretion of deferred pay bonds.
- **Subordinated Convertible Debenture**
 - CDPQ agreed to convert the entire outstanding principal amount of the Convertible Debenture into 125,000,000 common shares of the Company by May 6, 2004 at the latest. As a result of this agreement, the Company reclassified the liability component of the Convertible Debenture as shareholders' equity starting in 2002

Debt Maturity Profile



Debt Summary

Series	Issue Date	Maturity	Issued	At Maturity	Coupon	Issue Spread	Current Spread	Notes
Senior Bonds								
99-A1	27-Jul-1999	27-Jul-2009	400,000	400,000	6.050%	70.0	45	
99-A2	27-Jul-1999	27-Jul-2029	400,000	400,000	6.470%	100.0	90	
99-A3	27-Jul-1999	27-Jul-2039	215,000	300,000	6.750%	125.0	95	Amortizer
99-A4	20-Aug-1999	01-Dec-2016	126,370	208,300	5.328%	128.0	110	Private Real Return Bullet
99-A5	20-Aug-1999	01-Dec-2021	126,370	208,300	5.328%	128.0	110	Private Real Return Bullet
99-A6	20-Aug-1999	01-Dec-2026	126,370	208,300	5.328%	128.0	110	Private Real Return Bullet
99-A7	20-Aug-1999	01-Dec-2031	126,370	208,300	5.328%	128.0	110	Private Real Return Bullet
99-A8	15-Oct-1999	18-Oct-2006	400,000	400,000	6.550%	62.5	34	2 Year Ppd Interest
00-A2	02-Feb-2000	01-Dec-2039	252,574	325,000	5.290%	125.0	95	Real Return Amortizer
00-A3	15-Mar-2000	17-Dec-2007	430,000	430,000	6.900%	46.0	36	
Junior Bonds								
00-B1	26-Jul-2000	26-Jul-2010	165,000	165,000	7.000%	100.3	38	Extendible to 2040
Subordinated Debt								
00-C1	31-May-2000	15-Aug-2007	300,000	300,000	9.000%	260.0	75	2 Year Ppd Interest
01-C1	07-Jun-2001	16-Feb-2004	220,000	220,000	6.400%	138.3	22	1 Year Ppd Interest
01-C2	04-Dec-2001	04-Dec-2003	205,000	205,000	4.500%	105.0	BA + 6	0.5 Year Ppd Interest
03-D1	21-Nov-2003	21-Feb-2006	230,000	230,000	4.000%	64.0	61	2.25 Year Ppd Interest

MTN Program

- Recently established Medium-Term Notes (MTN) Short Form Base Shelf Prospectus with securities commissions
- Can issue up to \$1.0 billion of Senior and Subordinated Secured debt over the next 25 months
- Will be used to refinance upcoming maturities to finance general operating, funding and capital requirements between November 2003 and December 2005
- Issued \$230 million Subordinated Bonds on November 18, 2003.

Taxes

- No corporate income taxes payable due to tax losses relating to interest expense on bonds.
- Currently only paying capital taxes on taxable capital employed:

Federal Large Corporation Tax : 0.225%

Ontario Provincial Capital Tax: 0.30%

- Tax losses available to offset future taxable income as at December 31, 2002:

5 years -	\$ 158,834
6 years -	<u>77,587</u>
	<u>\$ 236,421</u>

Dividends to Shareholders / Distribution to Debentureholders

