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ASX RELEASE

Sydney Roads Group

SRG announces traffic figures and one-off impacts, reiterates FY07 distribution guidance of 7.87 cents per SRG stapled security

Sydney Roads Group (SRG) today announced traffic figures for the portfolio for the quarter to 30 September 2006, and several one-off events that vary from SRG forecasts. Key announcements in this document include:

- Traffic growth of 1.8%[1] across the portfolio
- Revenue growth of 8.1%[2] across the portfolio
- Reiteration of FY2007 distribution guidance of 7.87 cents per SRG stapled security
- Airport Motorway Limited (AML) is in the process of negotiating the resolution of the Concession Fees matter with the Australian Tax Office
- Extra Infrastructure Bond income of $3.6 million by AML (71.35% owned by SRG)

Traffic Results

Please note that in July 2006 the Eastern Distributor, M4 and M5 businesses were divested by MIG into the separately listed vehicle now known as the Sydney Roads Group (SRG). SRG was listed post balance date on 31 July 2006 and the demerger was completed on 1 August 2006. Accordingly, while three months of results are reported in this document, August and September were under SRG ownership and operation and July was under MIG ownership and operation. SRG currently owns:

1. 71.35% of the equity in the Airport Motorway Group, the owner of the Eastern Distributor (ED) Concession;
2. 50.0% of the equity in Interlink Roads Pty Limited, the owner of the M5 South-West Motorway (M5) Concession; and
3. 50.61% of the ordinary equity in Statewide Roads Limited, the owner of the M4 Motorway (M4) Concession.

SRG Chief Executive Ed Sandrejko said that traffic growth had generally been weak in the first quarter, against forecast for the year ending 30 June 2007. Mr Sandrejko said this was due to the combined impacts of poor weather, fuel prices, a slowdown in the NSW State economy and changes to the road network surrounding the Cross-City Tunnel (CCT) and the ED, affecting traffic patterns for both roads.

"However, we are three months into the two-year period covered by the forecasts and it is too early to determine whether any of these short-term issues will persist, and to what extent if any. Despite a toll increase on 26 August 2006, the M5 (50% owned by SRG) has seen very low price elasticity and a 9.6% revenue increase on the prior corresponding quarter; and subsiding fuel prices have had a favourable effect on traffic at the end of the quarter. Consequently, SRG remains comfortable with distribution guidance of 7.87 cents per SRG stapled security for FY2007 and 8.19 cents per SRG stapled security for FY2008," Mr Sandrejko said.

[1] Revenue weighted traffic growth on prior corresponding period for September quarter 2006.
[2] Proportionally consolidated revenue growth on prior corresponding period for September quarter 2006.

SRG

SRG Traffic figures for the quarter ended 30 September 2006

Airport Motorway Group – M1

Table 1: Eastern Distributor (M1)

Category	July-Sept 2006	July-Sept 2005	July-Sept 2006 % change on pcp
Revenue			
Avg. Daily Revenue*	186,311	164,985	12.9%
Traffic			
Workdays	48,375	47,845	1.1%
Weekends/Public Holidays	34,620	33,926	2.0%
All Days	44,338	43,911	1.0%
Non-cash Transactions	74%	67%	+7%

* please note that tolls apply only to northbound traffic

Statewide Roads – M4

Table 2: M4

Category	July-Sept 2006	July-Sept 2005	July-Sept 2006 % change on pcp
Revenue			
Avg. Daily Revenue	232,508	232,841	(0.1%)
Traffic			
Workdays	114,993	114,838	0.1%
Weekends/Public Holidays	85,760	85,671	0.1%
All Days	106,413	106,596	(0.2%)
Non-cash Transactions	74%	65%	+9%

Interlink Roads – M5

Table 3: M5

Category	July-Sept 2006	July-Sept 2005	July-Sept 2006 % change on pcp
Revenue			
Avg. Daily Revenue	385,350	351,622	9.6%
Traffic			
Workdays	119,717	115,487	3.7%
Weekends/Public Holidays	94,932	91,754	3.5%
All Days	112,443	108,780	3.4%
Non-cash Transactions	81%	73%	+8%

Traffic Commentary

SRG Chief Executive Ed Sandrejko said that the lower-than-anticipated traffic growth had been caused by a number of factors. "The M4, M5 and ED all felt the combined impacts of unseasonable poor weather, high fuel prices and a slowdown in the NSW State economy. We have research showing a strong correlation between traffic growth and NSW Final Demand[3]."

"In addition, it also appears that traffic using the ED is being affected by the recent changes made to the surrounding road network, which commenced in July. The forecast traffic growth on the ED during the 12 months to 30 June 2007 included a component driven by the ramp-up on the CCT. This ramp-up would appear to be slower, and its effect pushed further out in time as a result of the network changes and the toll on the CCT returning to normal levels," Mr Sandrejko said.

"It is important to note, however, that the traffic forecasts in the SRG prospectus were for a 24-month period, and this is three months' data. In the M5's case, it is also worth noting that traffic would appear to be unaffected by the increase in the car toll from $3.30 to $3.80 on 26 August, 2006. The toll increase occurred seven months earlier than forecast due to a larger than anticipated increase in the Consumer Price Index, to which the toll is linked. This early realisation of the toll increase is expected to add $5 million revenue for the M5 – 50% owned by SRG – for the year ending 30 June 2007."

One-off impacts

Infrastructure Bonds - $3.6 million net cash positive

The external debt for financing the construction of the ED includes an Infrastructure Bond Facility of $847.7 million, as at the date of the SRG Prospectus. As discussed in detail in the Prospectus[4], Infrastructure Bonds are a government-approved debt instrument, which benefit the borrower. Due to a conservative estimate adopted for SRG forecasts because of uncertainty at the time over future tax rates, Airport Motorway Limited (AML) – a member of Airport Motorway Group (AMG), the owner of the ED concession – will receive about $3.6 million more than forecast for the year ending 30 June 2007.

Australian Tax Office (ATO) concession fees matter

As discussed in detail in the SRG Prospectus[5], the ED Project Deed provided for Concession Fees that are payable annually to the Roads and Traffic Authority (RTA). This obligation has been satisfied to date by issuing Concession Notes, which are a form of promissory note.

AML has proposed that the fee be deducted from the taxable income generated by the ED. However, the ATO's previous view was that the Concession Fees are only deductible when the Concession Notes are actually repaid and the ATO had previously disallowed the deduction. This treatment was appealed by AML.

Following the High Court decision on 20 July 2006 in favour of the taxpayer in *Commissioner of Taxation v Citylink Melbourne Limited*, AML is in the process of negotiating the resolution of the Concession Fees matter with the ATO and the refund of monies previously paid by AML.

[3] See chart at bottom of release: State Final Demand is obtained by summing government final consumption expenditure, household final consumption expenditure, private gross fixed capital formation and the gross fixed capital formation of public corporations and general government. It represents the total expenditure on consumption and investment in a jurisdiction.
[4] SRG Prospectus and Disclosure Statement, p57
[5] SRG Prospectus and Disclosure Statement, p86

Distributions

Distributions are sourced from expected future operating cashflows, refinancing of assets and current cash balances. Guidance is reiterated of 7.87 cents per stapled security for FY2007, and 8.19 cents per stapled security for FY2008.

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SRG Portfolio: Traffic Growth vs. NSW State Final Demand – Dec 93 to Jun 06