



Toll Holdings Limited
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The Manager
Australian Stock Exchange
Company Announcement Office
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Dear Sir

**MEDIA RELEASE AND PROFIT ANNOUNCEMENT:
HALF YEAR RESULTS – 31 DECEMBER 2005**

Please find attached for immediate release to the market, a Media Release and the Toll Group Profit Announcement for the half year to 31 December 2005.

Yours faithfully
TOLL HOLDINGS LIMITED


Bernard McInerney
Company Secretary

Encl.

MEDIA RELEASE – HALF YEAR RESULT 31 DECEMBER 2005

EARNINGS GROW STRONGLY AS TOLL DELIVERS ON MOMENTUM

Toll Holdings, Australia's leading provider of integrated transport and logistics services today reported another record after tax profit of \$115.3m for the six months to 31 December 2005. This compares to the previous year result of \$104.7m on an AIFRS basis after Reset Preference Share dividends and excluding AIFRS non-recurring items.

In announcing the result, Toll Managing Director, Mr Paul Little, said "the underlying strength in the core business is very evident as is the continued momentum in the company.

"We have again delivered excellent organic growth at the revenue, EBIT and operating cashflow levels, as well as investing in capacity through new infrastructure, fleet and technology", said Mr Little.

Revenue (excluding Pacific National) was \$2.1 billion for the six months, an increase of 9.1% over the previous period reflecting the Group's continued excellent organic growth record, together with increasing exposure to the buoyant resource sector which is set to continue growing strongly.

Group EBIT (excluding Pacific National) increased 23.2% to \$157.4m, with improved earnings across all divisions, particularly the Networks division and Toll New Zealand. EBITDA also grew strongly reflecting an increase of 18% to \$222 m.

Toll New Zealand continues to perform well, building on the rationalisation and structural changes made over the past two years. Margins have continued to expand as cost efficiencies and improved productivity reduce costs. The company has maintained its commitment to capital expenditure which will improve capacity and efficiency and generate profitable growth into the future.

Pacific National had a disappointing six months, posting an after tax equity accounted contribution of \$17.2m. The result was impacted by poor performances in both grain and intermodal. The business suffered from industrial disputation and disrupted grain shipping schedules. In addition, the proposal by Patrick to break up the business has created a challenging environment.

Cashflows from operations grew 20% from \$149.9m to \$179.1m over the six months, with net debt (including reset preference shares) to debt plus equity remaining a very conservative 36%.

Earnings per share on a fully diluted basis for the six months was 34.6 cents per share, compared to 29.5 cents in the previous period on an AIFRS basis, excluding AIFRS non-recurring items. The company has increased its

dividend to ordinary shareholders to 14 cents per share fully franked, an increase of 27.3% and a record for the company.

In respect of the full year to June 2006, the company expects to at least achieve results in its core operations in line with the forecast provided in the Bidders Statement dated 15 September in respect of the Patrick takeover. At this stage Pacific National is forecast to achieve an equity accounted contribution of \$49 million before non-recurring items, compared to the previous year of \$46.6 million on an AIFRS comparative basis, excluding AIFRS non-recurring items.

In terms of the company's outlook, Mr Little said "Our organic growth and acquisition growth opportunities remain outstanding platforms from which to continue to produce superior results for our shareholders, and our strategic direction is unchanged.

Our strategy to aggressively grow the company's capability and reach into the Asian region is in place and will position the company to produce sustainable long term superior returns.

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21 February 2006

TOLL GROUP PROFIT ANNOUNCEMENT – DECEMBER 2005

Financial

Toll Holdings, Australia's leading provider of integrated transport and logistics services, today announced an after tax profit of \$115.3 million for the six months to December 2005.

During the period total operating revenue, excluding the equity share of Pacific National, grew 9.1% to \$2.1 billion. Revenue growth continued to be very strong with the benefit of new contracts and increased range of services to existing customers, providing sound platforms for revenue and earnings momentum. Solid growth in resources, retail and grocery sectors were highlights.

EBIT, excluding the equity share of Pacific National, was \$157.4m, an increase of 23.2% over the previous corresponding period. The result was largely driven by continued improvement in earnings from Toll Networks and Toll North both reflecting solid customer trading as well as the benefits of previous investment in new facilities, fleet and technology.

Toll New Zealand also maintained its earnings growth as the results of efficiency gains and new capital expenditure flowed into earnings.

EBIT margins for the group were also stronger, increasing from 6.63% to 7.49% for the six months. The margin for Toll New Zealand improved significantly as a consequence of greater cost efficiencies.

Pacific National contributed an after tax equity contribution of \$17.2 million for the six months on Toll's equity share of revenues of \$361.4m.

In relation to the current bid for Patrick Corporation Limited ("Patrick"), costs incurred to date of \$8.8m have been accounted for as part of the investment in Patrick whilst the special dividend received from Patrick of \$7.1m has been offset against the investment. In accordance with accounting standards, the net unrealised gain in this investment of \$34.4m after tax at December 2005 has been adjusted to equity reserves.

A summary of the composition of earnings for December 2005 is as follows:

Dec 05	Base			Pacific	
A\$ m	Operations	Toll NZ	Sub-Total	National (50% share)	Group Total
Revenue	1,779.2	320.6	2,099.8	361.4	2,461.2
EBIT	125.9	31.5	157.4	34.4	191.8
Net Interest RPS	7.8	-	7.8	-	7.8
Net Interest Other	7.0	9.4	16.4	11.5	27.9
Tax	31.6	-	31.6	5.7	37.3
Minority Interest	-	3.5	3.5	-	3.5
NPAT	79.5	18.6	98.1	17.2	115.3

Dec 04	Base	Toll NZ	Sub-Total	Pacific National (50% share)	Group Total
A\$ m	Operations				
Revenue	1,620.2	304.7	1,925.0	341.5	2,266.4
EBIT	106.4	21.4	127.8	49.0	176.8
Net Interest RPS	8.2	-	8.2	-	8.2
Net Interest Other	5.5	8.9	14.4	9.9	24.3
Tax	26.3	-	26.3	11.1	37.4
Minority Interest	0.3	1.9	2.2	-	2.2
NPAT	66.1	10.6	76.7	28.0	104.7
AIFRS Non Recurring	3.5	4.2	7.7	3.7	11.4
AIFRS Adj'd NPAT	62.6	6.4	69.0	24.3	93.3

* For the purposes of comparison, 2004 results have been amended to reflect the implementation of AIFRS and the treatment of dividends paid on Reset Preference Shares as interest expense. Non-recurring AIFRS items have been excluded. A detailed reconciliation of previously reported AGAAP earnings to current AIFRS comparatives for six months December 2004, is attached.

Due to New Zealand trading patterns, as was the case last year, results are more skewed to the second half of the year.

Cashflows from operations grew 20% from \$149.9m to \$179.1m over the six months, with net debt (including reset preference shares) to debt plus equity remaining a very conservative 36%.

Net debt, excluding Reset Preference Shares, was \$396m at December 2005, compared to \$351m at the prior year. Apart from the investment in Patrick Corporation, the group has continued to invest heavily in new capital expenditure to develop operations and support growth initiatives.

Interest cover (excluding Reset Preference Share dividends) remained at a very strong 9.6 times.

Earnings per share (fully diluted) was 34.6 cents for the six months, compared to 29.5 cents in the previous period on an AIFRS basis, excluding AIFRS non-recurring items, an increase of 17.3%. Directors have declared a fully franked ordinary interim dividend of 14 cents per share, which is a record for the company and an increase of 27% over last year.

Patrick Bid

Toll's bid for Patrick was launched on 22 August 2005. At the time, the Group viewed the merger of the two businesses as a unique opportunity to create a transport and logistics organisation of global significance with a capability to support customers across the breadth of their international supply chains.

On 18 January 2006, the ACCC decided to oppose the bid on the contention that it would result in a lessening of competition notwithstanding the

undertakings made by the company to address potential competition concerns.

Toll considers that the ACCC process and decision is fundamentally flawed, lacks transparency and should be subject to formal examination by the court.

Following the decision by the company to withdraw from the ACCC informal process, the ACCC has initiated court proceedings to stop the takeover.

The strategy to provide customers with a highly integrated service offering for import/export activities has been strongly endorsed in the market place and Toll intends to aggressively pursue its strategy of participating in the Australian container stevedoring market.

Toll believes that the takeover at the right price remains a strategically compelling and significantly value enhancing transaction for both Toll and Patrick shareholders.

Accordingly the company has extended its bid for Patrick until 13th March 2006 and is now conditional on the outcome of the ACCC litigation.

Subsequent to 31 December 2005, the following proceedings have been initiated:

- On 16 January 2006, Patrick commenced legal proceedings in the Victorian Supreme Court on behalf of Pacific National, in relation to the Pacific National Queensland intermodal freight contract with the Group. The proceedings allege deceptive and misleading conduct by Toll Holdings, Toll Rail and Toll North under s.52 of the Trade Practices Act and various breaches of Directors duties by Mr Paul Little and Mr Mark Rowsthorn. All of Patrick's allegations are emphatically denied. The action seeks damages and compensation payable to Pacific National. Toll intend to oppose Patrick's application to seek leave to bring this action. If the Court ultimately grants Patrick leave to bring the proceedings in the name of Pacific National and such proceedings are actually instituted and pursued, then they will be vigorously defended.
- On 15 February 2006, Toll commenced oppression proceedings against Patrick in the Supreme Court of Victoria seeking to remove Mr Corrigan and Mr Davies as directors of Pacific National and an injunction restraining Patrick from applying to wind up the joint venture. Later on the same day, Patrick applied in the Victorian Supreme Court, to wind up the Pacific National joint venture on just and equitable grounds.

Whilst we currently have a challenging environment within the Pacific National joint venture, Toll believes the business is fundamentally an excellent one with a solid management group and workforce and that rail has a sound future if all stakeholders, like Toll, are prepared to invest in improving the business's capabilities and capacity.

Our joint venture partner, Patrick Corporation, has chosen to use the potential value destruction of Pacific National as a key platform in its takeover defence, and is presently pursuing a break-up of Pacific National in the courts.

Toll does not agree with the proposed break-up of Pacific National and would urge Patrick to consider disposing of its 50% interest to a party prepared to take the business forward and cooperatively work through any commercial issues.

Current Industry Dynamics

Supply chain re-engineering currently has a very high priority for our customer base, in particular direct offshore sourcing is becoming commonplace with major retailers and users of imported products setting direct importing high on the agenda.

As a result of these initiatives, customers are seeking deeper integration and a generally improved interface with transport providers. Consequently transport and logistics providers must be capable of providing a broad range of integrated capabilities across the supply chain, including establishing a supporting footprint in major offshore Asian markets.

The changes occurring in supply chains of our major customers are being reflected on the global stage. This is leading to an unprecedented round of consolidation of transport and logistics groups, as providers strive to develop scale, reach and operational and technology capability.

The company has, over 20 years, developed an outstanding reputation as an innovative and highly operationally skilled organisation. Employing the industry's best operators and investing heavily in infrastructure and technology, Toll is supplier of first choice amongst many of Australia's major companies.

Of immediate interest for Toll is the growing emphasis on the Asian region as the centre of international trade, and the direct impact on our domestic and multi-national customer base.

These industry dynamics are consistent with the company's long held strategic interest to extend its reach and develop the pre-eminent logistics footprint within the Asian sector.

The company is currently considering a number of opportunities to develop its broader Asian network by acquisition and alliances.

Divisional Performance

All consolidated divisions showed improved revenue and earnings growth over the six months.

Networks

All Networks businesses performed well, benefiting from sound cost control programs and solid revenue growth.

Revenue for the division increased 11% to \$775m for the period, whilst EBIT grew 32.7% to \$60.9m. Results reflected excellent margin expansion of 20% over the previous corresponding period.

Strong results were reported by Toll Express and Toll IPEC as organic revenue growth together with the benefits of improved capacity and efficiency drove earnings.

Toll Priority and Toll Fast also performed strongly, with the benefits of restructuring and investment in new technology together with solid revenue growth, driving performance.

Toll North

The Toll North division produced an excellent result for the six months with generally buoyant conditions particularly in the resources sector.

The division posted an EBIT of \$23.9m, a 34% increase over the prior period, with revenue growing 17% to \$384m.

NQX again performed well, with a combination of strong revenue growth and greater cost efficiencies achieved through new terminal facilities and ongoing technology initiatives.

Pleasingly QRX, the Group's Queensland rail forwarder, showed signs of improvement in service levels from Pacific National which enabled greater efficiency, with QRX generating a small profit for the 6 months. The operation is marketing for new volumes in order to improve the scale and increase margins. It is also expected that cost benefits from a number of new terminals will be delivered over time.

The Toll Resources operations, particularly in Queensland and Western Australia, grew strongly during the six months and are well positioned to participate in a number of new projects expected over the next twelve months. During the period the company acquired Korn Bulk Haulage, a company operating largely in the Queensland coal fields. Due to unseasonably high rainfall up to December, Korn generated a small loss on revenue of approximately \$7 million, however its integration will greatly enhance the Group's service capability for major customers.

Toll International freight forwarding and project logistics operations grew very strongly over the period. In response to a number of customers seeking support for direct importing and other off-shore activities, Toll International is investing heavily in systems capability.

Logistics

The Logistics division performed solidly during the six months with revenue of \$621m compared to \$594m previously, and an EBIT of \$41.2m.

The major industry sectors of automotive, food, beverage and retail continued to provide solid growth. The Group is experiencing a range of new growth opportunities in New Zealand with warehousing and distribution for the retail sector.

The Ports Logistics division performed in line with expectations following a redundancy program implemented during the six months at Port Kembla. As a result of the formation, in December 2004, of the Toll Owens joint venture with Port of Tauranga, revenue and earnings from the company's New Zealand port operations are now equity accounted.

Toll Transitions performed ahead of plan on an increased revenue base. The roll-over of the major defence relocations contract towards the end of the 2005 financial year has been successfully implemented.

Toll in2store, the specialist warehousing and logistics operation, continued to expand significantly during the past six months, with the new integrated facility in Melbourne being fully commissioned and new contracts in both Brisbane and Sydney. These new facilities, combined with high levels of technology, are being keenly sought by customers. Several new contracts were entered into over the last twelve months and results include set-up and transition costs written off.

Toll Personnel performed well during the six months providing labour to a range of Toll sites across the country. This business now manages in excess of 1,500 personnel for Toll operations and is servicing labour requirements with an improved training regime and assists in overcoming periods of labour shortage.

The TenixToll joint venture, which is managing the Defence Integrated Distribution System contract (DIDS), is continuing to drive improvements in relation to maintenance and warehousing as well as integrating the distribution of supplies to defence sites.

Toll New Zealand

Toll New Zealand continued to show steady improvement during the six months to December 2005 posting an EBIT of \$31.5m on revenues of \$321m.

The EBIT increase of 50.8%, included a one-off gain of \$2.9m in respect of the sale of refrigerated transport operations in December.

Overall revenue grew 5% for the six months, a positive result against the background of a slowing New Zealand economy during the last three months.

The underlying EBIT margin growth of 30%, reflects ongoing improvements in cost structure and improved efficiencies across the business.

Improvement in the Toll Rail operations continued its momentum, particularly in relation to transport of bulk product, however locomotive and rolling stock capacity fell short of requirements in the last quarter. Development of the fleet upgrade program is well progressed.

The new Interislander ferry Kaitaki was successfully introduced into the Cook Strait trade during the six months, with strong forward passenger booking levels.

Vessel operations and schedules continue to be maintained while ongoing details of long term operating conditions through the Marlborough Sounds are being resolved. It is expected that the Toll New Zealand fleet will not be adversely impacted by any environmental rulings.

Asia

The Group expanded its Asian operations with new contracts in Vietnam, Malaysia and Hong Kong, servicing both Australian customers' offshore operations as well as importing requirements.

Toll International is also heavily focussed on Asian based forwarding and customer supply chain integration.

In Thailand, additional infrastructure is being established to support new growth opportunities in-country and in relation to international trade emanating from Thailand.

The Group has developed a number of alliances, including China based, in the Asian region and is actively pursuing suitable acquisition opportunities as part of the long term strategy to service and integrate customer supply chains in the region.

Pacific National

The 50% owned rail venture, Pacific National, had a disappointing six months contributing an after tax equity contribution of \$17.2m.

Revenue for the six months was \$361m on a 50% basis, and reflected an increase of 6% over the prior period.

As previously advised to the market, results for the six months were impacted by industrial action, a major derailment in the Intermodal division and customer issues associated with export grain shipping schedules.

In line with Pacific National management forecasts, Toll expects that results for the second half of the financial year will benefit from improved coal and intermodal earnings as well as a major contribution from increased grain freight.

In December 2005, the Pacific National Board approved a detailed term sheet for a new SteelLink contract estimated to be valued in excess of \$1 billion for a further seven years to December 2014. This proposed new contract demonstrates the operational skills within Pacific National and its ability to meet the needs of customers in a dynamic market place.

Economic Conditions

Overall trading conditions continued to be solid during the last six months, with volumes generally growing. With interest rates remaining stable at present, and inflation well contained, there does not appear to be any environment in which cost pressures or economic slowdown would have an adverse impact on the company. As mentioned above, New Zealand showed some signs of reduced growth over the past few months however there is no indication that this will have a major impact on results of our New Zealand operations.

Fuel prices remain at historically high levels with reasonably high volatility and we continue to monitor closely any impact on our cost structure and recovery processes. Whilst we do not foresee any major reduction in fuel prices in the medium term, at present the company, and the industry in general, appears to be coping satisfactorily with the exposure to a high fuel cost environment.

Outlook

The last six months has seen excellent underlying growth with the avenues for growth remaining very strong, across Australia, New Zealand, and the Asian region.

The company continues to be focussed on delivering value throughout the business and accessing areas for profitable growth both organically and by acquisition.

In respect of the full year to June 2006, the company expects to at least achieve results in its core operations in line with the forecast provided in the Bidders Statement dated 15 September 2005 in respect of the Patrick takeover. At this stage Pacific National is forecast to achieve an equity accounted contribution of \$49m before non-recurring items, compared to the previous year of \$46.6m on an AIFRS comparative basis.

The outlook for the Group is very positive and the company remains committed and focussed on delivering superior shareholder value in the long term.

Reconciliation AIFRS to AGAAP December 2004

(a) EBIT	<u>\$m</u>
Reported AGAAP EBIT (before share of Pacific National)	121.5
Write back of goodwill amortisation	5.3
Employee Option Costs	(1.6)
Employee Share Plan Costs	(3.8)*
Provision holding costs reallocated to Interest Expense	<u>2.1</u>
EBIT under AIFRS (before share of Pacific National)	123.5
Amortisation of RPS issue costs	<u>(0.5)</u>
Comparative EBIT under AIFRS	<u>123.0</u>
(b) Profit after tax	<u>\$m</u>
Reported AGAAP Profit after tax	109.2
Write back of goodwill amortisation	5.3
Employee Option costs	(1.6)
Employee Share Plan costs	(3.8)*
AIFRS adjustment to share of Pacific National redundancy costs	(3.7)*
Recognition of deferred tax adjustment	(4.6)*
Consequential adjustment to Minority Interests	<u>0.7*</u>
Profit after tax under AIFRS	101.5
Reset Preference Shares (RPS) dividend and amortisation of issue costs	<u>(8.2)</u>
Comparative AIFRS and RPS dividend adjusted earnings	<u>93.3</u>

* Non-recurring items

Comparative Results

	AGAAP \$m	Dec-04 AIFRS Adj't \$m	IFRS \$m
Revenue from operating activities	1,938.3	13.4	1,924.9
EBITDA	188.6	(5.9)	182.7
Depreciation & Amortisation	66.0	(5.3)	60.7
EBIT	122.6		122.0
Net Interest costs			
Interest expense	14.5		14.0
RPS Dividend	-		8.2
Total net interest cost	14.5		22.2
PBT before share of associates NPAT	108.1		99.8
Income tax expense	(26.2)	(4.6)	(30.8)
Share of associates NPAT	29.4	(3.7)	25.7
NPAT	111.3		94.7
Minority Interests	(2.1)	0.7	(1.4)
NPAT attributable to members (before non recurring items)	109.2		104.7
Non recurring items resulting from adoption of AI	-	11.4	(11.4)
NPAT attributable to members (after non recurring items)	109.2		93.3