



27 February 2002

Toll Group Results - December 2001

Toll Holdings today announced a profit before interest and tax of \$57.5 million for the six months to 31 December 2001, representing a 52% increase over the previous period.

Profit after tax grew 45% to \$39.2 million whilst group revenue increased 41% to \$1.028 billion compared to the previous period.

The result continued the company's record of profitable growth through both acquisitions and new contracts, together with internal process improvements driven by selective capital expenditure and investment in technology.

The improvement in EBIT margin from 5.18% to 5.60% reflected the benefit of the company's growth strategy. This increase was even more pronounced if the trading of the Finemore acquisition in March 2001 was excluded.

Operations

The company generally experienced solid trading conditions across each major industry sector, reflecting improvement on the previous corresponding period.

The food, beverage and retail sectors recorded particularly strong volumes with buoyant trading right up to the Christmas / New Year period. As well as providing significant growth opportunities, these sectors represent around 45% of the company's revenue.

We are pleased with the progress of the Nike contract for which new warehousing facilities were completed in September. We have also this week finalised a new contract with Arnott's Biscuits. This contract which involves construction of a 16,000 sq metre warehousing facility in Melbourne, will commence in August 2002 and will provide Arnott's with warehousing and distribution services throughout Victoria.

The automotive sector experienced lower activity during the six months as supplier industrial action affected manufacturers and tight margins constrained earnings growth. The company has recently restructured its automotive industry activities in order to drive costs down further. This, combined with additional investment in equipment and technology and increases in export volumes, should improve returns and deliver greater efficiencies for our customers.

The Industrial sector remained stable with volumes ahead of last year's due to improved activity in the building and construction industry.

The resources sector remained relatively flat, but increased activity, particularly in Western Australia, assisted earnings. We expect that the continued consolidation in the resource industry will benefit our company and provide further growth opportunities.

The relocations sector experienced a slowdown following the events of 11 September. However revenues have now returned to planned levels and earnings are in line with forecast.

The company continues to invest heavily in technology with the rollout of the TollWorks operational management system and the TollConnect customer connectivity products. In addition, the development of the Toll solutions centre and managed transport services offering is allowing the company to rapidly bring solutions to complex logistics tasks and so help our customers drive inefficiencies out of their supply chains.

Operations in Thailand grew with the new World Gas and Shell contracts during the six months. The company disposed of its 20% interest in the Chinese coal cartage Joint Venture with SEPCO.

Divisional Performance

Long Distance

Revenue grew to \$449 million for the division, increasing from \$351 million previously, whilst EBIT grew from \$15.2 million to \$26.5 million for the six months.

All Long Distance operations performed ahead of last year, with Toll Express, Toll SPD and Toll IPEC all trading strongly and over plan due to a combination of revenue growth and increased cost efficiencies.

Toll Refrigeration, incurred a small loss and continues to undergo restructuring aimed at improving returns. Further rationalisation is planned as the integration of refrigeration activities progresses.

Toll North

The division had a strong result, increasing revenues from \$168 million in the previous period to \$192 million in the six months to December. EBIT grew from \$8.1 million to \$11.3 million, as the division continued to benefit from upgraded equipment and facilities. The division also benefited from better weather conditions than experienced in the previous corresponding period.

Both NQX and QRX were solid performers and have positioned themselves to drive costs down further.

Logistics

The Logistics division, which now incorporates the Toll Transitions operations, reported revenues of \$386 million for the six months, compared to \$213 million previously. EBIT for the six months was \$17.1 million compared to \$10.2 million previously.

Earnings in the Food and Beverage sector were strong due to higher volumes than in the previous period. The Automotive sector was down on plan, but internal restructuring of Automotive activities is expected to improve performance over the coming months, and revenues are in line with forecast since December 2001.

The Ports logistics activities were affected by lower volumes than anticipated, particularly in Melbourne and Geelong.

The commissioning of the new Nike warehouse at Melbourne in Victoria was successfully completed during the six months, whilst the new Albany port woodchip facility has been successfully stockpiling product, with the first ship scheduled for loading in early March 2002.

The division also won the new contract with Arnott's in Melbourne involving construction of new warehouse facilities and operation of the Victorian distribution vehicle fleet.

Acquisitions

The Finemore acquisition, which was completed in March 2001, continues to be integrated in line with plans. For the six months to December 2001, the business acquired contributed revenues of \$171 million and an EBIT (after goodwill amortisation) of \$7.7 million. Synergy savings are being achieved ahead of forecast and it is expected that EBIT margin growth will be solid as the integration benefits are captured.

Rail

The acquisition, in partnership with Patrick Corporation, of National Rail and FreightCorp was completed on 21 February 2002.

This acquisition marks a milestone in the development of Toll, and provides a unique opportunity for rail to play a major role in driving efficiencies across the logistics activities of the Australian economy. The ability to offer our customers an efficient and cost effective rail solution presents an outstanding prospect for Toll and our customers.

The company is confident that the combined expertise of Toll and Patricks will enable an excellent long-term return on investment.

Whilst the task of integrating the two Government rail operations and the rail businesses of Toll and Patrick, is not to be underestimated, the company is confident that the new business will be earnings per share positive in its first full year of operations.

Financials

Earnings per share, fully diluted, grew 33% to 57.5 cents for the six months.

The company has declared an interim dividend of 18 cents per share, an increase of 20% over the previous period on the expanded ordinary share base following the placement of ordinary shares in October 2001.

The dividend will be fully franked, compared to 60% previously.

The dividend payout of \$12.4 million represents a 35% increase on the payout for the previous corresponding period.

Cashflow from operations for the Group increased by 19% to \$37.6 million for the six months.

At 31 December, the company had cash on hand of \$136 million, with corporate debt facilities of \$38 million. In addition, convertible notes of \$115 million were on issue.

The company's balance sheet remains strong following the purchase of National Rail and Freight Corp, with net corporate debt now at \$221 million. Including the subordinated unsecured convertible notes as equity, this represents a net debt to equity gearing level of 46%, a level which will enable the company to continue to actively pursue additional growth opportunities.

Outlook

Results since December 2001 have remained solid and the company is currently trading in line with expectations. Based on current economic conditions, it is expected that full-year earnings to June 2002 will reflect a strong improvement over the previous year and well ahead of our targeted 15% per annum EBIT growth.

Over the past few months, the company has continued to build a platform for sustainable earnings growth and superior shareholder returns. In addition to the acquisition of National Rail and FreightCorp, major new growth opportunities have included:

- Commencement of the Nike warehousing contract
- Acquisition of Wesfarmers WA Transport operations
- Commencement of Albany port facility operation
- Announcement of a new Arnott's warehousing and distribution contract
- Major new Managed Transport Services contracts, such as Cadbury, Unilever and George Weston Foods.

All of these opportunities reflect application of the company's strategic direction in offering a fully integrated logistics solution to our customer base, at a time when outsourcing activity is continuing to grow throughout the Australian industry.