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Media Release

19 March 2006

Patrick's growing desperation exposed by latest Pacific National stunt

Friday's notice by Patrick to attempt to take 50% of Pacific National's intermodal rail linehaul capacity is just one more act of desperation by Patrick in its serial attempts to avoid being acquired by Toll.

For months Patrick's Managing Director, Chris Corrigan, has maintained that Pacific National needs to be broken up because it has become dysfunctional – entirely as a result of disputes he has initiated and promoted.

With Friday's clause 5.5 notice, Mr Corrigan has done a 180 degree u-turn: he now wants to keep Pacific National intact but change its business model from effectively a retailer to a wholesaler of intermodal train services.

Patrick's clause 5.5 notice has no prospect of succeeding because it has no valid basis in the Pacific National shareholders agreement.

It will be totally and vigorously opposed by Toll, including through the courts if necessary.

Patrick's "alternative strategy" to combining with Toll is difficult to ascertain because Mr Corrigan has refused to explain to Patrick shareholders what this "strategy" is.

Toll believes the "strategy" is uncommercial, unrealistic and fraught with unexplained risks for Patrick shareholders.

Patrick's "strategy" is uncommercial because:

- It involves an acknowledged destruction of Patrick shareholder value by the break up or other dismemberment of Pacific National
- It turns Patrick into a forced buyer of the few land-based logistics businesses that could provide it with a meaningful capability in this area. The likely result – that Patrick will be forced to overpay for the businesses it has committed publicly in advance to buying – is evident in the proposed terms of acquisition of FCL (purchase price of $142m for a business which Toll understands to be barely profitable)
- At best it would leave Patrick in five years time with a smaller and diminished version of the integrated logistics capability on offer immediately through a combination with Toll

In stark contrast to the muddle being presented by Patrick, Toll's offer for Patrick – now that it is live following satisfaction of the ACCC condition – offers Patrick shareholders:

- an immediate and significant value uplift
- significant long term value creation as the benefits of the combination of the two companies' logistics skills are realised
- a larger and stronger version of the very business model that Mr Corrigan himself appears to want to pursue
- no risk resulting from Patrick's attempts to damage one of its best businesses, Pacific National
- the benefit of the proven management skills and track record of Toll and its management team, which has been the primary reason why:
    - Toll's share price has materially outperformed Patrick's over the past 10, 5 or 3 and 1 years[1].
    - Toll's earnings and operating cash flow per share growth has significantly exceeded Patrick's over the past 5 years
    - Toll's returns on capital employed have significantly exceeded Patrick's over the last 5 years
    - Toll has been able to achieve its superior growth while spending significantly less than Patrick on acquisitions and capital expenditure over the last 5 years

[1] Prior to speculation of Toll's bid for Patrick