



Toll Holdings Limited
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The Manager
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Dear Sir

NEWS RELEASES - RESTRUCTURE

Please find attached short form and long form news releases in relation to the abovementioned subject.

Yours faithfully
TOLL HOLDINGS LIMITED


Bernard McInerney
Company Secretary

Encl.

TOLL'S STRATEGIC RESTRUCTURE TO DELIVER FASTER GROWTH AND GREATER SHAREHOLDER VALUE

13 December 2006

Toll Holdings (Toll) announces an exciting restructure initiative which involves the separation of its transport infrastructure assets from its network and supply chain business.

The strategic restructure creates two, significant market leading, ASX listed companies -- Toll Holdings and Infrastructure Co -- aimed at maximising shareholder value and positioning both companies for enhanced future growth in a global market.

Toll Managing Director Mr Paul Little said the restructure was a unique opportunity to allocate the assets and resources of the company to the maximum advantage of shareholders, employees and customers.

"The restructure should be seen as the next generation of growth for both companies by allowing each business to expand faster into global markets, through strategic acquisitions and rapid organic growth.

"It will also offer investors a clear choice of investment, designed to maximise growth potential with an overall lower cost of capital and improved flexibility," Mr Little said.

Each company will have its own, experienced management team with the capability and operational and financial resources to pursue growth options both in Australia and offshore. Both businesses will be operated separately, with independent Boards of Directors.

The restructure would see Mr Paul Little retain his position as Managing Director of Toll Holdings while Toll's current Executive Director, Mr Mark Rowsthorn would become the CEO of Infrastructure Co.

Toll has briefed the ACCC on the proposed restructure.

Toll has sought a waiver of the requirement of Toll to sell 50% of Pacific National. Toll has also sought a waiver of its obligations to make available the Starters Kit of rail assets, to divest the Toll vehicle transport business and its interest in the PrixCar business concerning pre-delivery vehicle inspection services and to implement the rail and port non-discriminatory regimes .

The ACCC has advised that it would need to conduct market enquiries in relation to these matters. In particular, if its market enquiries do not raise issues of concern in relation to the Pacific National divestiture waiver, it would look favourably on that waiver.

The ACCC has stated its preference for structural solutions to address competition concerns, but believes that, in accordance with its normal practice, market enquiries need to be made before it forms a view in this matter.

The restructure would offer several key strategic benefits for Toll shareholders:

- Toll Holdings will continue the consistent strategy of providing integrated logistics solutions using appropriate infrastructure within the Asia Pacific

region to underpin its highly successful model. Toll Holdings will comprise the current Australian, New Zealand, and Asian logistics businesses of Toll, including the logistics businesses acquired with the takeover of Patrick Corporation Ltd as well as Toll's 62.3% stake in Virgin Blue Australia.

- The restructure will see Infrastructure Co control two world class transport infrastructure assets, 100% of Pacific National and Patrick ports. The business will focus on investment opportunities in ports, rail, airports, toll roads and similar assets in Australia and offshore, lead by an experienced management team with no expensive management or performance fees born by shareholders.

The proposal for the restructure will be put to shareholders for approval via Schemes of Arrangement during the first half of 2007.

The restructure will result in Toll shareholders:

- retaining their existing shareholding in Toll Holdings; and
- receiving, for each share held in Toll Holdings, a stapled security consisting of one new share and one new unit in Infrastructure Co. This stapled-security structure will enhance the ability of the Infrastructure Group to maximise cash returns to shareholders.

Mr Little said the new structure will allow Toll Holdings to access key intermodal infrastructure without needing to own it.

"It is a slight shift in strategy for the Australian business, but one which will enable us to pursue rapid growth in our network and supply chain businesses in Australia and overseas," Mr Little said.

Toll Group Executive Director Mr Mark Rowsthorn added that the structure of the high quality transport infrastructure business is unmatched in the marketplace, while still offering significant scale and growth potential.

"Under the proposal our Infrastructure Co shareholders will retain 100% of Pacific National and be freed from the regulatory constraints currently in place, as a result of our acquisition of Patrick," Mr Rowsthorn said.

"The restructure makes sense for all stakeholders- our shareholders, customers, and employees, and is also good for competition as the infrastructure assets will be more focussed on increased investment and providing high service levels to all market participants " Mr Rowsthorn said.

Toll is being advised on the strategic restructure by UBS and Clayton Utz.

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TOLL GROUP RESTRUCTURE DETAILS

Toll Holdings Limited (Toll) has developed a proposal aimed at maximising shareholder value which would see a strategic restructure of the Group into two listed companies- Toll Holdings and a new entity provisionally called Infrastructure Co. The proposal involves dividing the current Toll Group into two separate market-leading companies:

1. Toll Holdings which will comprise the current Australian, New Zealand, and Asian logistics businesses of Toll (including assets acquired as part of the Patrick Corporation Limited takeover) as well as Toll's 62.3% stake in Virgin Blue Australia. Mr Paul Little will be the Managing Director of Toll Holdings. Toll Holdings will have greater scope for growth in Australia and Asia by freeing up capital currently invested in infrastructure assets.

2. Infrastructure Co which will comprise the Australian ports and stevedoring assets of Toll and Patrick, stevedoring operations in New Zealand, as well as 100% of Pacific National. Mr Mark Rowsthorn will be Managing Director of Infrastructure Co. Infrastructure Co will have an optimised cost of capital with an appropriate level of gearing, which will allow it to take advantage of its markets where revenue drivers are already growing at a multiple of GDP.

The restructure will result in Toll shareholders:

- retaining their existing shareholding in Toll; and
- receiving one new stapled security for each Toll share they hold, consisting of one share and one unit in Infrastructure Co.

This stapled-security structure will enhance ability of the Infrastructure Co to maximise cash distributions to shareholders.

Both companies will be completely separate, with no cross-shareholdings or common Board members or management.

Importantly, the executive team of Paul Little, Mark Rowsthorn and Neil Chatfield and other key executives will enter into new, long term contracts to ensure these new businesses have the management stability they require.

The separation will be achieved by a capital reduction and Schemes of Arrangement, with the intention that the proposal be put to shareholders for approval in the first half of 2007. As well as shareholder approval, the proposal is conditional on court approval, a variation of the existing Undertakings with the ACCC and a satisfactory ruling from the ATO.

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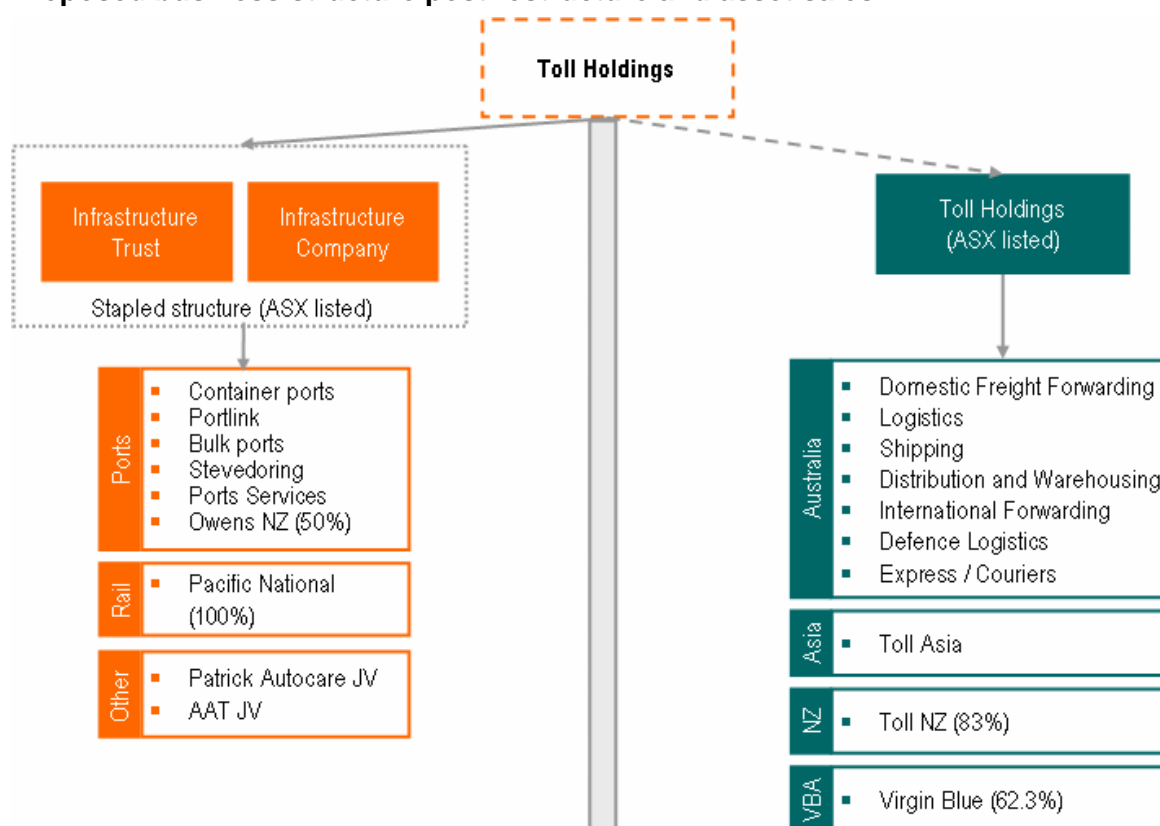
Toll has also sought a waiver of its obligations to make available the Starters Kit of rail assets, to divest the Toll vehicle transport business and its interest in the PrixCar business concerning pre-delivery vehicle inspection services and to implement the rail and port non-discrimination regimes .

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The ACCC has stated its preference for structural solutions to address competition concerns, but believes that, in accordance with its normal practice, market enquiries need to be made before it forms a view in this matter.

The Board believes that the restructure proposal has significant benefits for shareholders, customers and employees of both businesses.

Proposed business structure post restructure and asset sales



Financial Parameters

Pro forma metrics for the two entities created by the transaction based on normalised estimates of 2007 results are outlined in the table below:

	Toll Holdings	Infrastructure Co
Revenue	\$7 bn	\$2.8 bn
EBITDA	\$850 m	\$650 m
Assets	\$5.5 bn	\$8bn
FTE employees	>20 thousand	>8 thousand

Of the \$5,150m of net debt in Toll Holdings at 30 June 2006, the net debt is expected to be apportioned as follows:

\$ billions	Toll Holdings	Infrastructure Co
Core debt	0.36	4.30
RPS	0.25	--
Virgin Blue net debt	0.24	--

This financial profile is well aligned to the growth strategy of each business.

Toll Holdings will have substantial leverage capacity following the effective date of the restructure, and will focus on the operation rather than ownership of assets. At present, it is intended to maintain its current dividend payout ratio and expects ROIC to be restored to target levels in excess of 20%.

Infrastructure Co will have gearing levels appropriate to the assets held within its structure. It will have an in-place capital expenditure facility to largely fund its capital requirements and is structured to facilitate high levels of cash distributions.

Synergies

Following the successful completion of the Patrick acquisition Toll commenced a detailed review of the potential synergies and recently provided an update to the market indicating that cost synergies of \$60 million had been identified in the areas of corporate overheads and systems, procurement, operational overlap and operational improvement.

Toll believes that the majority of the identified synergies arising from the Patrick takeover will be able to be achieved over the implementation period after the restructure.

Synergies in corporate overhead, systems and procurement will be achieved via the implementation of shared services between Toll Holdings and Infrastructure Co and transitional services agreements. Some additional costs in relation to the Infrastructure Co Board, management, accounting and tax functions together with some stand-alone listing costs will be incurred. These costs are anticipated not to exceed \$10 million on an ongoing basis.

Toll believes that the separation envisaged will not hamper further gains in operational synergies.

Toll Holdings

The restructure proposal

- structures Toll Holdings for the next generation of growth, recognising the dynamics of the industry globally
- is consistent with Toll's integrated delivery model both domestically and internationally:
 - allowing Toll Holdings to continue to access infrastructure assets through long term contracts and scale
 - providing an integrated freight forwarding platform through alliances, JVs and other relationships

- maintaining a high level of understanding of the economics and operations of rail and port assets
- provides greater scope for growth both in Australia and Asia by freeing up capital
- significantly enhances return on invested capital
- allows Toll Holdings to remain the market leader and retain a focussed, highly experienced management team.

Business overview

Toll Holdings will continue to be a growth focussed leading logistics player in Australia, New Zealand and Asia.

The operations of Toll Holdings will be:

- Toll Australia
- Toll Asia
- Toll NZ
- Virgin Blue

Toll Australia provides domestic supply chain solutions to all types of businesses throughout Australia. The operational scope, supported by leading edge technology, covers road, rail and air, linehaul, time sensitive freight, warehousing, metropolitan transport, logistics, temperature controlled transport and warehousing, business to consumer, regional distribution networks, Defence logistics, removalists, facility management, autologistics, personnel and labour hire and resource supply chains.

Toll Asia operates one of the most extensive supply chain and in-country physical distribution networks in Asia, with operations throughout the region in key markets including China, India, Japan, Hong Kong, Indonesia, Malaysia, Singapore, Thailand and Vietnam.

Toll Holdings retains its 84% interest in **Toll NZ**. Toll New Zealand is New Zealand's leading integrated logistics provider. The Company offers an extensive national network of rail, road and sea freight transportation, distribution and logistics management services, as well as interisland and urban passenger services.

Toll's 62.3% shareholding in **Virgin Blue** will remain with Toll Holdings. Per the Toll Group's announcement on 28 November 2006, Toll will complete a further review of its Virgin Blue stake around the end of the 2007 financial year.

Growth

With in excess of \$150 billion of trade per year between Australia and Asia, and many times that amount in intra-Asia trade, the opportunities for Toll Holdings to expand its pan-Asian business are strong.

Global trade has expanded at in excess of three times the rate of the world's gross domestic product (GDP) over the last 20 years, and Toll Holdings will seek to expand its business at a similar rate over the coming years.

Strategy

Toll Holdings will continue to be the market-leading domestic logistics business with an expanding Asian focus, providing integrated supply chain solutions to customers, leveraging scale to access infrastructure.

With a successful history of growth through acquisition and a balance sheet with in excess of \$1 billion of excess debt capacity, Toll Holdings is perfectly positioned to make strategic bolt-on acquisitions which will (i) enable Toll Holdings to meet the growing demand for pan-Asian logistics services and (ii) be EPS-accretive.

Toll Holdings will continue to align itself with the growing Asian-Australian trade channel and take advantage of the existing Toll network.

Infrastructure Co

The restructure proposal

- creates a high quality transport infrastructure business of significant scale positioned to pursue investment opportunities in similar assets in Australia and offshore
- is expected to increase the level of distributions paid to shareholders from the infrastructure assets
- provides greater scope for growth by reducing regulatory constraints
- optimises cost of capital for Infrastructure Co with an appropriate level of gearing
- allows for retention of 100% of Pacific National
- retains an internalised, highly experienced management team which will not charge management fees
- allows for greater focus and capex investment as a stand-alone business

Business overview

The business of Infrastructure Co will predominantly comprise two capital intensive, essential services businesses:

- ports; and
- 100% of Pacific National

These businesses have very similar characteristics that distinguish them from the network and supply chain businesses. They are capital intensive, with substantial future maintenance and growth capital expenditure requirements, and are also capable of sustaining a higher gearing level than Toll Holdings.

The ports business will combine businesses that focus on the ownership, operation and provision of services to port terminals. These include:

- **Patrick Terminals**—Australia's leading owner and operator of container terminals
- **Port Management**—focussed on development and operational management of the Port of Geelong, Western Port and the Albany Bulk Handling facility in Western Australia
- **Stevedoring**—The stevedoring business concentrates on non-containerised cargo handling (primarily general, break-bulk and bulk) at ports in Australia and New Zealand
- **Patrick Autocare**—Offers an integrated service of processing, storage and distribution of motor vehicles that operates in partnership with Patrick Stevedoring
- **Patrick Port Services**—Offers a national network of land based services to shipping lines, freight forwarding agents, customs brokers, importers and exporters
- **Patrick PortLink**—Provides the interface between Patrick's road, rail and stevedoring services

Pacific National is Australia's leading private rail freight operator. It holds leading market positions in bulk haulage and intermodal container services and offers specialised services including express freight forwarding and the haulage of long distance prestige passenger trains. It comprises three distinct divisions:

- **Bulk**—haulage of coal, grain and industrial commodities
- **Intermodal**—containerised freight rail haulage, express transit services, haulage of prestige passenger trains and steel haulage to production facilities and export terminals
- **Operations services**—management and maintenance of PN's locomotive and wagon fleet

The previously announced sale of the Victorian track network back to the State of Victoria will proceed.

Strategy

Infrastructure Co's strategy will be to optimise its existing assets. In particular, it will focus on operational optimisation such as automation and technology rollout at the port businesses and looking to drive continued efficiencies from a 100% ownership of Pacific National through improving intermodal service levels and pursuing growth opportunities in new bulk markets and the north-south rail corridor.

It will also look to target acquisitions in Australia and offshore within its mandate of transport infrastructure. In targeting potential acquisitions, Infrastructure Co will aim to leverage its management's experience in running rail and port operations.

Growth

Infrastructure Co will look to take advantage of continued growth in Australian container port volumes (9.5% CAGR between 1993-2005) and forecast continued growth in the Australian rail freight task. It will do so by ensuring that it has the capacity and pricing to accommodate this growth.

Infrastructure Co will pursue growth through acquisitions, with a particular focus on non-Asian countries. It will also look to making domestic investments in transport infrastructure.

Current Group Outlook

Current trading across the company is very strong and ahead of plan to date with full year earnings expected to exceed expectations.

In particular Virgin Blue has experienced strong trading to date and assuming current fuel prices are maintained, 2007 earnings are expected to be over 40% higher than in the previous corresponding period to June 2006.

Operations throughout the Australian logistics business are generating sound organic growth rates, consistent with prior years. In addition port container volumes have maintained a strong pattern of growth.

As expected New Zealand revenues are down on this time last year, although a range of initiatives are having a positive effect on results

Toll Asia operations are currently ahead of plan and customer initiatives are well advanced.

Ports and related activities have performed strongly. Pacific National continues to improve its performance, although this will be tempered in the second half of the financial year, due to severe drought conditions impacting grain movements. Notwithstanding the recent increases in interest rate and persistently high fuel costs, the Australian economy is not showing any worrying slowdown signs at present.

Timetable & Implementation

Implementation will be by way of Schemes of Arrangement. Shareholders will need to vote on the Schemes in a general meeting. Infrastructure Co will be separated from Toll and will require the creation and stapling of a company and a trust that will be traded together on the Australian Stock Exchange. The detailed steps of this transaction will be outlined in the Scheme Booklet that will be lodged with ASIC.

The indicative timetable for the transaction is outlined in the table below.

Event	Date
Transaction announcement	13 Dec 2006
Despatch of Scheme Booklet to Shareholders	Early Mar 2007
Meeting to vote on Scheme	Late Apr 2007
Court hearing for approval of scheme	Late Apr 2007
Expected date of listing of Infrastructure Co	End Apr 2007