



Toll Holdings Limited
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and subsidiaries

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18 October 2005

The Manager
Australian Stock Exchange
Company Announcement Office
Level 4
20 Bridge Street
Sydney NSW 2000

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Dear Sir

**MEDIA RELEASE – Patrick's Target Statement endorses Toll's Strategy and offers
No Alternative**

Please find attached for immediate release to the market, a Media Release with regard to the above mentioned subject.

Yours faithfully
TOLL HOLDINGS LIMITED

A handwritten signature in black ink, appearing to read "B. McInerney", written over a horizontal line.

Bernard McInerney
Company Secretary

Encl.



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MEDIA RELEASE

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PATRICK'S TARGET'S STATEMENT ENDORSES TOLL STRATEGY AND OFFERS NO ALTERNATIVE

Toll considers that Patrick Corporation's Target's Statement today failed to justify its advice that Patrick shareholders should not accept Toll's takeover offer.

Toll's Managing Director, Mr Paul Little, said: "Patrick shareholders have the right to feel disappointed at the lack of strategy or alternatives to Toll's value-creating offer.

"Patrick's Target's Statement fails to provide a coherent strategy, other than for Patrick to adopt Toll's business plan of developing an integrated logistics supply chain across Australia largely through organic growth. Furthermore, it provides no details of how this would be achieved in practice, how long it would take or how much it would cost.

"Patrick's Target's Statement fails to propose a serious alternative value-creating model for the future. It also has no strategy or vision to expand the logistics supply chain into the highly value-creating Asian region, which will be the key driver of transport and logistics growth in the next decade.

"Patrick has assumed that the Pacific National joint venture with Toll will not be broken up. Indeed, the Patrick Target's Statement has constructed its whole strategy, valuation and model on the assumption that Pacific National will continue in its current form", he said.

Pacific National

Patrick's Target's Statement confirms:

- "The (Patrick) forecasts assume...Pacific National continues to operate as a going concern, and is not divided and sold to shareholders by a sale facilitator as a result of the dispute (Independent Expert's Report page 185, paragraph 246)
- The forecast financial information...represents the Director's best estimates of Patrick's forecast financial performance over the forecast period...prepared on a "business as usual" basis. (Target Statement pg 44)
- The (Pacific National) business is material to Patrick's financial performance (Target Statement page 69)

Endorsement of Toll's Strategy

"The Target Statement shows that Patrick's 'alternative' to Toll's offer is to replicate and endorse Toll's business strategy but with added execution risk. This includes the expansion into the road



freight market, including the 'association' with operator FCL. However, Patrick's acquisition of FCL has already been deemed to be unacceptable by the ACCC.

Unsubstantiated Forecasts

"Patrick's Target Statement provides growth forecasts, which are unsubstantiated, and rely on 'hockey stick' estimates of future returns. In Ports, these forecasts are based on revenue projections minus capex, but no cash flow projections are provided.

"The Target Statement financials in our opinion lacks sufficient explanation as to why, just weeks after the recent FY05 downgrade for both Patrick and Virgin Blue, the impact of those downgrades has effectively been removed.

The Target Statement also assumes that there will be "no substantial change in the competitive environment". This is despite announcements of a new operator OzJet, publicly announced plans by Qantas and Jetstar to increase passenger capacity, and the recent announcement by the NSW Government of provision for a third operator at Port Botany.

Valuations

A preliminary review of the Target's Statement shows Lonergan Edwards' valuation of Patrick:

- includes a value of the Ports Division (only around 2/3rds of which is actual container terminals) of 20 x EBITDA, which is substantially higher than the multiples paid for other container terminals businesses, such as the reported 12x EBITDA paid for CSX World Terminals in 2004.
- includes Virgin Blue shares at between \$1.90 to \$2.06, which Patrick today described as "conservative" while ignoring a consistent market valuation for VBA of below \$1.60.
- results in a valuation which represents a 40-50% premium to Patrick's share price before bid speculation.

Independent Expert Lonergan Edwards notes that: "if the offer lapses and no higher offer or alternative proposal emerges, Patrick share are likely to trade at a discount to the value of the consideration offered by Toll" (page 140).

"What will be obvious to Patrick investors is that Patrick's directors are explicitly endorsing Toll's business strategy of building an integrated logistics supply chain.

"To then describe the Toll proposal as ill-conceived in Toll's opinion could indicate that Patrick directors have determined a strategy to reject the Toll offer which may in the future prove to be at the cost of Patrick's shareholders.

"Under the Toll Offer Patrick investors would share in the benefits of the combined company without the execution risk and limitations of the Patrick alternative," Mr Little said.

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