



Toll Holdings Limited
ABN 25 006 592 089

Level 7/380 St Kilda Road
Melbourne Victoria 3004

Tel: 61 3 9694 2888
Fax: 61 3 9694 2880

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

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Dear Sir

Toll Group Profit Announcement – Half Year Ended 31 December 2008

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 2008.

Yours faithfully
TOLL HOLDINGS LIMITED


Bernard McInerney
Company Secretary

Encl.



26 February 2009

MEDIA RELEASE
Toll Maintains Strong Results

Toll Holdings, the Asian region's leading transport and logistics provider today announced an EBIT for the group, before acquisition amortisation charges and investment write-downs, relating to Brambles and Virgin Blue, of \$266.4 million compared to \$226.4 million in the previous corresponding period, an increase of 18%.

Toll Managing Director, Mr Paul Little said "this is a strong result given that the company managed to maintain margins and achieve revenue growth entering into a period of slowing economic activity."

Revenue for the 6 months was \$3.5 billion, an increase of 30% over the previous period of \$2.7 billion for continuing operations. Revenue growth included \$533 million relating to new acquisitions, principally relating to the BALtrans acquisition which was completed in April, 2008.

The company achieved solid ongoing organic revenue and EBIT growth. This was largely driven by continued trends in market share gains and the benefit of past acquisitions. The underlying revenue growth in Australia was \$79 million or 4 %, and 7.8% in Toll Asia. While the lower organic growth rate in Australia reflected a slowdown in economic activity the benefits of prior acquisitions improved overall revenue growth.

Asian EBIT margins at 11% continued to exceed Australian margins, however new revenue growth outside of the higher yielding Defence and Resources sectors resulted in some overall dilution. TGF recorded an improved EBIT margin of 3.4% as business development and integration activities are being implemented.

Profit after tax for the six months to 31 December, 2008 from continuing businesses before investment write downs for Brambles and Virgin Blue and final Virgin Blue demerger costs was \$176.9 million, an 11.5% increase over the previous corresponding period of \$158.8 million.

EBIT margins continued to be resilient with margins in the Australian business being maintained at 8.0%.

The company has a strong balance sheet with a net debt position of \$715 million at 31 December 2008. An intense focus on cost and working capital management has delivered a strong cash flow result.

During the past six months the company successfully refinanced and increased its Singapore based syndicated debt facility and extended the maturity out to November 2011. In addition the Reset Preference Shares were converted to equity in November 2008.

The company currently has a gearing ratio of 21% and interest cover exceeding 19 times. The company has maintained high levels of cash balances and committed undrawn facilities in order to ensure that growth opportunities can be pursued actively.

Earnings per share, fully diluted from continuing operations was 28.2 cents per share pre acquisition amortisation charges, investment writedowns and one-off costs. This represents a 10%

increase on a continuing business basis compared to 25.8 cents per share in the previous corresponding period.

Directors have declared an ordinary share interim dividend of 11.5 cents per share payable fully franked and the dividend payout ratio is consistent with prior periods.

Mr Paul Little said that “although freight volumes will be impacted by slowing economic growth and conditions will be challenging, the company is very well positioned to cope with any economic slowdown. The diversity of the Toll business, combined with a high variable cost base is expected to soften the impact of any global economic downturn. Increases in market share achieved during the past six months are expected to continue as customers seek to outsource their non core supply chain activities.

The company is very well positioned to maintain strong results and take advantage of opportunities as they occur.

For the remainder of the 2009 financial year allowing for reduced activity levels, but at the same time benefiting from the strength of the Toll integrated model, we consider that results of continuing operations in the second half of the financial year to June 2009 will exceed those of the previous corresponding period, subject to no further material deterioration in key markets of the group.

For further information contact :

Paul Little

Managing Director
+ 61 3 9694 2820
+ 61 418 335 053

Mal Grimmond

Acting Chief Financial Officer
+ 61 3 9694 2849
+ 61 419 243 127



26 February 2009

TOLL GROUP PROFIT ANNOUNCEMENT DECEMBER, 2008

Toll Holdings, the Asian region's leading transport and logistics provider today announced an EBIT for the group, before acquisition amortisation charges and investment write-downs, relating to Brambles and Virgin Blue, of \$266.4 million compared to \$226.4 million in the previous period, an increase of 18%.

Revenue for the 6 months was \$3.5 billion, an increase of 30% over the previous period of \$2.7 billion for continuing operations. Revenue growth included \$533 million relating to new acquisitions, principally relating to the BALtrans acquisition which was completed in April, 2008. Australian and New Zealand operations again performed strongly with EBIT increasing 10.1% to \$206 million for the 6 months

The company achieved solid ongoing organic revenue and EBIT growth. This was largely driven by continued trends in market share gains and the benefit of past acquisitions. The underlying revenue growth in Australia was \$79 million or 4%, and 7.8% in Toll Asia. While the lower organic growth rate in Australia reflected a slowdown in economic activity the benefits of prior acquisitions improved overall revenue growth.

Asian EBIT margins at 11% continued to exceed Australian margins, however new revenue growth outside of the higher yielding Defence and Resources sectors resulted in some overall dilution. TGF recorded an improved EBIT margin of 3.4% as business development and integration activities are being implemented.

Profit after tax for the six months to 31 December, 2008 from continuing businesses before investment write downs for Brambles and Virgin Blue and final Virgin Blue demerger costs was \$176.9 million, an 11.5% increase over the previous year of \$158.8 million.

Reported revenues for Toll Asia and Toll Global Forwarding (TGF) benefited from the higher currency translation due to strengthening Singapore and Hong Kong currencies during the six months.

EBIT margins continued to be resilient with margins in the Australian business being maintained at 8.0%.

An intense focus on cost and working capital management has delivered a strong cash flow result.

Finance

The company has a strong balance sheet with a net debt position of \$715 million at 31 December, 2008.

During the past six months the company successfully refinanced and increased its Singapore based syndicated debt facility and extended the maturity out to November 2011. In addition the Reset Preference Shares were converted to equity in November 2008.

The company currently has net debt to net debt plus equity gearing of 21% with interest cover exceeding 19 times. The company has maintained high levels of cash balances and committed undrawn facilities in order to ensure that value creation growth opportunities can be pursued aggressively.

Cashflow from operations for the six months was \$ 331 million, reflecting the ongoing strength of the underlying operations and sound cashflow management.

Earnings per share, fully diluted from continuing operations was 28.2 cents per share pre acquisition amortisation charges, investment writedowns and one-off costs. This represents a 10% increase on a continuing business basis compared to 25.8 cents per share in the previous corresponding period.

Directors have declared an interim dividend of 11.5 cents per share, consistent with the 2008 final dividend.

Divisional Trading

All references to divisional EBIT is before acquisition amortisation charges.

Toll Australia and New Zealand

Total revenue for Toll Australia and New Zealand grew 10.9% for the six months to \$2.6 billion. This reflects a continuation of market share gains offsetting volume slowdown and the benefit of integrating domestic networks with the TGF Australian bound services.

EBIT for the period was \$206 million, an increase of 10.1% over the prior period. In addition margins remained strong at 8% as excellent cost control continued to be a feature.

In addition to the improved earnings performance there were a number of highlights for Toll Australia and New Zealand during the past six months including:

- Withdrawal from the Tenix Toll DIDS joint venture, enabling the company to focus exclusively on the distribution component of the defence contract.
- The acquisition of Extra Transport in Victoria and the integration of the United Transport business in New Zealand.
- The integration of acquisitions made in the previous period including Golden Riverland, Couriers Australia, Victoria Express, Skynet and Westrans
- Significant contract wins including Coca- Cola regional work, Bluescope, X Strata and Westpac

The time sensitive operations of Toll IPEC continued to perform well. Some signs of volume slowdown were evident through a reduction in consignment sizes. These volume reductions were offset by tighter variable cost control and the achievement of integration benefits arising from recent acquisitions.

The integration of Couriers Australia and Victoria Express into Toll is proceeding to plan with synergies being achieved via a reduction in duplicate cost structures

Toll Priority is continuing to build its air freight operation and network. The integration of the international air express operators SkyNet Australia and New Zealand proceeded to plan. Toll Priority is in the process of establishing its own network in Asia which will comprise owned operations in key locations supported by agents in areas of lower volumes. New business growth is tracking to plan with some notable business gains in the Banking, Pharmaceutical, Mining and Technology sectors.

Toll Dnata Airport Services, the joint venture with Emirates, continued to experience solid growth. The integration of the Skystar ground handling business is complete and driving further revenue growth.

Toll Contract Logistics performed well with increased volumes in the grocery and beverage sector and the business continued to rollout new technology. The Toll In2store business has been successful in winning new business as customers look to reduce costs by outsourcing the logistics task and integrating the supply chain.

The NQX and Toll Express businesses performed well, notwithstanding there were some signs of volume weakness in December. Both businesses continue to invest in new technology and fleet to improve efficiencies and reduce costs.

Revenue for QRX was higher driven by increased volumes from major accounts. However, the floods in North Queensland will have an impact on QRX and NQX in the second half.

Toll Resources volumes increased significantly year on year as its market position strengthened relative to its competitors in both the Oil & Gas and Mining Services sectors. The Toll Resources Oil & Gas business remains well positioned to take advantage of significant new project growth opportunities in the North West of WA and the Timor Sea.

Volumes from the Australian automotive manufacturers declined due to a reduction in new vehicle sales and increased imports, partly offset by record storage levels for new cars in the Prixcar business. The outlook for the Automotive business is at best flat in Australia however opportunities in China and India are exciting.

Trading for PDL Toll, our specialist defence logistics operator remained strong throughout the period with EBIT performance ahead of target and in line with the same period last year. Operations in Timor Leste and the Solomons remain key activities for this business with fuel supply and ship husbandry services also adding to the specialist nature of its service capabilities. The acquisition of Helicorp is producing strong results in line with budget and significant opportunities exist for further expansion of this aviation activity.

Toll retained its New Zealand Tranzlink transport operations following the sale of rail and marine assets to the New Zealand Crown in June 2008. Toll Tranzlink has experienced difficult trading conditions in the first six months of the financial year, with the general economic climate for New Zealand being impacted by the current global economic downturn. These conditions are expected to continue in the second half of this financial year, however Toll is focussed on new customer gains and variable cost control at all levels. The United Transport acquisition continues to be successfully integrated into the core Toll Tranzlink business.

Toll Asia

Revenue for the period was S\$426 million, an increase of 13.4%. EBIT for the six months to December 2008, including share of associates was S \$47 million, in line with target and in line with last year.

Highlights for Toll Asia during the past six months were:

- Commencement of work on the redevelopment of the Loyang Offshore Supply Base which secures the site to Toll for a further 45 years.
- The opening of new logistics centres in Guangzhou and Shanghai in China and Ho Chi Minh City in Vietnam with new facilities planned for India, Malaysia and Shanghai.
- Strong contract retention across the region, bolstered by significant incremental work from existing customers.

- Continuing strong performance in offshore supply and marine activities
- Increasing Toll's investment in Cargo Services to 25%. This business continues to grow revenue and earnings at double digit growth rates. Cargo Services has recently retained the North Asian import consolidation for Woolworths Australia and was awarded Supplier of the Year for Myer. At the same time the core business from Asia to Europe continued to grow strongly.

The Government and Defence Logistics Business Group performed ahead of expectations, with an increase in the range of services provided.

The Offshore Supply and Marine Logistics Division traded strongly with ongoing demand for the company's specialised bulk carrying vessels and high utilisation of the Singapore Loyang Offshore Base expected to continue in the medium term.

The integration of the Toll Singapore warehousing business with the Singapore operations of the former Sembawang Kimtrans business has delivered the planned synergies with profit margins significantly improved.

The contract logistic businesses throughout South East Asia felt the effects of the global economic downturn during the December quarter with declines in hi-tech and industrial customer volumes experienced in Thailand, Malaysia, Vietnam and the Philippines. The effect of this downturn was softened by new contract wins in Vietnam, Malaysia and Thailand. The political unrest in Thailand added to the uncertainty of business confidence within the country. Toll continues to monitor the position closely.

Strong cost controls in India have contributed to a further profit improvement and reviews are underway to establish a stronger in-house transport capability and upgraded warehouse facilities to meet higher demand.

High revenue growth was achieved across our North Asia operations in China, Korea and Taiwan with a continued focus on improving low yielding revenue, rationalisation of warehouses and greater focus on operational efficiency.

Contribution from Associates increased to S\$5.1 million including an improved contribution from Footwork Express despite ongoing difficult economic conditions in Japan.

Toll Global Forwarding (TGF)

Revenue for the period was HK\$3.3 billion, an increase of HK\$2.8 billion due to the addition of the Baltrans and Gluck acquisitions. EBIT for the six months to December 2008 was HK\$113 million, an increase of HK\$95 million over the previous reporting period.

Toll Global Forwarding has consolidated strongly during the first half of 2008/09 with an improvement in margin quality achieved in a tough environment. The activities of the existing TGF Australia business, Baltrans Holdings acquired in April 2008 and Gluck acquired in June 2008, have been well integrated into a single cohesive entity. The consolidated TGF now has 65 company owned offices in 26 countries and over 2500 staff providing a very solid platform for future growth.

Despite the economic conditions, the businesses in North America, Europe and South Africa have performed in line with expectations during the six month period. Our focus in these key destination markets is to aggressively build our sales presence and effectiveness. Our low market share in those regions provides excellent scope for growth in spite of the difficult trading conditions.

The TGF business model is being developed around leveraging core air freight and ocean freight forwarding capabilities to build genuine end to end supply chain solutions for our customers. Our capability in the Asia–Australia and Intra-Asia trade lanes is strong and competitive, and we will progressively develop and expand those capabilities in other regions.

The development and deployment of a competitive world class technology platform is seen as fundamental to the long term future of the business. Significant progress has been made and Phase 1 of our global visibility and supply chain management platform successfully went live in January this year. This platform leverages heavily the expertise and investments the Group has made in leading edge Web based technology in recent years. Toll's commitment to developing Toll's IT platform reinforces the Toll Group philosophy that technology remains the key differentiator in the logistics sector today.

Toll's investment in leading Hong Kong based freight consolidator Cargo Services Far East (CSFE) remains a key plank in the TGF strategy. TGF and CSFE are co-operating closely in Hong Kong and China particularly to maximise current capabilities and leverage combined volumes.

Discontinued Operations

The Group's result for the period includes \$5 million of final costs associated with the demerger of the Virgin Blue business.

Economic Conditions

There is a mixed outlook across industry sectors in Australia. While the economic downturn is impacting hardest in the Automotive, Resource and Manufacturing sectors, the Retail, Grocery and Beverages sectors remain resilient and demand continues in the Oil & Gas sector.

The global economic crisis will continue to have some impact on volumes across Asia. Defence, Marine and Project Logistics are however significantly more insulated from volatility in demand.

The global forwarding sector has seen significant volume fluctuations as well as reductions in air and ocean freight rates in the latter part of 2008. It is expected volatility will continue in this sector. Opportunities to expand market share through strategic acquisitions and new contract wins look encouraging. Rapid changes in market rates have created both challenges and opportunities, as customers strive to ensure their rates remain tightly aligned to falling market rates.

Industry Dynamics

Supply chain integration remains high on customers' agendas as companies look to reduce costs. Toll is building effective supply chain models through the Asian global forwarding business to fill this requirement.

Further regional and global consolidation is expected particularly given current market conditions. Toll remains well placed to benefit in this environment given its current balance sheet strength.

Organisation Structure

Following a group strategic meeting late in 2008, a decision was taken to restructure the group to better provide customer focused services on a global and regional basis to be implemented during the course of the 2010 financial year around the following operations:

- global forwarding
- domestic freight
- global express

- contract logistics
- project resource logistics

Changes to the management structure will progressively be made to facilitate the new divisional structure. We will commence reporting under the new structure during the 2010 financial year and continue to provide financials to the market in a format that will allow year on year comparisons to occur.

Outlook

The diversity of the Toll business, combined with a high variable cost base is expected to help soften the impact of any global economic downturn. Increases in market share achieved during the past six months are expected to continue as customers seek to outsource their non core supply chain activities.

The company is very well positioned to maintain strong results and take advantage of opportunities as they occur. During the reporting period Toll further strengthened its financing capacity, enabling the company to be a major participant in continued industry rationalisation.

For the remainder of the 2009 financial year, it is expected that freight volumes may be impacted by slowing economic growth and that conditions will be challenging. Allowing for reduced activity levels, but at the same time benefiting from the strength of the Toll integrated model, we consider that results of continuing operations in the second half of the financial year to June 2009 will exceed those of the previous corresponding period, subject to no further material deterioration in key markets of the group.