

The logo for TOLL, featuring the word "TOLL" in a stylized, italicized font with a blue-to-yellow gradient and a white outline.The logo for TOLL RAIL, featuring the word "TOLL" in blue and "RAIL" in green, both in a stylized font with a white outline, set against a white background with a green swoosh above.The logo for TOLL TRANZLINK, featuring the word "TOLL" in blue and "TRANZLINK" in blue, both in a stylized font with a white outline, set against a white background with a blue swoosh above.

TOLL NZ
Presentation to
New Zealand Union Conference
Wellington
14 June 2005

The logo for the interisland line, featuring the text "the interisland line" in a blue, lowercase, sans-serif font, with a blue swoosh above the word "interisland".A large, stylized, white outline version of the TOLL logo, positioned at the bottom of the slide.



Toll NZ Consolidated

- Publicly listed company on the New Zealand stock exchange
- 84.4% shareholding by Toll Holdings (Aust)
- 10.1% Third Avenue (US investment company)
- Asset base \$723 million
- Operating under parent company loan facility (\$340 m)
- Business Units
 - Toll Rail
 - Toll TranzLink
 - Passenger Service Group
 - Tranz Metro
 - TranzScenic
 - InterIsland Line
 - Hillside
 - Professional Services Group



The Finance Story

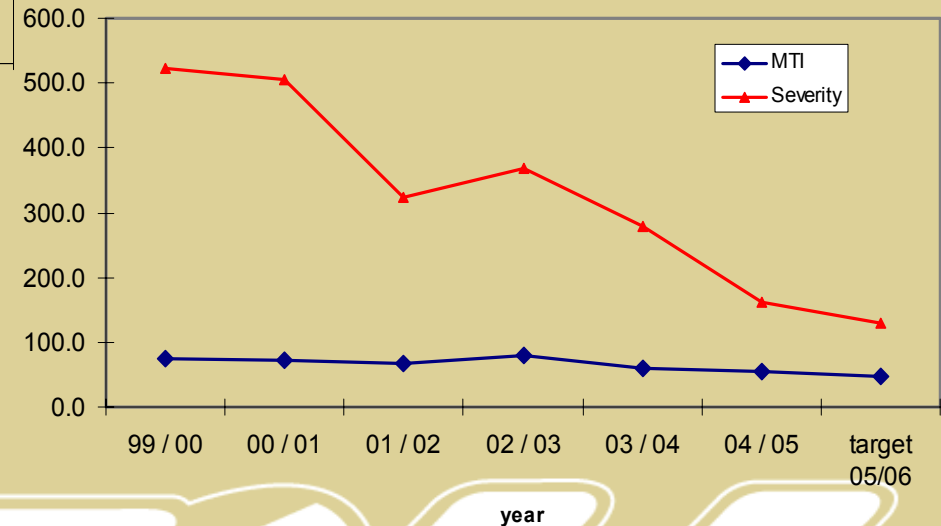
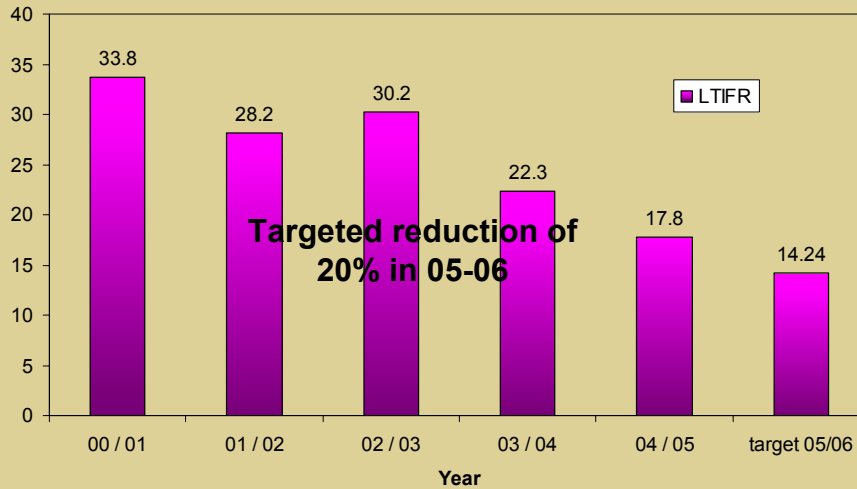
- 1994: Tranz Rail (TRL) was initially financed with \$300 million debt and a \$105 million of equity. This was a comparatively high level of leverage compared with the period immediately prior to privatisation. The government wrote \$1.2b in debt.
- 1994 to 2000: Period of severe freight rate decline whilst volumes and workload grew dramatically. Declining profitability.
- 1995 - 2001: Shareholder capital repurchases and share buybacks occurred. TRL borrowed to finance \$94 million in dividend payouts.
- 1996: IPO raised \$175 million - used to retire debt.
- 1996: Sale and leaseback of rolling stock worth \$132 million. Funds used to retired debt but replaced with off balance sheet liability. Resulted in more capacity to borrow on balance sheet to finance capital programme.
- 1997 - 1999: A period of very high capital expenditure - up to 7 times depreciation, \$840 million in capex and \$260 million redundancy and business acquisition costs. A total of \$1.3 billion since privatisation. 50% to 70% of capex was simply replacement capex and much of the remainder was poorly targeted.
- 1997 - 1999: Debt on the balance sheet rose again as a result of the heavy capital expenditure.
- 1999: Sale and leaseback of Aratere occurred - \$100 million retired on balance sheet debt exchanged for off balance sheet liability.



The Finance Story (cont.)

- 2000: Off balance sheet and on balance sheet debt liability now totalled \$525 million.
- 2002 - 2003 : Company's financial situation comes to a head. Rights Issue and the share prices collapse – emergency loan from government to keep company going.
- 2003: Takeover of Tranz Rail by Toll Holdings of Australia. 84% shareholding acquired @\$1.10 a share.
- 2003 - 2004: Toll Holdings refinance company's balance sheet (retire Subordinated bonds and put other new debt facilities in place), the Aratere is repurchased at the same time and replaced with on balance sheet debt on more favourable terms.
- 2004: The Track is sold back to the Government and ONTRACK is formed to run the national rail network. The Government embarks on the \$200 million capital expenditure on the track to rehabilitate and improve the national rail network. Toll undertake to spend \$100 million additional capex on rolling stock.
- 2004: Toll embark on business strategy to integrate the company into a modern forward looking total logistics company embarking the company on the long hard road to recovery. Balance sheet still weak relative to earnings and coverage ratios and we have substantial off balance sheet liabilities, principally GATX lease.

Safety and Risk



LTIFR = Lost-time injuries per 1,000,000 hours - Target 20% reduction

MTIF = medical treatment injuries per 1,000,000 hours - Target 10% reduction

Severity = LTI days lost per 1,000,000 hours - Target 20% reduction



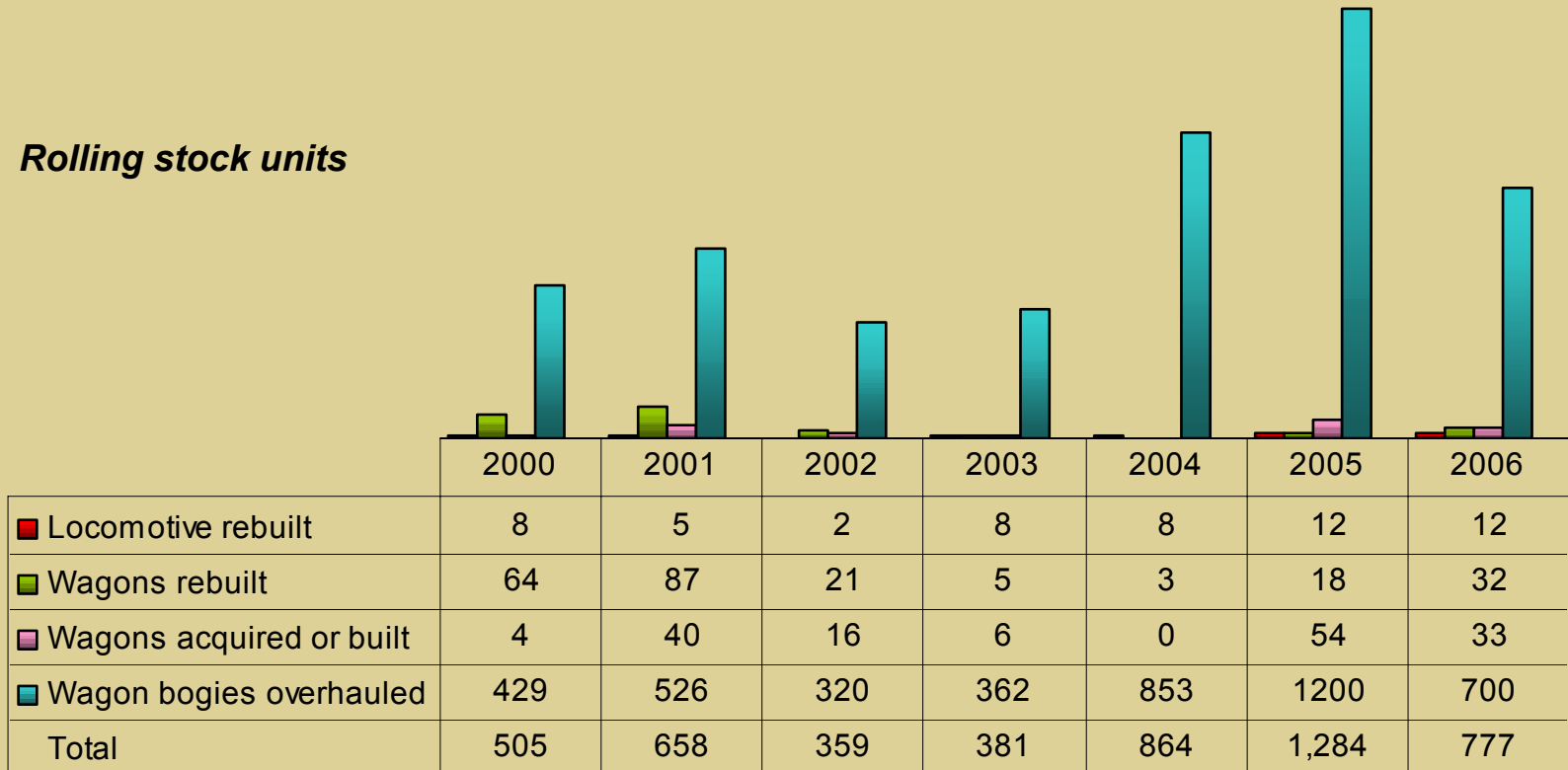
Key Consolidated Financial Data

FINANCIAL DATA (\$M)	2003	2004
Freight revenue	448.0	466.4
Passenger revenue	130.7	129.3
Other revenue	31.0	35.4
Total revenue	609.7	631.1
Operating profit before depreciation	90.0	85.1
Depreciation & amortisation of goodwill	50.0	49.4
Operating profit from trading	40.0	35.7
Unusual items		(379.9)
Net interest expense & finance charges	14.9	26.5
Taxation expense / (credit)	23.2	(35.1)

OPERATING DATA	2003	2004
Total employees (average FTE)	2,960	3,147
Freight:		
Revenue tonnes carried ('000)	14,822	13,540
Revenue tonne kilometres (M)	3,853	3,904
Passenger trains		
Tranz Metro (million passenger trips)*	12.3	13.2
Tranz Scenic (thousand passenger trips)**	n/a	568.7

Capital Expenditure (7 years)

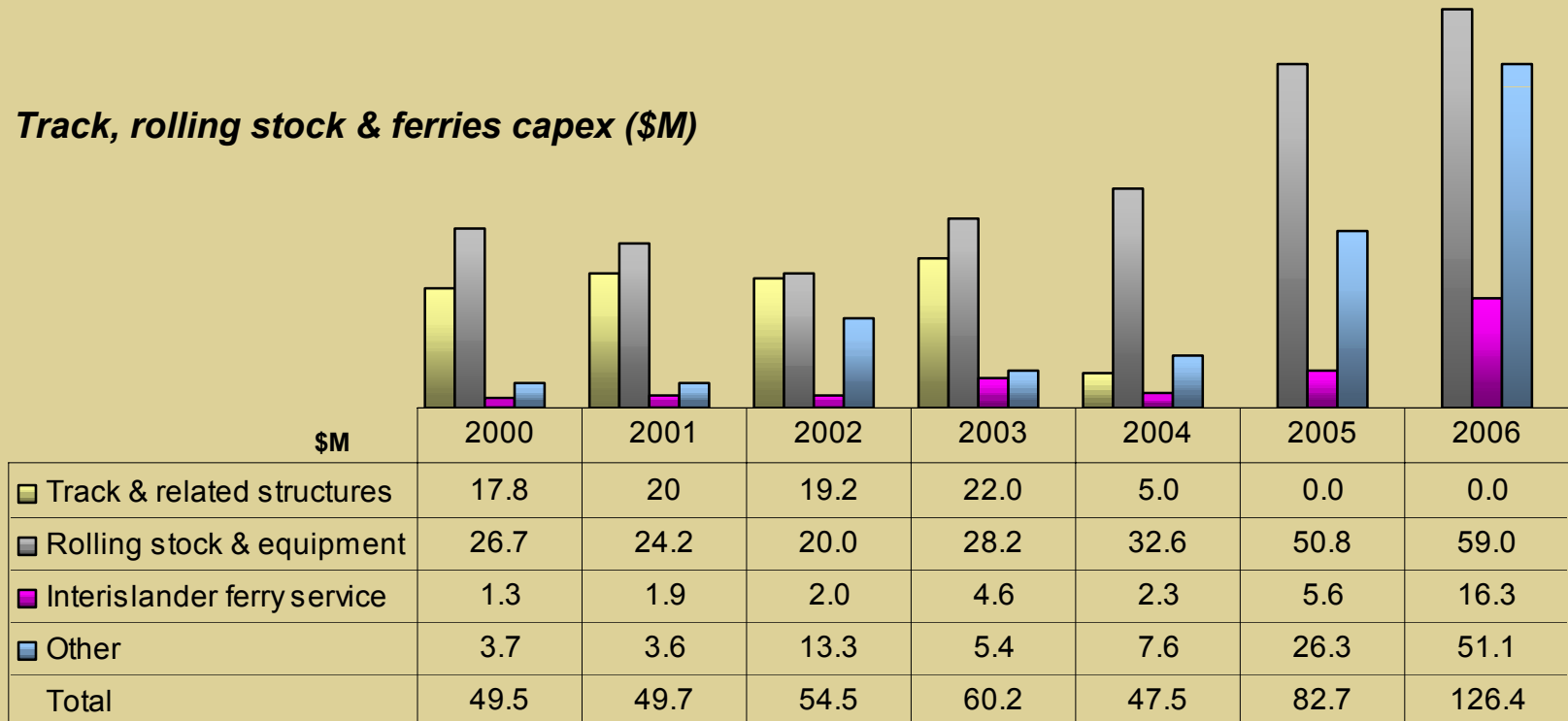
Rolling stock units





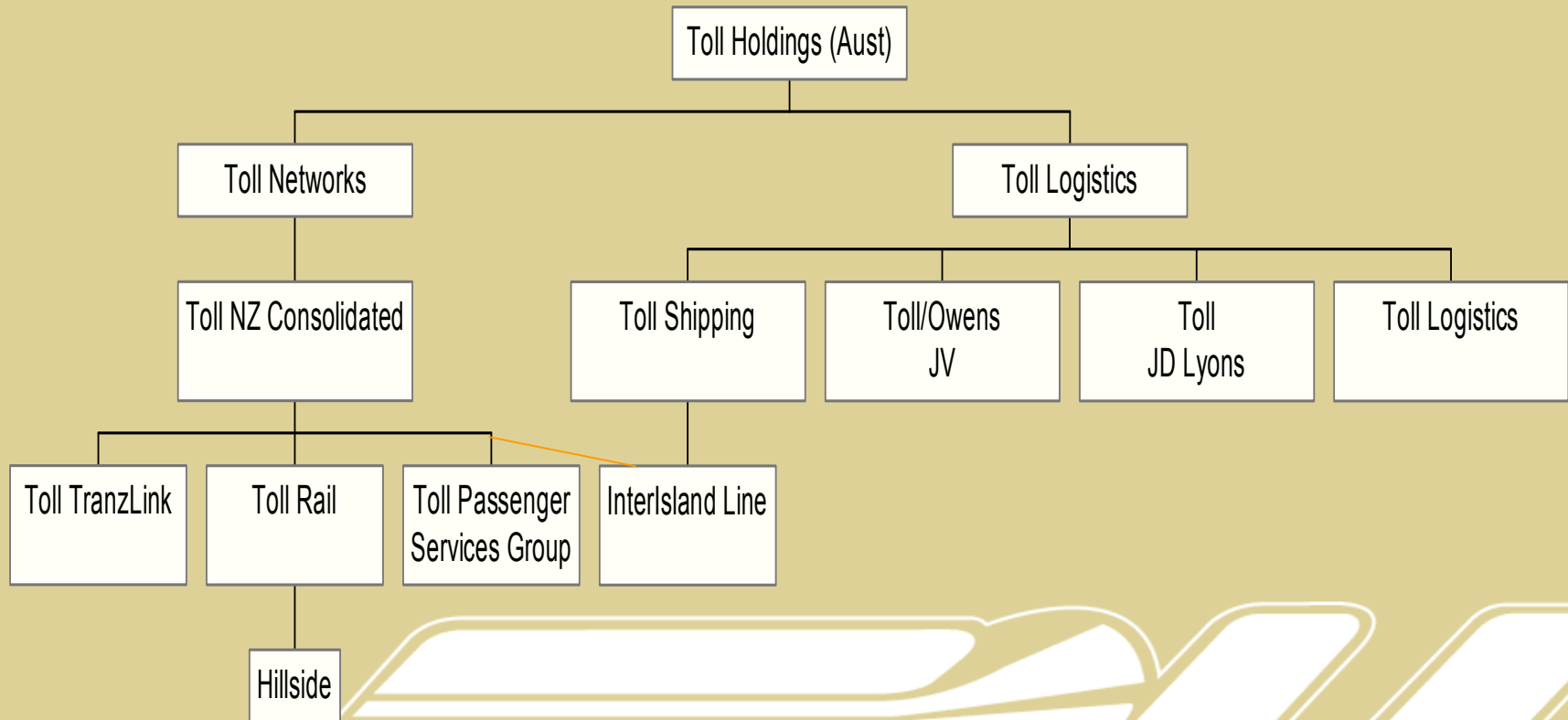
Capital Expenditure (7 years)

Track, rolling stock & ferries capex (\$M)





Organisation Chart





Toll Rail

Provider of intermodal rail linehaul services to the wholesale market i.e. freight forwarders and Toll TranzLink. Contract train rail services to bulk markets (i.e. coal, milk, logging).

Revenue	\$330 (\$120 internal)
Employs	1,074 FTE
Asset base	\$550 m

Biggest challenge is to get the return on investment required to make it an efficient competitive railway.





Share Of Key Rail & Road Market Segments

Industry Segments (Average 3 Years)	Size Of The Market Tones pa	Toll Rail Share Tones pa	Toll Road Share Tones pa	Competitors Share Tones pa
Forestry	17,982,950	21%	0%	79%
Coal	5,163,567	60%	0%	40%
Dairy - Milk	15,454,667	4%	0%	96%
Dairy Product (Not Milk)	2,505,067	46%	0%	54%
Steel	650,000	17%	0%	83%
Other Bulk (Cement, Aggregates etc)	3,767,900	14%	0%	86%
Fuel	5,413,333	0%	0%	100%
Intermodal (Incl Shipping)	60,000,000	7%	3%	90%
Total Freight Market excl Local Freight	110,937,483	12%	2%	86%





Toll TranzLink

Provider of logistical services in full load and LCL market including refrigeration.

Operates all container terminals throughout New Zealand.

Revenue \$350 m

Employs 640 FTE (large subcontractor fleet)

Asset base \$40 m

Biggest challenge is the competition in that market and provision of rail LCL services against the road sector.



InterIsland Line

Provider of passenger and freight services across the Strait.

Two of the vessels are rail ferries which carry fully laden rolling stock across the Strait.

Revenue \$150 m

Asset base \$60 m

Biggest challenge is the competition for the CV market and retonnaging with Toll Rail to improve competitive position of freight across Cook Strait. Infrastructure capital is substantial.



Hillside Engineering Group

Provider of engineering services to both internal and external markets.

Turnover \$30 m

Employs 220 FTE

Has had a checkered past and has been earmarked for closure. 100 additional people have been employed since Toll arrived and future now stable with more new opportunities on the horizon.





Passenger Service Group

Provider of passenger services to both metropolitan and long distance markets.

Revenue \$25 m

Employs 159 FTE

Asset base \$60 m

Biggest challenge is the long distance passenger market. Air travel is much quicker and similarly priced. Sentimental and demographic demands add to the complexity.

Metropolitan services are subject to Government grant.



The Industrial/Employment Environment

Australia v New Zealand

Australia

Decentralised

Enterprise special agreements

Employee/Staff/Union

Efficient

New Zealand

Centralised

Collective agreements

Employee/Union/Staff

Cumbersome

Kiwis respect their employment more.

Kiwis are very innovative (often by necessity).

More conservative when faced with significant change.



Toll NZ the Future

The overall business is far more stable than 18 months ago.

Debt facility is far more tenable.

Capacity to inject capital into the business again.

Rail business is very capital intensive and acceptable returns will not be achieved easily.

The establishment of OnTrack has not been without its concerns. Cost base of OnTrack and the overhead the rail industry in general carries is excessive.

Organic growth to date has been good and general support by the market encouraging.

Identify new acquisition opportunities to enhance the business.

Conclude long term arrangements with the Crown to justified increased levels of capital injection for a longer period

Rail – locomotives/rolling stock

TTL – terminals

IIL – vessels and infrastructure.

Align our customer contracts with our capital projects.

Continue to improve our relationships with the Union movement in NZ.



Increased Overheads In Industry Threatening Viability Of Rail Industry In New Zealand

- Over the last 10 years there has been a significant increase in the industry overhead structure of Rail in NZ due to move a way from a vertically integrated railway with many independent entities.
- New structure has to absorbed by same customer base and has put the squeeze on the operator.
- New Crown entities over this period have added significantly to rails financial burden – Some of these include:
 - Occupational Safety & Health (OSH)
 - Land Transport New Zealand (LTNZ)
 - Transport Accident Investigation Commission (TAIC)
 - Auckland Regional Transport (ARTA & ARNTL)
 - Greater Wellington Regional Council (GWRC)
 - ONTRACK
- Rail Outsource Partners
- Transfield and ALSTOM



Summary

- Toll NZ has inherited a substantial legacy from Tranz Rail and is faced with increasing costs on all fronts.
- We are exposed to increasing costs trends from fuel, Track Access charges, the huge capital burden and continued squeeze on freight rates.
- Toll NZ is continually hit by inflation, including wage pressure but in the existing freight markets, being such a competitive market, our freight rates charged to customers struggle to keep pace with inflation, squeezing margins further. Road is getting cheaper and more efficient all the time
- Volumes are good currently, but a lot of growth has been at lower freight rates on lower margin traffic. All the signs are that the economy is getting softer.
- Rails problems are far from solved and currently the situation is still unsustainable. Toll continues to work with the Government on parity issues between road and rail (Commonly referred to as the “Level Playing Field”).

