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4 February 2008

David Jackson
Chief Executive
Toll NZ Consolidated Limited
Level 17, HSBC Building
1 Queen St
AUCKLAND

Dear David

REVISED INDICATIVE OFFER

We write to you in your capacity as a representative of Toll Australia.

Events to Date

ONTRACK has previously made an indicative offer of \$300m to \$350m for the entire Toll New Zealand business. This indicative offer was for the equity in the business which, assuming debt of \$200m, produces an equivalent enterprise value of \$500m to \$550m. ONTRACK believed that this indicative offer represented a realistic assessment of the value of the business based on the information available to it.

Toll has rejected this indicative offer and has presented alternative valuation material that suggests an equity value in the order of \$950m. ONTRACK does not regard the Toll material supporting this value as compelling. Specifically, the relationship between the proposed value and the expected future cashflows that the assets can generate (either in current or alternative uses) appears weak.

However, ONTRACK acknowledges that alternative valuation assumptions can produce higher values than its indicative offer. In addition, ONTRACK has only limited knowledge of the detailed business performance.

New Indicative Offer

In the interests of promoting a rapid conclusion to the current negotiation ONTRACK is prepared to substantially revise its indicative offer.

- ONTRACK's revised indicative offer is \$575m for all the equity (assuming no changes to capital structure since last reporting date). This indicative offer is presented as a point estimate of ONTRACK's final offer but it is noted that ONTRACK has not yet had access to detailed information. However, ONTRACK considers it highly unlikely that further information would cause it to revise the offer (upwards or downwards) by more than 10% from this figure.

This non-binding indicative offer is presented on the same basis as our previous non-binding offer.

- It is for the entire business. As Toll wishes to retain TranzLink we will need to determine an appropriate deduction from the offer value to reflect the value of that business. Terms for any ongoing relationship with TranzLink will also need to be agreed.
- It is subject to due diligence. ONTRACK will require full access to normal due diligence material before it will consider finalising a binding offer.
- A binding offer will only be provided on the basis of a sale and purchase contract incorporating satisfactory warranties from the ultimate holding company of the Toll NZ entities.
- ONTRACK assumes that it will purchase all the personnel, assets and rights necessary to operate the business.
- ONTRACK assumes that the business is performing in line with projections since the last reporting date.

Proposed Process

ONTRACK has misgivings with respect to entering a price negotiation without more detailed information. Toll has expressed reluctance to facilitate full due diligence without a high degree of price certainty.

To accommodate these issues we suggest the following process:

1. Toll Australia confirms the indicative offer is acceptable.
2. ONTRACK and Toll Australia agree a draft outline of the S&P contract identifying form of sale, transitional arrangements, TranzLink process, form of warranties etc.
3. ONTRACK seeks representations from Toll Australia regarding business performance, changes to assets / capital structure etc since last balance date.

Material on TranzLink and transitional arrangements included in these representations.

4. Toll Australia gives appropriate representations.
5. Price negotiation for the Toll NZ business less TranzLink.
6. Confirmatory due diligence. No change in price expected.

ONTRACK believes this offer should be attractive to Toll Australia. In our view:

- It represents full value for the business.
- It is comparable with the price paid to minorities, after adjusting for market movements.
- It compares favourably with the amount invested by Toll Australia to acquire the business.
- It allows Toll Australia to avoid the risk of protracted NRAA disputes which could reduce the value of its NZ business.

We look forward to the response from Toll Australia. If that response is positive I suggest we meet as soon as possible to flesh out steps 2 to 4 in the proposed process outlined above.

Yours sincerely

A handwritten signature in black ink, appearing to read 'W Peet', written in a cursive style.

William Peet
Chief Executive