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William Peet
Chief Executive Officer
Ontrack
P.O. Box 593
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Dear William

Thank you for your letter of 4th February, and Ontrack's revised indicative offer.

Our response follows.

Events to Date

In recording events to date with appropriate balance, it is important to note that:

First, in presenting alternative valuation material, we not only provided significant support for our valuation in the way of equity analyst reports, a Grant Samuel valuation and a Worley Parsons 'value in use' for the rolling stock, we also proposed some constructive ways of bridging any valuation gap. Ontrack has yet to either formally respond to our suggestions, or to make any recommendations of it's own to assist in bridging the gap.

Second, as requested we provided further detail around the TTL business and land release plans and proceeds. Again, your letter does not comment how you have used this information in coming to this new indicative offer.

New Indicative Offer

We reiterate our view that the value for the Toll NZ business is justified in the vicinity of \$1 billion, and this is supported by market analysis in Australia, as recently as January 2008.

However in order to fully consider your new indicative offer of \$575m and respond accordingly, we would be grateful for the following:

- Detail of how the value was arrived at including a copy of your valuation model. To this end we would like to understand whether you have factored into the valuation a new ferry to the value of \$100m (2007 dollars), and what recognition you have made of future land release proceeds, as two examples.
- The value of Tranzlink in your valuation. It is essential that we have an understanding of the value you place on Tranzlink, so that negotiations on the value of the business the Crown is seeking to purchase can progress to the next stage. This would include understanding service levels from the new owner of Rail, land rentals and ongoing relative pricing between Rail and its biggest customer in Tranzlink. You also indicated that the Crown would run Rail differently to Toll, so we would like to understand how this would impact on Tranzlink.
- Details of any market or independent support for your valuation.

Proposed Process

Until we receive the information as outlined above, disappointingly it is difficult to comment on your proposed process. However we can say that any warranties or representations from Toll including Toll Holdings will be limited in scope, and that in the interests of a speedy resolution to this matter it would be in the interests of the parties to focus on the transitional and separational aspects rather than focus on warranties.

In closing we do need to comment on your assertions as to why this latest indicative offer should be attractive to Toll Holdings.

- The offer does not represent full value for the business, as determined by market analysis as recently as January 2008.

- It is not comparable with the price paid to minorities after adjusting for market movements as it does not reflect a normal premium for control in buying 100% of the business from a reluctant seller.
- The amount invested by Toll Holdings is irrelevant in determining a purchase price for a business that was virtually insolvent when Toll Holdings acquired the majority of it's stake, and in which it has invested significant further capital to make it the business it is today.
- The risk of protracted NRAA disputes works both ways, and could reduce the value of the business to the Crown as well. We reiterate that this option should be a last resort and we will do everything we can to avoid this scenario.

In order to move forward to the next stage, I have asked Phil Barry to contact Murdo Beattie to request the valuation data and also, as setout in your letter of 22nd January "...to further discuss valuation concepts and issues."

We look forward to your response.

Yours sincerely



PP David Jackson
Chief Executive Officer