

# Toll Brothers' Record FY 2005 3rd Qtr Earnings Rise 103 Percent to \$215.5 Million

August 25, 2005

Record 3rd Qtr EPS Increases 92 Percent to \$1.27 Per Share  
Expects Net Income Growth of Over 80% and EPS Growth of Over 75  
Percent for FYE 2005

Record 3rd Qtr Revenues Grow 54 Percent to \$1.56 Billion

Record 3rd Qtr-End Backlog is Up 48 Percent to \$6.43 Billion

Record 3rd Qtr Contracts Increase 19 Percent to \$1.92 Billion

HORSHAM, Pa., Aug. 25, 2005 (PRIMEZONE) -- Toll Brothers, Inc., (NYSE:TOL) ([www.tollbrothers.com](http://www.tollbrothers.com)), the nation's leading builder of luxury homes, today reported record third-quarter and nine-month results for earnings, revenues, backlog and contracts for the periods ended July 31, 2005. The Company's third-quarter net income, revenues and backlog were the highest for any quarter in its history.

Robert I. Toll, chairman and chief executive officer, stated: "We attribute these tremendous results to our team's diligence, our strong land position and the pricing power we enjoy in our affluent markets. While the supply of buildable lots seems increasingly to be constrained by governmental regulation, demographics-driven demand continues to grow. These dynamics have put us on track for our thirteenth consecutive year of record earnings in FY 2005, and, we believe, assuming continued healthy demand, approximately 20% net income growth in both FY 2006 and FY 2007.

"In recent weeks, it appears that bubble mania and reports of a strengthening employment picture with associated interest rate fears have rattled investors. We believe strong job numbers and an improving economy are positive factors for the housing industry, in general, and our luxury niche in particular. Mortgage rates remain low and the projected Fed Funds target of about 4.5% is below its peak in 1994, 1995, 1996, 1997, 1998, 1999 and 2000, which were all years of record home sales for Toll Brothers.

"We believe our success is determined by our ability to weather fluctuations in the mortgage market. In the three years in which national home sales have declined, these have stifled our ability to

"We've watched some markets go through a period of decline. It appears to us that the basic fundamentals of wealth accumu

ted communities than by periods of mortgage rate hikes, and a stock market decline. None of

appears to us that the basic fundamentals of wealth accumu and should continue to support

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our business model. With approximately 79,500 lots under control, we believe we can continue on a path of growth for many years to come."

Joel H. Rassman, chief financial officer, stated: "Based on our record third quarter backlog of 9,490 homes, we now expect to deliver between 2,750 and 2,850 homes (including deliveries from our recent Landstar acquisition) in our fourth quarter 2005 at an average price of between \$675,000 and \$685,000. We now expect net income growth of over 80% (and over 75% earnings per share growth) in FY 2005 compared to FY 2004's record results.

"Based on our backlog, we believe we should deliver between 10,200 and 10,600 homes in FY 2006 at an average price of approximately \$665,000, which should translate into FY 2006 home building revenues in the range of approximately \$6.78 billion to approximately \$7.05 billion."

Toll Brothers' financial highlights for the three-month and nine-month periods ended July 31, 2005 (unaudited):

- The Company's FY 2005 third-quarter net income of \$215.5 million, the highest for any quarter in the Company's history, grew by 103% over FY 2004's third-quarter net income of \$106.0 million, the previous third-quarter record. FY 2005 third-quarter earnings per share of \$1.27, also a single quarter record, rose 92% over FY 2004's earnings per share of \$0.66.
- The Company's FY 2005 record nine-month net income of \$495.9 million grew by 117% over FY 2004's nine-month net income of \$228.5 million, the previous nine-month record. FY 2005 record nine-month earnings per share of \$2.94 rose 109% over FY 2004's nine-month earnings per share of \$1.41, the previous nine-month record.
- FY 2005 third-quarter revenues of \$1.56 billion, the highest for any quarter in the Company's history, increased 54% over FY 2004's third-quarter revenues of \$1.01 billion, the previous third-quarter record. FY 2005 third-quarter home building revenues of \$1.54 billion (2,310 homes), also the highest for any quarter in the Company's history, increased 55% over FY 2004's third-quarter home building revenues of \$991.3 million (1,600 homes), the previous record. Revenues for the nine-month period ended July 31, 2005 of \$4.56 billion, also a record, increased 54% over FY 2004's nine-month revenues of \$2.94 billion. FY 2005's third quarter earnings per share of \$1.27, also a record, increased 92% over FY 2004's third quarter earnings per share of \$0.66.
- FY 2005 record nine-month earnings per share of \$2.94 rose 109% over FY 2004's nine-month earnings per share of \$1.41, the previous nine-month record.

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57% versus FY 2004's nine-month revenues of \$2.43 billion, the previous nine-month record. FY 2005 record nine-month home building revenues of \$3.75 billion (5,812 homes) increased 57% over FY 2004's nine-month home building revenues of \$2.40 billion (4,232 homes), also the previous nine-month record. FY 2005 revenues from land sales for the nine-month period totaled \$21.6 million, compared to \$20.9 million in the same period in FY 2004.

- In addition, in the Company's FY 2005 third-quarter and nine-month periods, unconsolidated entities in which the Company had an interest delivered \$25.7 million (57 homes) and \$90.5 million (207 homes), respectively, compared to \$12.1 million (30 homes) and \$15.5 million (41 homes), respectively, in the same periods of fiscal 2004. The Company's share of the profits from the delivery of these homes is included in 'Equity Earnings in Unconsolidated Entities' on the Company's Income Statement.
- The Company's record FY 2005 third-quarter contracts of \$1.92 billion (2,746 homes), grew by 19% over FY 2004's third-quarter contracts of \$1.61 billion (2,329 homes), the previous third-quarter record. In addition, in third quarter 2005, unconsolidated entities in which the Company had an interest signed contracts of \$63.4 million (111 homes).
- FY 2005's record nine-month contracts of \$5.56 billion (8,100 homes), grew by 35% over FY 2004's total of \$4.11 billion (6,436 homes), the previous nine-month record. In addition, in the nine-month FY 2005 period, unconsolidated entities in which the Company had an interest signed contracts of \$164.1 million (270 homes).
- FY 2005 third-quarter-end backlog of \$6.43 billion (9,490 homes), the highest for any quarter in the Company's history, increased 48% over FY 2004's third-quarter-end backlog of \$4.35 billion (6,856 homes), the previous third-quarter record. In addition, unconsolidated entities in which the Company had a backlog of \$1.1 billion (1,700 homes).
- In FY 2005's third quarter, the Company repaid \$100 million of Total Debt, including \$50 million of the 2009 and repaid all of the 2005 Finance Corp. Bank Term Loan Facility due 2005. The

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redemption and repayment resulted in an after-tax charge for the Company's third-quarter and nine-month periods of \$0.01 per share (diluted). In FY 2004, the Company's nine-month results included an after-tax charge of \$0.03 per share (diluted) due to early retirement of \$170 million of 8 1/8% senior subordinated notes due 2009 and the write-off of unamortized debt issuance costs related to the replacement of Toll Brothers' \$575 million revolving credit facility with a \$1.2 billion revolving credit facility of longer term and lower pricing.

Toll Brothers will be broadcasting live via the Investor Relations section of its website, [www.tollbrothers.com](http://www.tollbrothers.com), a conference call hosted by chairman and chief executive officer Robert I. Toll at 2:00 p.m. (EDT) today, August 25, 2005, to discuss these results and our outlook for fiscal 2005. Prior to this conference call, the Company intends to file a Form 8-K with the Securities and Exchange Commission containing its guidance for expected results of operations for Fiscal 2005 and Fiscal 2006, which will be discussed on the call. To access the call, enter the Toll Brothers website, then click on the Investor Relations page, and select "Conference Calls". Participants are encouraged to log on at least fifteen minutes prior to the start of the presentation to register and download any necessary software. The call can be heard live with an on-line replay which will follow and continue through October 31, 2005.

Toll Brothers, Inc. is the nation's leading builder of luxury homes. The Company began business in 1967 and became a public company in 1986. Its common stock is listed on the New York Stock Exchange and the Pacific Exchange under the symbol "TOL". The Company serves move-up, empty-nester, active-adult and second-home home buyers and operates in 20 states: Arizona, California, Colorado, Connecticut, Delaware, Florida, Illinois, Massachusetts, Maryland, Michigan, Minnesota, Nevada, New Jersey, New York, North Carolina, Pennsylvania, Rhode Island, South Carolina, Texas, and Virginia.

Toll Brothers builds luxury single-family detached and attached home communities, master planned luxury residential resort-style golf communities and urban low-, mid- and high-rise communities, principally on land it develops and improves. The Company operates its own architectural, engineering, mortgage, title, land development and land sale, golf course development and management, home security, landscape, cable T.V. and broadband Internet delivery subsidiaries. The Company also operates its own lumber distribution, and house component assembly and manufacturing operations.

Toll Brothers, a FORTUNE 500 Company, is the only publicly traded national home building company to have won all three of the industry's highest honors: America's Best Builder from the National Association of Home Builders, the National Housing Quality Award and Builder of the Year. For more information, visit [tollbrothers.com](http://tollbrothers.com).

Certain information included here is forward-looking within the meaning of the Securities Act of 1933 and is limited to, statements concerning changes in profitability, interest rates, the ability to obtain necessary governmental approvals and the ability to open new communities, the ability to sell homes and properties, the ability to deliver homes from

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statements and presentations is that of 1995, including, but not limited to, changes in revenues, changes in interest rates, income from joint ventures and the ability to obtain necessary governmental approvals and

backlog, the average delivered price of homes, the ability to secure materials and subcontractors, the ability to maintain the liquidity and capital necessary to expand and take advantage of future opportunities, and stock market valuations. Such forward-looking information involves important risks and uncertainties that could significantly affect actual results and cause them to differ materially from expectations expressed herein and in other Company reports, SEC filings, statements and presentations. These risks and uncertainties include local, regional and national economic conditions, the demand for homes, domestic and international political events, uncertainties created by terrorist attacks, the effects of governmental regulation, the competitive environment in which the Company operates, fluctuations in interest rates, changes in home prices, the availability and cost of land for future growth, the availability of capital, uncertainties and fluctuations in capital and securities markets, changes in tax laws and their interpretation, legal proceedings, the availability of adequate insurance at reasonable cost, the ability of customers to finance the purchase of homes, the availability and cost of labor and materials, and weather conditions.

TOLL BROTHERS, INC. AND SUBSIDIARIES  
CONDENSED CONSOLIDATED BALANCE SHEETS  
(Amounts in thousands)

	July 31, 2005	October 31, 2004
	-----	-----
ASSETS	(Unaudited)	
Cash and cash equivalents	\$ 505,947	\$ 465,834
Marketable securities		115,029
Inventory	4,840,115	3,878,260
Property, construction and office equipment, net	72,735	52,429
Receivables, prepaid expenses and other assets	166,858	146,212
Mortgage loans receivable	82,929	99,914
Customer deposits held in escrow		
Investments in and advances to unconsolidated entities		

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LIABILITIES AND  
STOCKHOLDERS' EQUITY

Liabilities:

Loans payable	\$ 152,655	\$ 340,380
Senior notes	1,139,743	845,665
Senior subordinated notes	350,000	450,000
Mortgage company warehouse loan	72,149	92,053
Customer deposits	438,184	291,424
Accounts payable	261,244	181,972
Accrued expenses	767,510	574,202
Income taxes payable	173,708	209,895
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Total liabilities	3,355,193	2,985,591
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Stockholders' equity:

Preferred stock, none  
issued

Common stock	1,563	770
Additional paid-in capital	260,178	200,938
Retained earnings	2,265,808	1,770,730
Unearned compensation	(760)	
Treasury stock	(111)	(52,451)
	-----	-----
Total stockholders' equity	2,526,678	1,919,987
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\$ 5,881,871	\$ 4,905,578
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TOLL BROTHERS, INC. AND SUBSIDIARIES  
CONDENSED CONSOLIDATED STATEMENTS OF INCOME  
(Amounts in thousands)

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Revenues:

Home sales	\$3,751,594	\$2,395,150	\$1,536,499	\$ 991,264
Land sales	21,608	20,938	10,583	12,940
Equity earnings in unconsolidated entities	9,539	6,945	4,231	5,551
Interest and other	26,575	7,483	10,583	3,364
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	3,809,316	2,430,516	1,561,896	1,013,119
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Costs and expenses:

Home sales	2,539,885	1,716,535	1,023,743	709,484
Land sales	15,707	14,315	9,612	7,509
Selling, general and administrative expenses	349,706	270,155	126,283	103,608
Interest	85,532	59,970	35,594	24,216
Expenses related to early retirement of debt	4,056	8,229	4,056	481
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	2,994,886	2,069,204	1,199,288	845,298
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Income before income

taxes	814,430	361,312	362,608	167,821
Income taxes	318,572	132,775	147,076	61,806
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Net income	\$ 495,858	\$ 228,537	\$ 215,532	\$ 106,015
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Earnings per share:

Basic	\$ 3.22	\$ 1.54	\$ 1.39	\$ .71
Diluted	\$ 2.94	\$ 1.41	\$ 1.27	\$ .66

Weighted average  
number of shares:

Basic	:				5
Diluted	:				0

Additional  
information:

Interest incurred	\$ 87,069	\$ 85,137	\$ 28,921	\$ 28,632
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Depreciation and

amortization           \$   17,206   \$   11,231   \$   6,327   \$   3,895

THREE MONTHS ENDED JULY 31,  CLOSINGS	UNITS		\$ (MILL)	
	3rd Qtr. 2005	3rd Qtr. 2004	3rd Qtr. 2005	3rd Qtr. 2004
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Northeast				
(CT, MA, NH, NJ, NY, RI)	310	256	184.0	149.8
Mid-Atlantic (DE, MD, PA, VA)	886	616	554.4	314.4
Midwest (IL, MI, OH)	178	136	110.7	74.4
Southeast (FL, NC, SC)	236	205	139.0	97.9
Southwest (AZ, CO, NV, TX)	361	205	239.2	124.7
West Coast (CA)	339	266	309.2	230.1
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	2,310	1,684	1,536.5	991.3
Unconsolidated entities	57	30	25.7	12.1
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	2,367	1,714	1,562.2	1,003.4
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CONTRACTS

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Northeast				
(CT, MA, NH, NJ, NY, RI)	459	270	295.1	155.4
Mid-Atlantic (DE, MD, PA, VA)	758	748	522.9	473.8
Midwest (IL, MI, OH)	149	164	108.4	105.9
Southeast (FL, NC, SC)	606	361	360.0	229.5
Southwest (AZ, CO, NV, TX)	544	455	391.6	300.0
West Coast (CA)	230	331	238.2	341.6
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	2,746	2,329	1,916.2	1,606.2
Unconsolidated entities	111	188	63.4	79.1
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				.3
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BACKLOG

Northeast

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(CT, MA, NH, NJ, NY, RI)	1,508	1,051	966.5	596.1
Mid-Atlantic (DE, MD, PA, VA)	2,639	2,305	1,750.8	1,320.6
Midwest (IL, MI, OH)	505	458	358.3	279.2
Southeast (FL, NC, SC)	2,081	696	1,150.1	421.5
Southwest (AZ, CO, NV, TX)	1,926	1,278	1,315.1	774.7
West Coast (CA)	831	1,068	893.0	953.7
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	9,490	6,856	6,433.8	4,345.8
Unconsolidated entities	237	172	149.4	71.4
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	9,727	7,028	6,583.2	4,417.2
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NINE MONTHS ENDED JULY 31,	UNITS		\$ (MILL)	
	9 Months 2005	9 Months 2004	9 Months 2005	9 Months 2004
CLOSINGS	2005	2004	2005	2004
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Northeast				
(CT, MA, NH, NJ, NY, RI)	793	655	447.6	379.1
Mid-Atlantic (DE, MD, PA, VA)	2,308	1,555	1,400.0	789.9
Midwest (IL, MI, OH)	414	307	256.8	174.0
Southeast (FL, NC, SC, TN)	588	518	328.7	243.0
Southwest (AZ, CO, NV, TX)	914	544	584.0	313.9
West Coast (CA)	795	653	734.5	495.3
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	5,812	4,232	3,751.6	2,395.2
Unconsolidated entities	207	41	90.5	15.5
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	6,019	4,273	3,842.1	2,410.7
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#### CONTRACTS

Northeast				
(CT, MA, NH, NJ, NY, RI)				.8
Mid-Atlantic (DE, MD, PA, VA)				.5
Midwest (IL, MI, OH)				.9
Southeast (FL, NC, SC, TN)				.3
Southwest (AZ, CO, NV, TX)	1,489	1,113	1,049.4	691.8

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West Coast (CA)	713	1,089	762.9	951.8
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	8,100	6,436	5,563.8	4,109.1
Unconsolidated entities	270	198	164.1	82.2
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	8,370	6,634	5,727.9	4,191.3
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