



**Toll Holdings Limited**  
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The Manager  
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Dear Sir

**2009 ANNUAL GENERAL MEETING – CHAIRMAN AND MANAGING DIRECTOR  
SPEECHES**

Please find attached for immediate release to the market the speeches by the Company's Chairman and Managing Director at the Annual General Meeting scheduled for 11am AEST on 29 October 2009.

Yours faithfully  
**TOLL HOLDINGS LIMITED**

  
**Bernard McInerney**  
**Company Secretary**

Encl.

**Toll Holdings Limited  
2009 AGM**

**Chairman's Presentation**

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The 2009 financial year for Toll produced an outstanding result, at a time when many companies were required to explain significantly reduced financial performances to their shareholders.

Strong operational performance including ongoing revenue growth momentum and effective cost control, resulted in minimal margin contraction across the Group's wide range of diverse service offerings.

As the Group grows its regional and global footprint, operations outside of Australia will continue to strengthen as we tap into new fertile markets and reach critical economies of scale to reduce operating costs.

As well as producing excellent profitability for the period, management generated a very strong balance sheet with low gearing and no debt rollover concerns, the likes of which challenged many listed companies during the year.

Toll's ever expanding global network now boasts operations throughout 55 countries and in excess of 35,000 employees.

The recently announced Footwork acquisition in Japan is further evidence of the Group's total commitment to its expansion program within the Asia Pacific region. This acquisition further promotes Toll as a leading provider of transport and logistics services throughout this key region for the Group.

## **RESULTS**

The company reported revenue growth of 16% and growth in net profit after tax of 14%, before non recurring items.

The Group maintained a strong balance sheet and at the same time reduced gearing to an impressive 12.2%.

EBIT margins in Australia and New Zealand were maintained at 7.6% and Toll Asia margins remained at 10.5%, driven by effective cost control.

Global Forwarding's margins fell from 3% to 2% as the volume of global trade reduced significantly in line with the global financial crisis (GFC).

Whilst acquisitions remain the key growth source for the Group, new contract wins continue to make a significant contribution to overall growth.

## **CORPORATE GOVERNANCE**

The company continues to maintain sound Corporate Governance practices, including ensuring that all regulatory issues are well managed; particularly those relating to the ACCC undertakings provided at the time of the Groups restructure in 2007.

The company is very aware of the ASX guidelines and maintains disciplines relating to:

- Operation of the Board and its sub committees;
- Ethical and Responsible decision making;
- The company's Securities Trading Policy; and
- The Groups approach to Risk Management and Safety.

Good risk management underpins a successful business and is an integral part of the management processes and culture at Toll.

The Board has received and is satisfied with the report from Management on the Group's material business risks and the effectiveness of the company's management of these risks.

Risks can never be completely eliminated but the Board and Management have put in place integrated risk management programs that aim to ensure risks are identified, assessed and appropriately managed.

A key element of corporate governance is the principle of independence, both of its non executive directors and the company's auditors. As has always been its practice, the company monitors all material non-audit related work undertaken by its auditors.

Toll is and will remain an acquisitive company. This strategy will at times involve complex acquisitions and major structural changes both locally and off shore. These activities require specialist advice. The Board is satisfied that the work undertaken by KPMG does not impact their independence as the company's Statutory Auditor, and that the level of fees incurred is competitive and appropriate for the services provided. Where material and appropriate, non-audit work is subject to tender submissions from other professional firms.

## **SUCCESSION PLANNING**

Succession planning remains critically important to the Group as it underpins our future growth and continued success.

The Toll Board is acutely aware of its responsibility to create a cohesive succession plan, developing our people and promoting wherever possible internal appointments to senior roles.

Succession planning is a key priority for the company's Human Resources Director, Lesley Staples, who started with the Group early in the '09 financial year.

## REMUNERATION

I would now like to talk to you about the work the Board's Remuneration and Succession Planning Committee has done on the Group's remuneration framework. We have heard your concerns and have comprehensively reviewed our remuneration structure and strategy as a result. The strategy includes the commissioning of an extensive independent review around remuneration which has focussed on:

- Alignment with shareholder and market expectations
- Alignment with business strategy and performance
- Investment in top talent and
- The capability, governance and independence of the remuneration and succession planning committee

**We have aligned the company's remuneration structures with shareholders and market expectations.** The process has demonstrated that Toll executive remuneration is appropriate and market competitive, being based on external information and annual market reviews. For this financial year, despite the company's solid performance, my fellow directors and I, along with our top 150 executives, had fees and fixed remuneration frozen in recognition of the difficult global economic environment.

**By taking appropriate steps for both short term and long term incentives we have aligned remuneration with our business strategy and performance.** We are also introducing a relative total shareholder return performance hurdle, as part of a dual hurdle, to our long-term incentive plan and have determined not to change the stretch targets relating to our long term incentive plan hurdle of earnings per share performance during a global financial crisis.

**We continue to invest in top executive talent.** When you get right down to it, the Board has a balance to maintain. Toll needs the best people in the industry working for it which means we need to make Toll the global employer of choice for the logistics industry. However, shareholders want to be sure the senior management are not overpaid. Maintaining the balance means putting the right remuneration structure in place to reward short term and long term performance. The Board now believes that balance is right but we will remain vigilant about that assessment.

**The Members of our Remuneration and Succession Planning Committee are capable and experienced and led by Mr Harry Boon.**

We will continue to align remuneration with business strategy, performance and stakeholder expectations while ensuring we have the required top talent

and that our people are motivated and committed to drive Toll's ongoing success.

## **REDUCTION OF ENTITIES**

In response to the Australian Shareholders Association's inquiry relating to the number of listed entities in the Group, a reduction of 18 controlled entities occurred during the period.

Post 30 June 2009, a further 30 entities are at various stages of liquidation or removal.

Shareholders should note that Toll's acquisitive nature will establish an ongoing requirement to remove surplus or unneeded entities. Acquisitions often bring with them many new controlled entities.

## **CHAIRMAN'S WORKLOAD**

I noticed a recent report about my workload as Toll's Chairman. Chairing a great company like this is a huge honour and I would not undertake the role unless I was absolutely confident I was the right person to do it.

I have not missed a single Board or Committee meeting during the year across Board, Audit and Risk, Remuneration and Succession Planning, Nomination and Corporate Governance. In addition, I have convened and attended regular meetings with the CEO to discuss the day to day issues impacting on the company.

The current Board I lead is deeply engaged with the business, setting strategic direction and policies for the management. The company deserves that level of diligence and I believe it gets it from this Board.

Whilst naturally I have other Board and Committee commitments outside of Toll, I have no hesitation in assuring shareholders that I have the time, energy, skills and experience necessary for my role as Chairman.

## **OUTLOOK**

Whilst economic conditions remain generally challenging in most of the geographies in which the company operates, we continue to see signs that confidence is returning in key locations.

M&A growth and outsourcing opportunities are likely to positively impact revenue forecasts during the second half of the 2010 financial year.

Our Managing Director Mr Paul Little will comment further on the outlook in his address.

In closing, I wish to convey my thanks.

Firstly I would like to thank my fellow Directors for their hard work and continuous advice. We have a board with a broad skill base that work very hard and contribute to the Toll success.

And I would particularly like thank our Managing Director and all of his fine management team for the hard work and effort put in to the success of Toll. Paul is an outstanding CEO and his management skills and his ability to seek favourable acquisitions and synergise those businesses quickly within the Toll Group is one of the main reasons for the success of Toll.

The Board expresses all their thanks to Paul and the management team for this year's fine effort.

**Toll Holdings Limited  
2009 AGM**

**Managing Directors Presentation**

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**INTRODUCTION**

The 2009 financial year presented the company and its management with significant challenges and opportunities across all sectors of the business.

Deteriorating economic conditions and the resulting knock on effect of softer volumes, meant margins were under pressure, particularly in the second half of the year and especially in those parts of the business that have multi economy exposures such as Global Forwarding.

Highlights for the year include a strong financial result in very tough economic conditions.

Acquisition and major contract wins again featured prominently.

Annualised revenue for the top 15 major account wins was approximately AUD \$273 million.

Whilst M&A activity was more subdued than previous years, the six key acquisitions executed in the last 16 months, should generate \$1.1 billion of annual revenue for various operations across the Group.

During the year the company sold its remaining investment in Virgin Blue and Brambles Industries.

**FINANCIAL PERFORMANCE**

This summary highlights the key financial benefits achieved under the Group's strategy of aggressive growth combined with strong cost control.

Revenue across diversified geographies and industry sectors, generated an excellent 16% increase, in what was arguably the toughest conditions seen by the industry in the past 20 years.

Looking at the actual change in revenue within Australia and New Zealand – organic growth was estimated at 1.3% and acquisitions made up the balance, with a further 3.7% increase.

In Asia – a 1.6% increase in organic revenue growth was achieved, plus currency benefits from a strong Australian dollar also assisted the result.

In Toll Global Forwarding – the full year impact of acquisitions was partially offset by decreased volumes in the second half.

- Group EBIT increased by 9% driven by strong results from Toll Express, Contract Logistics and our Resources business in Australia.
- The full year benefit of prior period acquisitions was enjoyed by Toll Australia and Global Forwarding.
- Currency benefits also had a positive financial impact in Toll Asia and Toll Global Forwarding.

It should be noted however, that while currency helped improve EBIT, it increased the interest expense given the debt held in Singapore dollars.

- The effective tax rate remained at 27%, which was not dissimilar to the 07/08 year.
- NPAT from continuing operations increased by 14% year on year.

Finally, our continued focus on cash management generated a very strong balance sheet with gearing falling to 12.2%.

### **Cashflow**

Continued focus on cash and capital management throughout the year combined to generate strong cashflow outcomes.

Net operating cashflow of \$774 million resulted from a healthy EBITDA contribution plus the impact of lower receivables. This pleasing cashflow performance also had a positive impact on our Balance Sheet position at 30 June.

### **Balance Sheet**

As previously mentioned, we ended the year with 12.2% gearing compared with 37.6% last financial year. In addition, we had \$715m of unutilised, committed facilities, so we are very well positioned for growth.

### **Debt**

In terms of debt maturity profile, we are well placed with the majority of facilities not maturing until 2012 or later.

At 30 June we had \$1.6 billion in cash and unused facilities.

In summary, our debt coverage ratios, including interest cover, are in very good shape.

## **Earnings per share**

Earnings per share pre amortisation and investment write downs for the second half were 19.8 cents, producing a full year result of 48 cents.

The company declared a final dividend of 13.5 cents, generating a full year payout of 25 cents.

The fully franked dividends represent a payout ratio of 52%, which is in line with our ongoing growth strategy.

## **SAFETY PERFORMANCE**

We have achieved a great reduction in our injury frequency rate over the past eight years whilst at the same time, continuing to significantly grow the company. However, the Toll Board and senior management believe that Toll can improve further and edge towards our NO injuries goal. As a leading innovative service company, we are committed to working with employees, contractors and customers to achieve our committed goal.

### **Five key initiatives with safety include:**

- Introduction of a stringent Group Occupational Health and Safety performance standards and associated procedures.
- An enhanced focus on identifying, assessing and controlling OHS risks.
- The development of an incident investigation training course for key divisional personnel.
- A focus on minimisation of risk associated with driver fatigue.
- An enhanced focus on improving safety attitudes and behaviour, will be achieved through training and education at all levels.

## **NEW STRUCTURE**

Toll formalised and released its revised structure effective 1<sup>st</sup> June 2009.

The structure is aimed at aligning key businesses within the Group, to best meet the needs of the increasingly complex and global demands of our client base.

The structure is also mindful of the succession planning needed to ensure the company's growth momentum continues in a cohesive and logical manner.

## **OPERATIONAL OVERVIEW**

### **Consolidated**

Whilst Australia continued to be the key contributor to Group earnings, its percentage contribution reduced marginally as Toll Global Forwarding and Toll Asia enhanced their respective positions.

It is envisaged this trend will continue, as future growth from M&A, outsourcing and contract wins are more likely from outside Australia and New Zealand.

### **Australia and New Zealand**

New contract wins were again a feature of the Australian operation throughout the 09 year.

Volumes and margins were under pressure in the second half, particularly post Easter. Toll Express and Contract Logistics were standout performers, with cost control and margin retention being key features in a very competitive environment.

Operations in New Zealand again suffered from soft economic conditions and low growth opportunities.

### **Asia**

Contracts with Singapore defence, our Loyang oil and gas base plus Toll Marine, all performed strongly and in line with targets.

A strategy is underway to establish 100% ownership of our ST-Anda joint venture in China and Footwork as recently advised is now fully owned by the Group.

Contract retention was a major focus in an environment where contract terms are typically far shorter than in Australia. Organic growth also held up well.

New contract wins in Asia remain an ongoing key focus, as the Group signed major names such as:

- Proctor & Gamble
- Coca Cola
- Nike
- Nestle

In addition, our Asian Contract Logistics operation is very well placed to benefit from M&A activity and improved economic conditions, now apparent in major economies such as China and India.

## **Global Forwarding**

The BALtrans business, now branded Toll Global Forwarding, acquired in April 08, together with the Gluck acquisition in Australia, generated strong revenue and margin improvement in the first half of the 09 year.

The second half saw volumes fall sharply and whilst the first quarter of the 2010 financial year has seen some improvement, we are not yet back to 2008 trading levels.

Global Forwarding based in Hong Kong has spent the last 18 months growing its global network, hiring key industry personnel and introducing a single IT platform to fully integrate the network and interface with customers.

Global Forwarding has significant M&A growth opportunities which are essential for the business to achieve scale through the network and linehaul leverage with third party shipping companies and airlines.

## **MAINTAINING GROWTH**

Toll's future success in very simple terms, will be determined by our ability and willingness to continue growing dynamically into our chosen regional and global markets.

The Company has now been restructured to allow its key service offerings to be sold to customers and industries wanting global solutions.

Growth by acquisition again featured with six significant acquisitions occurring in the 16 month period leading up to today's AGM.

Organic growth including new contract wins also materially contributed with annualised revenue of \$273 million won from the top 15 contract wins by the Group.

## **ENVIRONMENT**

Toll is a regional leader in the logistics industry, and we are very conscious of our responsibility to manage our business wisely.

We are committed to improving our contribution to sustainability and assisting our customers and the broader Australian community to meet the challenges of climate change.

However, the planned introduction of the Carbon Pollution Reduction Scheme (CPRS) will add cost and complexity to the Australian economy and Toll, by placing a cost on carbon for the first time.

Increased costs from a carbon tax will be reflected in increased fuel and energy costs and ultimately our charges. This is unlikely however to affect demand for our services, as transport tends to be price inelastic – people and companies still move their goods.

The Group has a key focus on significantly reducing the level of greenhouse gas we emit into the atmosphere. As a major operator of road transport fleet, we have a keen interest to establish areas where we believe reductions can be achieved. Areas such as:

1. Improvement in operating efficiency via
  - driver training
  - equipment specification
  - reduced empty running
2. In addition to operational efficiency, depot and facility design present key opportunities. Reductions in electricity, gas and water are important areas where savings are being made.
3. Then there is the opportunity to utilise alternative fuels in road vehicles. CNG and LNG are both currently being trialled in Australia and early indications look encouraging for achieving reduced operating costs and of course reduced emissions.
4. Finally modal shift presents a major opportunity for reduced emissions.

Whilst a shift from road to rail or rail to sea, usually provides customers with reduced freight cost as well as being an environmental winner, we can't do it without the cooperation of our client and infrastructure providers.

We have had a number of questions from shareholders, and I will deal with these next.

### **Write offs**

A significant write off of \$945 million for discontinued operations, predominantly relating to Virgin Blue, occurred in the 08 financial year.

We continually test the carrying value of our businesses and it was pleasing that this process did not result in any major write offs in the 2009 financial year.

In the 2010 year, we will of course continue to rigorously monitor the carrying value of assets, particularly at half year and full year end.

In the year to date we are not aware of any material impairments, other than a non-cash re-measurement loss on our initial investment in Footwork Japan of up to \$30 million.

Footwork is an excellent investment for the Group and its acquisition is consistent with the long term strategy of expanding our express operations into the Asia Pacific region.

## **Foreign Exchange**

Further to the Australian Shareholders Association's query on foreign exchange and hedging, Toll converts foreign currency denominated earnings at month end, at the average of the exchange rate for the month.

As at September 2009, the impact of FX movements has adversely affected our A\$ earnings but was not material to the Group's financial position. It is worth noting that the majority of the Group's earnings still currently come from Toll's Australian business. As the level of earnings from our offshore investments grows, the impact of FX movements will naturally increase.

Wherever possible, we establish "natural" hedges either by transaction revenues and costs being denominated in the same currency, or by matching the currencies of the Group's assets with liabilities denominated in the same currency.

We will continue to report results of foreign operations in both A\$ and local currency to enable shareholders to understand the underlying performance of our businesses as well as understand potential foreign exchange exposures.

## **OUTLOOK**

Whilst economic activity remains generally flatter across most industry sectors compared to pre Global Financial Crisis levels, volumes are showing signs of improvement, and the Company's financial performance is in line with its targets, year to date.

Short to medium term transparency of customer volumes and trends remains uncertain and challenging. In addition, the translation of earnings from our offshore businesses is being adversely affected by the stronger Australian dollar.

The second quarter trading volumes contain key seasonally high targets, and trading over the next six weeks will be critical in achieving full year targets.

Outsourcing opportunities remain at record levels and a number of very good prospects are currently being pursued.

M&A opportunities remain exciting with valuation multiples still low and private equity under pressure to release debt laden assets.

Toll is excellently positioned to benefit from economic recovery, particularly in our global forwarding and express activities throughout Asia-Pacific.