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Toll Holdings Limited
ABN 25 006 592 089

**2 April 2015**

The Manager
Australian Stock Exchange
Company Announcement Office
Level 4
20 Bridge Street
Sydney NSW 2000

**Lodged Through ASX On Line**
Total No. of Pages: 164

Dear Sir

## Scheme Booklet registered with ASIC

Please find attached an ASX and Media Release, and a copy of the Scheme Booklet and Proxy Form, relating to the Scheme of Arrangement for the proposed acquisition of Toll Holdings Limited by Japan Post Co., Ltd.

Yours faithfully
**TOLL HOLDINGS LIMITED**

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

Encl.

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Toll Holdings Ltd
ABN 25 006 592 089

# ASX and media release

Thursday 2 April 2015

## Scheme Booklet registered with ASIC

- **Scheme Booklet, including Independent Expert's Report, registered with ASIC**
- **Scheme Booklet to be sent to shareholders on or about Monday, 13 April 2015**

Toll Holdings Limited ("Toll") today announced that the Australian Securities and Investments Commission has registered the Scheme Booklet in relation to the proposed acquisition of Toll by Japan Post Co., Ltd. ("Japan Post") via a Scheme of Arrangement ("Scheme").

If the Scheme is approved by the requisite majority of Toll shareholders and all other conditions precedent are satisfied or waived (where capable of waiver), Toll shareholders will receive a payment of A$9.04 cash per share on the implementation date (currently expected to be on or about Thursday, 28 May 2015*).

A copy of the Scheme Booklet, which includes an Independent Expert's Report, a Notice of Scheme Meeting and a copy of the proxy form for the Scheme Meeting, is attached to this announcement. Copies of the Scheme Booklet will be sent to Toll shareholders on or about Monday, 13 April 2015 (and those shareholders who have previously nominated an electronic means of notification to Toll's share registry will be able to access the materials electronically).

The Toll Board continues to unanimously recommend that Toll shareholders vote in favour of the Scheme at the upcoming Scheme Meeting to be held on Wednesday, 13 May 2015.

**Dates are subject to all necessary approvals from the court and any other regulatory authority.*

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Toll Holdings Limited
ACN 006 592 089

# Scheme Booklet

For a scheme of arrangement between Toll Holdings Limited and its shareholders in relation to the proposed acquisition by Japan Post Co., Ltd

# VOTE IN FAVOUR

Your Directors unanimously recommend that you vote in favour of the Scheme in the absence of a superior proposal

Financial Adviser

Legal Adviser

**This is an important document and requires your immediate attention.**

You should read it in its entirety before deciding whether or not to vote in favour of the Scheme.

If you are in any doubt about how to deal with this document, you should contact your broker or financial, taxation or legal adviser immediately.

# Important Notices

## Nature of this document

This Scheme Booklet provides Toll Shareholders with information about the proposed acquisition of Toll by Japan Post. If you have sold all of your Toll Shares, please ignore this booklet.

## Defined terms

A number of defined terms are used in this Scheme Booklet. These terms are explained in section 9 of this Scheme Booklet.

## No investment advice

The information contained in this Scheme Booklet does not constitute financial product advice and has been prepared without reference to your own investment objectives, financial situation, taxation position and particular needs. It is important that you read this Scheme Booklet in its entirety before making any investment decision and any decision as to whether or not to vote in favour of the Scheme. If you are in any doubt in relation to these matters, you should consult your financial, legal, taxation or other professional adviser.

## Not an offer

This Scheme Booklet does not constitute or contain an offer to Toll Shareholders, or a solicitation of an offer from Toll Shareholders, in any jurisdiction.

## Foreign jurisdictions

The release, publication or distribution of this Scheme Booklet in jurisdictions other than Australia may be restricted by law or regulation in such other jurisdictions and persons outside of Australia who come into possession of this Scheme Booklet should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable laws or regulations.

This Scheme Booklet has been prepared in accordance with Australian law and the information contained in this Scheme Booklet may not be the same as that which would have been disclosed if this Scheme Booklet had been prepared in accordance with the laws and regulations outside Australia.

## Regulatory information

This document is the explanatory statement for the scheme of arrangement between Toll and the holders of its fully paid ordinary shares as at the Scheme Record Date for the purposes of section 412(1) of the Corporations Act. A copy of the proposed Scheme is included in this booklet as Annexure B.

A copy of this Scheme Booklet was provided to ASIC for examination in accordance with section 411(2)(b) of the Corporations Act and was lodged with ASIC for registration under section 412(6) of the Corporations Act. It was then registered by ASIC under section 412(6) of the Corporations Act before being sent to Toll Shareholders.

ASIC has been requested to provide a statement, in accordance with section 411(17)(b) of the Corporations Act, that ASIC has no objection to the Scheme. If ASIC provides that statement, it will be produced to the Court at the time of the Court hearing to approve the Scheme. Neither ASIC nor any of its officers takes any responsibility for the contents of this Scheme Booklet.

A copy of this Scheme Booklet has been provided to ASX. Neither ASX nor any of its officers takes any responsibility for the contents of this Scheme Booklet.

## Important notice associated with the Court order under section 411(1) of the Corporations Act

The fact that under section 411(1) of the Corporations Act the Court has ordered that a meeting be convened and has directed that an explanatory statement accompany the notice of meeting does not mean that the Court:

- has formed any view as to the merits of the proposed scheme or as to how members should vote (on this matter members must reach their own decision); or
- has prepared, or is responsible for, the content of the explanatory statement.

## Disclaimer as to forward-looking statements

This Scheme Booklet contains both historical and forward-looking statements. All statements other than statements of historical fact are, or may be deemed to be, forward-looking statements.

All forward-looking statements in this Scheme Booklet reflect views only as at the date of this Scheme Booklet, and generally may be identified by the use of forward-looking words such as "believe", "aim", "expect", "anticipate", "intending", "foreseeing", "likely", "should", "planned", "may", "estimate", "potential", or other similar words. Similarly, statements that describe Toll's or Japan Post's objectives, plans, goals or expectations are or may be forward-looking statements.

The statements contained in this Scheme Booklet about the impact that the Scheme may have on the results of Toll's operations and the advantages and disadvantages anticipated to result from the Scheme, are also forward-looking statements.

These forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements to differ materially from the anticipated results, performance or achievements, expressed, projected or implied by these forward-looking statements.

The operations and financial performance of Toll are subject to various risks, including those summarised in this Scheme

Booklet, which may be beyond the control of Toll and/or Japan Post. Toll Shareholders should note that the historical financial performance of Toll is no assurance of future financial performance of Toll (whether the Scheme is implemented or not). Those risks and uncertainties include factors and risks specific to the industry in which Toll operates as well as general economic conditions, prevailing exchange rates and interest rates and conditions in the financial markets. As a result, the actual results of operations and earnings of Toll following implementation of the Scheme, as well as the actual advantages of the Scheme, may differ significantly from those that are anticipated in respect of timing, amount or nature and may never be achieved.

The forward-looking statements included in this Scheme Booklet are made only as of the date of this Scheme Booklet.

Any forward-looking statements included in the Toll Information have been made on reasonable grounds. Although Toll believes that the views reflected in any forward-looking statements included in the Toll Information have been made on a reasonable basis, no assurance can be given that such views will prove to have been correct.

Any forward-looking statements included in the Japan Post Information have been made on reasonable grounds. Although Japan Post believes that the views reflected in any forward-looking statements included in the Japan Post Information have been made on a reasonable basis, no assurance can be given that such views will prove to have been correct.

None of Toll, Japan Post, Toll's officers, Japan Post's officers, any persons named in this Scheme Booklet with their consent or any person involved in the preparation of this Scheme Booklet makes any representation or warranty (express or implied) as to the likelihood of fulfilment of any forward-looking statement, or any events or results expressed or implied in any forward-looking statement, except to the extent required by law. You are cautioned not to place undue reliance on any forward-looking statement.

You should review all of the information in this Scheme Booklet carefully. Section 1.1 sets out the reasons why you should vote in favour of the Scheme and section 1.2 sets out the reasons why you may wish to vote against the Scheme.

All subsequent written and oral forward-looking statements attributable to Toll or Japan Post or any person acting on their behalf are qualified by this cautionary statement.

Subject to any continuing obligations under relevant laws or the listing rules of a relevant exchange, Toll and Japan Post do not give any undertaking to update or revise any such statements after the date of this Scheme Booklet, to reflect any change in expectations in relation thereto or any change in events, conditions or circumstances on which any such statement is based.

## Responsibility statement

Toll has been solely responsible for preparing the Toll Information. The information concerning Toll and the intentions, views and opinions of Toll and the Toll Directors contained in this Scheme Booklet has been prepared by Toll and the Toll Directors and is the responsibility of Toll. Japan Post and Japan Post's directors and officers do not assume any responsibility for the accuracy or completeness of any such Toll Information.

Japan Post has been solely responsible for preparing the Japan Post Information. The information concerning Japan Post and the intentions, views and opinions of Japan Post contained in this Scheme Booklet has been prepared by Japan Post and is the responsibility of Japan Post. Toll and the Toll Directors and officers do not assume any responsibility for the accuracy or completeness of any such Japan Post Information.

Grant Samuel has prepared the Independent Expert's Report in relation to the Scheme and takes responsibility for that report. The Independent Expert's Report is set out in Annexure A.

Boardroom Pty Limited has had no involvement in the preparation of any part of this Scheme Booklet other than being named as the Toll Registry. Boardroom Pty Limited has not authorised or caused the issue of, and expressly disclaims and takes no responsibility for, any part of this Scheme Booklet.

## Privacy

Toll and Japan Post may collect personal information in the process of implementing the Scheme. Such information may include the name, contact details and shareholdings of Toll Shareholders and the name of persons appointed by those persons to act as a proxy, attorney or corporate representative at the Scheme Meeting. The primary purpose of the collection of personal information is to assist Toll and Japan Post to conduct the Scheme Meeting and implement the Scheme. Personal information of the type described above may be disclosed to the Toll Registry, print and mail service providers, authorised securities brokers, Related Bodies Corporate of Toll and Japan Post, and Toll and Japan Post's advisers and service providers. Toll Shareholders have certain rights to access personal information that has been collected. Toll Shareholders should contact the Toll Registry in the first instance, if they wish to access their personal information. Toll Shareholders who appoint a named person to act as their proxy, attorney or corporate representative should ensure that they inform that person of these matters.

## Date of this Scheme Booklet

This Scheme Booklet is dated 2 April 2015.

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# Contents

# Key dates

| | |
|---|---|
| **Thursday, 2 April 2015** | Date of this Scheme Booklet |
| 10.00am (AEST) on **Monday, 11 May 2015** | Latest date and time for receipt of Proxy Forms or powers of attorney for the Scheme Meeting |
| 7.00pm (AEST) on **Monday, 11 May 2015** | Time and date for determining eligibility to vote at the Scheme Meeting |
| 10.00am (AEST) on **Wednesday, 13 May 2015** | Scheme Meeting to be held at Melbourne Convention Centre, Clarendon Auditorium, 1 Convention Centre Place, South Wharf, Melbourne 3006 |

### If the Scheme is approved by Toll Shareholders

| | |
|---|---|
| **Thursday, 14 May 2015** | Second Court Date for approval of the Scheme |
| **Thursday, 14 May 2015** | Effective Date<br><br>Court order lodged with ASIC and announcement to ASX<br><br>Last day of trading in Toll Shares – Toll Shares suspended from trading on ASX from close of trading |
| 7.00pm (AEST) on **Thursday, 21 May 2015** | Scheme Record Date for determining entitlements to Scheme Consideration |
| **Thursday, 28 May 2015** | Implementation Date<br><br>Payment of Scheme Consideration to Scheme Shareholders |

All dates following the date of the Scheme Meeting are indicative only and, among other things, are subject to all necessary approvals from the Court and any other Regulatory Authority. Any changes to the above timetable (which may include an earlier or later date for the Second Court Hearing) will be announced through ASX and notified on Toll's website at www.tollgroup.com/investors.

All references to time in this Scheme Booklet are references to AEST, unless otherwise stated.

Any obligation to do an act by a specified time in an Australian time zone must be done at the corresponding time in any other jurisdiction.

# Letter from the Chairman of Toll

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Toll Holdings Limited
ABN 25 006 592 089

2 April 2015

Dear Toll Shareholder

On 18 February 2015, Toll Holdings Limited announced that it had entered into a Scheme Implementation Deed with Japan Post, under which it is proposed that Japan Post will acquire all of the issued capital of Toll via a scheme of arrangement, subject to regulatory and shareholder approvals.

If the Scheme is approved and implemented, Toll Shareholders will receive a cash payment of $9.04 per Toll Share.

The proposed cash payment of $9.04 per Toll Share represents a 49% premium to the closing price of Toll Shares on 17 February 2015 (the last trading day before the announcement of the Transaction) and a 53% premium to the three month volume weighted average price of Toll Shares prior to announcement of the Transaction. The proposal represents an implied market capitalisation of $6,486 million[1] and an implied enterprise value of $8,019 million[2] for Toll.

Although we believe that Toll has significant growth prospects as an independent ASX-listed company, your Directors consider that the Scheme proposal is compelling for Toll Shareholders and recognises the inherent value of this iconic Australian logistics business.

The proposed acquisition of Toll is regarded by Japan Post as an important step by Japan Post to become a leading global logistics player. If the Scheme is approved and implemented, Japan Post has indicated that it intends that Toll will be run as a division within Japan Post spearheading its global operations and will retain the Toll name.

Your Directors consider that the proposal reflects the strategic value of the Toll business and its strong footprint throughout the Asia Pacific region. If the Scheme proceeds, your Directors believe that it will deliver great opportunities for Toll's staff, customers and strategic partners and that Toll's culture, built on safety and operational excellence, will complement Japan Post's established values.

**Your Directors unanimously recommend that you vote in favour of the Scheme and intend to vote the Shares they own or control in favour of the Scheme, in each case in the absence of a superior proposal.**

**Your Directors believe that the Scheme is likely to deliver higher value and greater certainty to Toll Shareholders than Toll continuing as a stand-alone entity.**

Your Directors unanimously consider that the Scheme is in the best interests of Toll Shareholders for the following reasons:

- the proposed consideration represents an opportunity for Toll Shareholders to realise certain cash value for their Toll Shares and is superior to other strategic options available to Toll;

[1] Implied market capitalisation calculated as $9.04 x 717,437,878, being the number of Toll Shares on issue as at 17 February 2015.
[2] Implied market capitalisation of $6,486 million plus net debt of $1,533 million as at 31 December 2014.

- the proposed consideration represents a significant premium to Toll's recent historical trading prices on the ASX and compares favourably to precedent transactions; and
- the Independent Expert has concluded that the Scheme is fair and reasonable and, therefore, is in the best interests of Toll Shareholders in the absence of a superior proposal.

**Independent Expert**

Your Directors appointed Grant Samuel as the Independent Expert to assess the merits of the Scheme. The Independent Expert has concluded that the Scheme is fair and reasonable and, therefore, is in the best interests of Toll Shareholders, in the absence of a superior proposal. The Independent Expert has assessed the full underlying value of Toll at between $8.22 and $9.10 per Toll Share. The Scheme Consideration of $9.04 per Toll Share is within this range.

A complete copy of the Independent Expert's Report is included in Annexure A of this Scheme Booklet.

**How to vote**

Your vote is important and I encourage you to vote by attending the Scheme Meeting or alternatively by completing the Proxy Form accompanying this Scheme Booklet. The Scheme requires court approval and the approval of Toll Shareholders at a Scheme Meeting to be held at 10.00am (AEST) on Wednesday, 13 May 2015 at Melbourne Convention Centre, Clarendon Auditorium, 1 Convention Centre Place, South Wharf, Melbourne 3006.

If you wish for the Scheme to proceed, it is important that you vote in favour of the Scheme and approve the Scheme.

**Further information**

This Scheme Booklet sets out important information regarding the Scheme, including the reasons for your Directors' recommendation and the Independent Expert's Report. It also sets out some of the reasons why you may wish to vote against the Scheme.

Please read this document carefully and in its entirety as it will assist you in making an informed decision on how to vote. I would also encourage you to seek independent financial, legal and taxation advice before making any investment decision in relation to your Toll Shares.

If you require any further information, please call the Shareholder Information Line on 1800 222 722 (within Australia) or + 61 2 9290 9699 (outside Australia).

I would also like to take this opportunity to thank you for your continued support of Toll.

Yours sincerely

Ray Horsburgh AM
Chairman
Toll Holdings Limited

# 1 Key considerations relevant to your vote

## 1.1 Why you should vote in favour of the Scheme

The Scheme has a number of advantages and disadvantages which may affect Toll Shareholders in different ways depending on their individual circumstances. Toll Shareholders should seek professional advice on their particular circumstances, as appropriate.

Section 1.1 provides a summary of some of the reasons why the Toll Board considers that Toll Shareholders should vote in favour of the Scheme. This section should be read in conjunction with section 1.2, which sets out reasons why Toll Shareholders may wish to vote against the Scheme. You should read this Scheme Booklet in full, including the Independent Expert's Report, before deciding how to vote at the Scheme Meeting. While the Toll Directors acknowledge the reasons to vote against the Scheme, they believe the advantages of the Scheme significantly outweigh the disadvantages.

✓ **Your Directors unanimously recommend that you should vote in favour of the Scheme, in the absence of a superior proposal**

Your Directors unanimously recommend that, in the absence of a superior proposal, you vote in favour of the Scheme Resolution required to implement the Scheme at the Scheme Meeting.

In reaching their recommendation, your Directors have assessed the Scheme having regard to the reasons to vote in favour of, or against, the Scheme, as set out in this Scheme Booklet.

In the absence of a superior proposal, each of your Directors intends to vote all Toll Shares held or controlled by them in favour of the Scheme. The interests of Toll Directors are set out in section 8.1.

✓ **The Independent Expert has concluded that the Scheme is fair and reasonable and, therefore, is in your best interests**

Your Directors appointed Grant Samuel to prepare an Independent Expert's Report, including an opinion as to whether the Scheme is in the best interests of Toll Shareholders. The Independent Expert has concluded that the Scheme is fair and reasonable, and therefore that the Scheme is in the best interests of Toll Shareholders, in the absence of a superior proposal.

The basis for this conclusion is that the Scheme Consideration of $9.04 per Toll Share is within the valuation range (as concluded by the Independent Expert) of $8.22 to $9.10 per Toll Share.

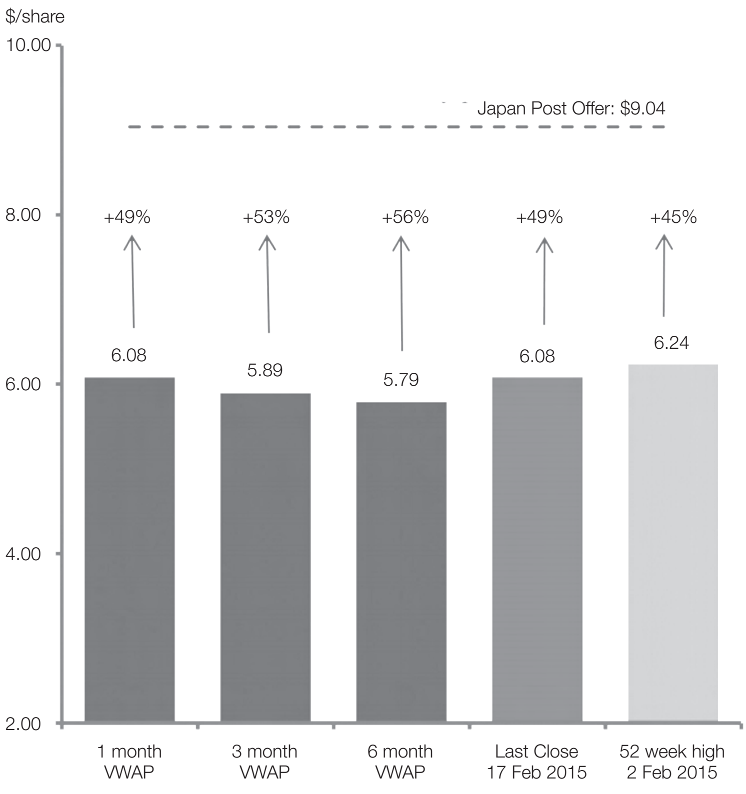
A complete copy of the Independent Expert's Report is included as Annexure A of this Scheme Booklet and your Directors encourage you to read this report in full.

✓ **The Scheme Consideration of $9.04 per Toll Share represents a significant premium to recent historical Toll Share prices**

Under the terms of the Scheme, subject to the Scheme becoming effective, Toll Shareholders will receive $9.04 cash per Toll Share held on the Scheme Record Date. This Scheme Consideration represents a significant premium of:

- 49% to the closing price of Toll Shares on 17 February 2015 (the last trading day before the announcementof the Transaction);
- 53% to the 3 month VWAP to 17 February 2015; and
- 56% to the 6 month VWAP to 17 February 2015.

The graph below shows the premium to the Toll Share price before the announcement of the Transaction.




Source: IRESS

✓ **You will receive certain value for your investment in Toll**

The Scheme Consideration of $9.04 cash per Toll Share provides you with certainty of value for your Toll Shares (subject to the Scheme becoming effective).

The certainty of the all cash Scheme Consideration should be compared with the risks and the uncertainties of remaining a Toll Shareholder, which include, but are not limited to, the risks set out in section 5.6.

✓ **Since the announcement of the Scheme, no superior proposal has emerged**

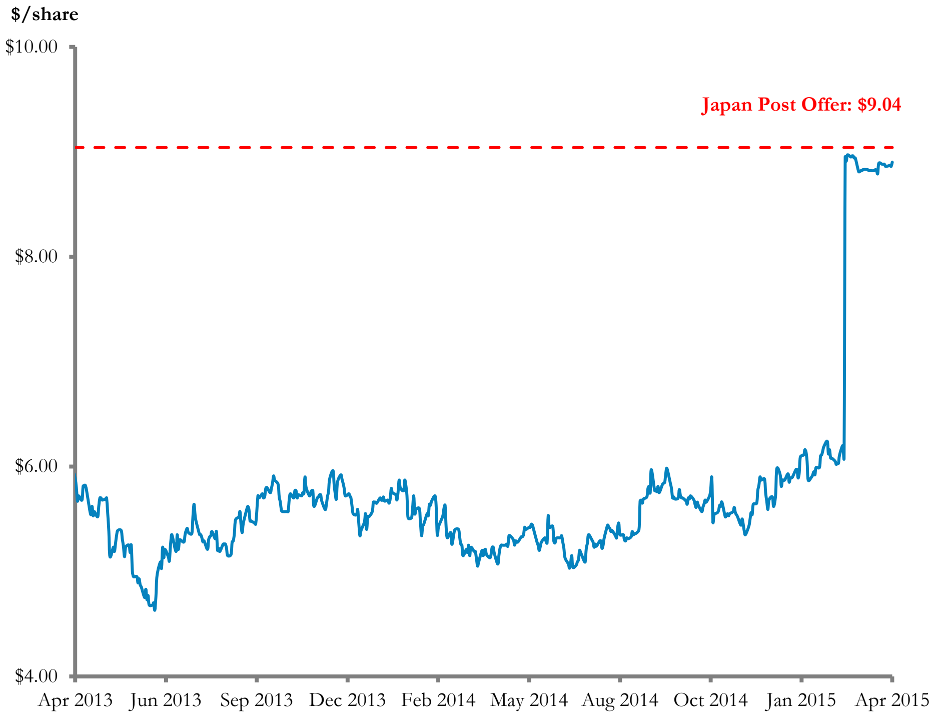
Since the announcement of the execution of the Scheme Implementation Deed on 18 February 2015 and up to the date of this Scheme Booklet, no superior proposal has emerged.

Your Directors have not become aware of any alternative proposal and have no basis for believing that an alternative proposal will be received.

✓ **Toll's Share price is likely to fall if the Scheme is not implemented**

If the Scheme is not implemented, Toll Shares will continue to remain quoted on the ASX and will continue to be subject to market volatility, including general stock market movements, the impact of general economic conditions and the demand for listed securities. As such, if the Scheme is not implemented, it is likely that the price at which Toll Shares trade will fall, including to a price that is well below the Scheme Consideration being offered.

Over the two years before the announcement of the execution of the Scheme Implementation Deed on 18 February 2015, Toll Shares have traded between a high of $6.24 on 2 February 2015 and a low of $4.63 on 12 June 2013. On the last trading day before the announcement of the Transaction, the Toll Share price closed at $6.08. On the day of announcement of the execution of the Scheme Implementation Deed, the Toll Share price closed at $8.95.




Following the date of announcement and the last trading day before the date of this Scheme Booklet, Toll Shares have traded between $8.79 and $8.97.

✓ **If the Scheme does not proceed, you will continue to be subject to the risks and uncertainties associated with Toll's business and general market risks**

Your Directors consider that the underlying profitability and overall outlook for Toll remains strong and that Toll has significant growth prospects, including from current growth initiatives, as an independent ASX-listed company. Nevertheless, these initiatives will take time to fully implement and carry execution risks, some of which are outside the control of Toll.

If the Scheme does not proceed, Toll Shareholders will continue to be subject to these execution risks, as well as other specific risks inherent in Toll's business, including those summarised in more detail in section 5.6.

In addition, the future price of Toll Shares will be subject to external economic and market factors. The Scheme removes these risks and uncertainties for Toll Shareholders and allows shareholders to fully exit their investment in Toll at a price that your Directors consider is attractive. If the Scheme is approved and implemented, these risks and uncertainties will be assumed by Japan Post, as the sole shareholder of Toll following implementation of the Scheme.

## 1.2 Why you may wish to vote against the Scheme

Although the Scheme is recommended by your Directors and the Independent Expert has concluded that the Scheme is in the best interests of Toll Shareholders (in each case in the absence of a superior proposal), factors which may lead you to consider voting against the Scheme include the following:

- **You may disagree with the Toll Directors' unanimous recommendation and the Independent Expert's conclusion and believe that the Scheme is not in your best interests**

  Despite the view of your Directors and the Independent Expert, you may believe that the Scheme is not in the best interests of Toll Shareholders or not in your individual interest.

- **You may prefer to participate in the future financial performance of the Toll business**

  If the Scheme is implemented, you will no longer be a Toll Shareholder. This will mean that you will not participate in the future performance of Toll, including any benefits that may result from being a Toll Shareholder. This will mean that Toll Shareholders will not retain any exposure to Toll's assets or have the potential to share in the value that could be generated by Toll in the future.

- **You may wish to maintain your investment profile**

  You may wish to maintain your investment in Toll in order to have an investment in a publicly listed company with the specific characteristics of Toll in terms of industry, operational profile, size, capital structure and potential dividend stream.

  Implementation of the Scheme may result in a disadvantage to those who wish to maintain their investment profile. Toll Shareholders who wish to maintain their investment profile may find it difficult to find an investment with a similar profile to that of Toll and they may incur transaction costs in undertaking any new investment.

- **The tax consequences of the Scheme for you may not suit your financial position**

  Implementation of the Scheme may trigger taxation consequences for Toll Shareholders. A general guide to the taxation implications of the Scheme is set out in section 7. This guide is expressed in general terms only and Toll Shareholders should seek professional taxation advice regarding the tax consequences applicable to their own circumstances.

- **You may consider that there is potential for a superior proposal to emerge**

  It is possible that a more attractive proposal for Toll Shareholders could materialise in the future, such as a takeover bid with a higher offer price than the Scheme Consideration. However, as at the date of this Scheme Booklet, your Directors have not received or become aware of any alternative proposal and have no basis for believing that an alternative proposal will be received.

# 2 Frequently asked questions

| Question | Answer | More Information |
|---|---|---|
| **What is the Scheme?** | The Scheme is a scheme of arrangement between Toll and Toll Shareholders at the Scheme Record Date. The Scheme will effect the acquisition of Toll by Japan Post, a wholly-owned subsidiary of Japan Post Holdings.<br><br>A scheme of arrangement is a statutory procedure that is commonly used to enable one company to acquire another company.<br><br>If the Scheme is approved and implemented, Toll Shareholders at the Scheme Record Date will receive a cash payment of $9.04 per Toll Share. | Section 4 contains an overview of the Scheme and a copy of the Scheme is contained in Annexure B. |
| **What do the Toll Directors recommend and how do they intend to vote?** | Your Directors unanimously recommend that all Toll Shareholders vote in favour of the Scheme, in the absence of a superior proposal.<br><br>Each Toll Director who holds Toll Shares intends to vote all Toll Shares held or controlled by them in favour of the Scheme, in the absence of a superior proposal. | Section 1.1 provides a summary of some of the reasons why the Toll Board considers that Toll Shareholders should vote in favour of the Scheme. |
| **What is the opinion of the Independent Expert?** | The Independent Expert has concluded that the Scheme is fair and reasonable and, therefore, is in the best interests of Toll Shareholders, in the absence of a superior proposal. | A copy of the Independent Expert's Report is contained in Annexure A. |
| **Who is Japan Post?** | Japan Post is a Japanese corporation which provides postal services in Japan. Its major business activities include postal operations, banking counter operations, insurance counter operations, domestic distribution and delivery business and international cargo transport and agency services for air cargo business, logistics business, real estate business and merchandise sales.<br><br>Japan Post has approximately 195,000 employees in Japan, and generated operating income of approximately A$30 billion* for the year ended 31 March 2014.<br><br>Japan Post is wholly-owned by Japan Post Holdings. Japan Post Holdings operates other businesses through its subsidiaries, including banking and life insurance businesses. On a consolidated basis, Japan Post Holdings employs approximately 218,000 employees and generated in excess of A$164 billion* in ordinary income for the year ended 31 March 2014. Japan Post Holdings is currently wholly-owned by the Japanese government.<br><br>** Exchange rate published by the Reserve Bank of Australia on 16 March 2015 of A$1 = Y92.70.* | Section 6 contains further details about Japan Post and its group companies. |

| Question | Answer | More Information |
|---|---|---|
| **Will I receive any further dividends from Toll?** | Under the Scheme Implementation Deed, Toll was permitted to pay an interim dividend for the half-year ended 31 December 2014 of an amount not exceeding 13 cents per Toll Share.<br>An interim dividend for the half-year ended 31 December 2014 of 13 cents per Toll Share was paid on 2 April 2015. No further dividends will be paid if the Scheme is implemented. | N/A |
| **Are there any conditions to be satisfied?** | There are a number of conditions that will need to be satisfied or waived (where capable of waiver) before the Scheme can become effective.<br>In summary, as at the date of this Scheme Booklet, the outstanding conditions include:<br>• approval by Toll Shareholders;<br>• Court approval;<br>• approval from OIO and no objection from JFTC;<br>• no Toll Prescribed Occurrences occurring between 18 February 2015 and 8.00am (AEST) on the Second Court Date;<br>• the representations and warranties given by Japan Post and Toll to each other in the Scheme Implementation Deed being true and correct at 8.00am (AEST) on the Second Court Date; and<br>• there being no regulatory restraint issued by a court of competent jurisdiction in Australia in effect at 8.00am (AEST) on the Second Court Date.<br>Toll intends to announce on ASX the satisfaction (or waiver) of the conditions to the Scheme. | Section 8.3(a) contains further information on the conditions to the Scheme.<br>Section 8.4 contains further information on the status of the regulatory conditions to the Scheme. |
| **When do the conditions have to be satisfied by?** | Apart from the conditions relating to shareholder and court approval, the:<br>• OIO and JFTC conditions must be satisfied by 5.00pm (AEST) on the Business Day before the Second Court Date; and<br>• remaining conditions must be satisfied as at 8.00am (AEST) on the Second Court Date.<br>The Second Court Date is scheduled for Thursday, 14 May 2015. If a condition is not satisfied or waived (where capable of waiver) by 8.00am (AEST) on this date (or by 5.00pm (AEST) on the preceding Busines Day in the case of the OIO and JFTC conditions), Toll will make an application to the Court to change the date of this hearing.<br>*Continued next page* | N/A |

| Question | Answer | |
|---|---|---|
| | The conditions must be satisfied or waived (where capable of waiver) by the End Date. The End Date is 30 June 2015, unless Toll and Japan Post agree to extend this date.<br>If the relevant conditions are not satisfied by the End Date, the Scheme will not be implemented. | |
| **Can I sell my Toll Shares now?** | You can sell your Toll Shares on market at any time before close of trading on ASX on the Effective Date at the then prevailing market price (which may vary from the Scheme Consideration).<br>Toll intends to apply to ASX for Toll Shares to be suspended from official quotation on ASX from close of trading on the Effective Date (which is currently expected to be Thursday, 14 May 2015). You will not be able to sell your Toll Shares on market after this time. | N/A |
| **When and where will the Scheme Meeting be held?** | The Scheme Meeting will be held on Wednesday, 13 May 2015 at Melbourne Convention Centre, Clarendon Auditorium, 1 Convention Centre Place, South Wharf, Melbourne 3006 commencing at 10.00am (AEST). | The Notice of Meeting contained in Annexure D sets out further details on the Scheme Meeting. |
| **What vote is required to approve the Scheme?** | For the Scheme to proceed, the Scheme Resolution must be passed by:<br>• a majority in number of Toll Shareholders who vote on the Scheme Resolution; and<br>• at least 75% of the votes cast on the Scheme Resolution.<br>The Court has the discretion to waive the first of these two requirements if it considers it appropriate to do so. | Section 4.2(a) and the Notice of Meeting contained in Annexure D set out further details on the Scheme approval requirements. |
| **Am I entitled to vote at the Scheme Meeting?** | Each Toll Shareholder who is registered on the Register at 7.00pm (AEST) on Monday, 11 May 2015 is entitled to attend and vote at the Scheme Meeting. | The Notice of Meeting contained in Annexure D sets out further details on your entitlement to vote. |
| **How do I vote if I am not able to attend the Scheme Meeting?** | If you would like to vote but cannot attend the Scheme Meeting in person, you can vote by appointing a proxy or attorney to attend and vote on your behalf. | The Notice of Meeting contained in Annexure D sets out further details on how to vote at the Scheme Meeting. |
| **When will the result of the Scheme Meeting be known?** | The result of the Scheme Meeting will be available shortly after the conclusion of the meeting and will be announced to ASX once available. Even if the Scheme Resolution is passed by the Scheme Meeting, the Scheme is subject to approval of the Court. | N/A |

| Question | Answer | More information |
| --- | --- | --- |
| **What happens to my Toll Shares if I do not vote, or if I vote against the Scheme, and the Scheme becomes effective?** | If you do not vote, or vote against the Scheme, and the Scheme becomes effective, any Toll Shares held by you on the Scheme Record Date (currently expected to be Thursday, 21 May 2015) will be transferred to Japan Post and you will receive the Scheme Consideration, notwithstanding that you may not have voted or voted against the Scheme. | N/A |
| **When will I be paid?** | Payment of the Scheme Consideration is expected to be made on or about Thursday, 28 May 2015. | Section 4.1 sets out further details on the Scheme Consideration. |
| **How will I be paid?** | All payments will be made by direct deposit into your nominated bank account, as advised to the Toll Registry as at the Scheme Record Date.<br>If you have not nominated a bank account, payment will be by Australian dollar cheque sent to you by post to your registered address as shown on the Register. | Section 4.1 sets out further details on the Scheme Consideration. |
| **What happens if the Scheme does not proceed?** | If the Scheme is not approved at the Scheme Meeting, or another condition to the Scheme is not satisfied or waived (where capable of waiver), then the Scheme will not be implemented.<br>If the Scheme is not implemented, Scheme Shareholders will not receive the Scheme Consideration but will retain their Toll Shares. In these circumstances, Toll will, in the absence of another proposal, continue to operate as a stand-alone company listed on ASX. | Section 4.3 sets out further details on what happens if the Scheme does not proceed. |
| **Where can I get further information?** | For further information, you can call the Shareholder Information Line on 1800 222 722 (within Australia) or +61 2 9290 9699 (outside Australia). | N/A |

# 3 How to vote

## 3.1 Your vote is important

For the Scheme to proceed, it is necessary that sufficient Toll Shareholders vote in favour of the Scheme.

If you are registered as a Toll Shareholder at 7.00pm (AEST) on Monday, 11 May 2015, you will be entitled to vote on the Scheme.

## 3.2 Notice of Meeting

The Scheme will be voted on by Toll Shareholders at a meeting to be held at Melbourne Convention Centre, Clarendon Auditorium, 1 Convention Centre Place, South Wharf, Melbourne 3006 on Wednesday, 13 May 2015, commencing at 10.00am (AEST).

The Notice of Meeting is contained in Annexure D to this Scheme Booklet.

## 3.3 Procedure

You may vote on the Scheme by attending the Scheme Meeting in person, by proxy, by attorney or, in the case of a corporation which is a Toll Shareholder, by corporate representative.

Information on how to vote using each of these methods is contained in the Notice of Meeting attached as Annexure D to this Scheme Booklet.

If you are in favour of the Scheme, you should vote in favour of the Scheme.

**The Scheme will not proceed unless the Scheme is approved by Toll Shareholders.**

## 3.4 Voting entitlement

Each Toll Shareholder who is registered on the Register at 7.00pm (AEST) on Monday, 11 May 2015 is entitled to attend and vote at the Scheme Meeting, in person, by proxy, by attorney or, in the case of a corporation which is a Toll Shareholder, by its representative appointed in accordance with the Corporations Act.

Information on entitlements to vote, including if you are a joint holder of Toll Shares, is contained in the Notice of Meeting which is attached as Annexure D to this Scheme Booklet.

# 4 Overview of the Scheme

## 4.1 Scheme Consideration

If the Scheme is approved and implemented, Toll Shareholders will receive a cash payment of $9.04 per Toll Share.

Payments will be made by direct deposit into your nominated bank account, as advised to the Toll Registry as at the Scheme Record Date. If you have not nominated a bank account, payment will be by Australian dollar cheque.

Payment of the Scheme Consideration will be made on the Implementation Date, currently expected to be Thursday, 28 May 2015.

If a Toll Shareholder does not have a registered address, or Toll considers the shareholder is not known at its registered address and no bank account has been nominated, payments due to the Toll Shareholder will be held by Toll until claimed or applied under the relevant laws dealing with unclaimed money.

## 4.2 Key steps in the Scheme

**(a) Scheme approval requirements**

The Scheme will only become effective and be implemented if it is:

- agreed to by the requisite majorities of Toll Shareholders at the Scheme Meeting to be held on Wednesday, 13 May 2015; and
- approved by the Court at the Second Court Hearing.

Agreement by Toll Shareholders requires the Scheme Resolution to be agreed by:

- a majority in number (more than 50%) of Toll Shareholders present and entitled to vote at the Scheme Meeting (either in person or by proxy); and
- at least 75% of the total number of votes cast on the Scheme Resolution at the Scheme Meeting by Toll Shareholders present and entitled to vote at the Scheme Meeting (either in person or by proxy).

The Court has the power to waive the first requirement.

In the event that:

- the Scheme is agreed to by the requisite majorities of Toll Shareholders at the Scheme Meeting; and
- all other conditions (except Court approval of the Scheme) have been satisfied or waived (where capable of waiver),

then Toll will apply to the Court for orders approving the Scheme.

Each Toll Shareholder has the right to appear at the Second Court Hearing.

**(b) Effective Date**

If the Court approves the Scheme and all other conditions have been satisfied or waived, where capable of waiver, the Scheme will become effective on the date when a copy of the Court order approving the Scheme is lodged with ASIC. Toll will, on the Scheme becoming effective, give notice of that event to ASX.

Toll intends to apply to ASX for Toll Shares to be suspended from official quotation on ASX from close of trading on the date the Scheme becomes effective.

**(c) Scheme Record Date**

Those Toll Shareholders on the Register on the Scheme Record Date (currently expected to be Thursday, 21 May 2015) will be entitled to receive the Scheme Consideration in respect of the Toll Shares they hold as at the Scheme Record Date.

(1) Dealings on or prior to the Scheme Record Date

For the purpose of determining which Toll Shareholders are eligible to participate in the Scheme, dealings in Toll Shares will be recognised only if:

- in the case of dealings of the type to be effected using CHESS, the transferee is registered on the Register as the holder of the relevant Toll Shares as at 7.00pm (AEST) on the Scheme Record Date (currently expected to be Thursday, 21 May 2015); and
- in all other cases, registrable transmission applications or transfers in respect of those dealings are received by the Toll Registry on or before the Scheme Record Date (and the transferee remains registered as at the Scheme Record Date).

For the purposes of determining entitlements under the Scheme, Toll will not accept for registration or recognise any transfer or transmission applications in respect of Toll Shares received after the Scheme Record Date.

(2) Dealings after the Scheme Record Date

For the purpose of determining entitlements to the Scheme Consideration, Toll must maintain the Register in its form as at the Scheme Record Date (currently expected to be Thursday, 21 May 2015) until the Scheme Consideration has been paid to the Scheme Shareholders. The Register in this form will solely determine entitlements to the Scheme Consideration.

After the Scheme Record Date:

- all statements of holding for Toll Shares will cease to have effect as documents relating to title in respect of such Toll Shares; and
- each entry on the Register will cease to have effect except as evidence of entitlement to the Scheme Consideration in respect of the Toll Shares relating to that entry.

**(d) Implementation Date**

The Implementation Date is the fifth Business Day after the Scheme Record Date.

By the Business Day before the Implementation Date, Japan Post must pay into a trust account nominated by Toll the aggregate Scheme Consideration payable to Scheme Shareholders.

On the Implementation Date, which is currently expected to be Thursday, 28 May 2015, Toll will pay the Scheme Consideration received from Japan Post to Scheme Shareholders.

Immediately after the Scheme Consideration is sent to Scheme Shareholders, the Scheme Shares will be transferred to Japan Post without Scheme Shareholders needing to take any further action.

**(e) Deed Poll**

Japan Post has executed the Deed Poll pursuant to which Japan Post has undertaken in favour of each Scheme Shareholder to provide each Scheme Shareholder with the Scheme Consideration to which they are entitled under the Scheme, subject to the Scheme becoming effective.

A copy of the Deed Poll is contained in Annexure C.

## 4.3 If the Scheme does not become effective

If the Scheme does not proceed, Toll Shareholders will continue to hold their Toll Shares.

In the absence of any alternative or competing proposal to the Scheme, Toll will continue as a stand-alone entity. Toll Shareholders will be exposed to the risks relating to Toll's business, as set out in section 5.6.

In the absence of an alternative proposal which is similar or superior to the Scheme, it is likely that the price at which Toll Shares trade will fall.

Depending on the reasons why the Scheme does not proceed, Toll may be liable to pay the Reimbursement Fee.

Information on the Reimbursement Fee is set out in section 8.3(c).

Prior to the Scheme Meeting, transaction costs will have been incurred, or will be committed, by Toll in relation to the Scheme. Those transaction costs have either already been paid, or will be payable by Toll regardless of whether or not the Scheme is implemented. If the Scheme does proceed, additional costs will be incurred.

## 4.4 Warranties by Toll Shareholders

The Scheme provides that each Scheme Shareholder is taken to have warranted to Toll and Japan Post on the Implementation Date, and appointed and authorised Toll as its attorney and agent to warrant to Japan Post on the Implementation Date, that all their Toll Shares (including any rights and entitlements attaching to those shares) which are transferred under the Scheme will, at the date of transfer, be fully paid and free from all mortgages, charges, liens, encumbrances, pledges, security interests (including any 'security interests' within the meaning of section 12 of the *Personal Property Securities Act 2009* (Cth)) and interests of third parties of any kind, whether legal or otherwise, and restrictions on transfer of any kind, and that they have full power and capacity to transfer their Toll Shares to Japan Post together with any rights and entitlements attaching to those shares.

## 4.5 Delisting of Toll

On a date after the Implementation Date to be determined by Japan Post, Toll will apply:

- for termination of the official quotation of Toll Shares on the ASX; and
- to have itself removed from the official list of the ASX.

# 5 Information about Toll

## 5.1 Introduction

Toll is one of Asia-Pacific's largest independent logistics groups. Founded in 1888, it is an iconic Australian brand with 127 years of trading history.

In the year ended 30 June 2014, Toll reported sales revenue of $8,811 million and EBITDA of $709.5 million. For the half-year ended 31 December 2014, Toll reported revenue of $4,407 million and EBITDA of $377.5 million.

As at the date of this Scheme Booklet, Toll has on issue 717,437,878 Toll Shares and the number and type of options and rights set out in section 8.5.

## 5.2 Overview of operations

Operating primarily out of the Asia Pacific region, Toll provides customers across the globe with a diverse range of transport services and logistics solutions. Toll's principal activities include domestic and international freight and distribution, freight forwarding by rail, road, sea and air, warehousing, storage and distribution, end-to-end supply chain management and business logistics solutions. Toll comprises a network of businesses that work individually and collectively to deliver logistics solutions across all industry sectors.

Toll's operations are classified into five divisions:

- Toll Global Express (TGX);
- Toll Domestic Forwarding (TDF);
- Toll Global Forwarding (TGF);
- Toll Global Logistics (TGL); and
- Toll Resources and Government Logistics (TRGL).

**(a) Toll Global Express**

TGX is a market leading express freight operator in Australia with a strong market reputation and brand equity. TGX offers same day and overnight services for urgent parcels, packages, documents and freight and same business day delivery between capital cities or to regional locations in Australia. TGX also has the ability to access Toll's broader group offerings to provide differentiated, end to end solutions.

**(b) Toll Domestic Forwarding**

TDF provides full and partial load freight forwarding across Australia and New Zealand. TDF has:

- a significant footprint across Australia;
- an extensive freight network enabling freight scale efficiencies;
- significant volume, making it one of the largest users of intermodal rail; and
- leading Bass Strait cargo shipping services.

**(c) Toll Global Forwarding**

TGF's operations include freight forwarding and advanced supply chain management services, and it has a market presence in:

- Australia and New Zealand;
- Greater China, South East Asia, Middle East and the Indian sub-continent;
- Europe, UK and Ireland; and
- Africa and the Americas.

TGF customers have many intermodal options and access to comprehensive road, rail, air and sea networks.

**(d) Toll Global Logistics**

TGL is a full service contract logistics and warehousing solutions provider in countries throughout the Asia-Pacific region.

Core services include:

- transport and general warehousing, including specialised chemical storage;
- specialised warehousing and secondary distribution, including automated warehouses;
- warehousing and transport – built to suit multi-user warehousing and feeder operations for shipping businesses; and
- defence and government supply chain solutions and logistics support, including healthcare and airport fuel logistics.

**(e) Toll Resources and Government Logistics**

TRGL provides logistic services to the mining, government, defence and oil & gas sectors in Australia, Asia and Africa.

TRGL is a significant provider of services in oil & gas logistics in Australia and has a strong market position with experience in explosives haulage (ammonium nitrate), cyanide and hydrocarbons haulage.

TRGL's customers range from one-site mining companies through to Governmental and inter-governmental organisations.

## 5.3 Toll Board and senior management

### (a) Board

| The Toll Board comprises the following directors: | |
|---|---|
| Ray Horsburgh AM | Chairman, Independent Non-Executive Director |
| Brian Kruger | Managing Director and CEO |
| Harry Boon | Independent Non-Executive Director |
| Barry Cusack | Independent Non-Executive Director |
| Frank Ford | Independent Non-Executive Director |
| Ken Ryan AM | Independent Non-Executive Director |
| Mark Smith | Independent Non-Executive Director |
| Nicola Wakefield Evans | Independent Non-Executive Director |

### (b) Executive team

| Members of Toll's Executive team, in addition to Mr Brian Kruger, include: | |
|---|---|
| Grant Devonport | Chief Financial Officer |
| Bernard McInerney | Company Secretary |
| Paul Coutts | Toll Global Forwarding, CEO |
| Mal Grimmond | Toll Domestic Forwarding, Divisional Director |
| David Jackson | Toll Resources and Government Logistics, CEO |
| Shane O'Neill | Toll Global Express, Divisional Director |
| Chris Pearce | Toll Global Logistics, Divisional Director |

## 5.4 Toll Directors' intentions

The Corporations Regulations require a statement by the Toll Directors of their intentions regarding Toll's business. If the Scheme is implemented, the current Toll Directors, other than Mr Brian Kruger, will resign and an alternate board will be determined by Japan Post. It is for the reconstituted Toll Board to determine its intentions as to:

- the continuation of the business of Toll;
- any major changes, if any, to be made to the business of Toll; and
- the future employment of the present employees of Toll.

If the Scheme is implemented, Japan Post will have 100% ownership and control of Toll. The current intentions of Japan Post with respect to these matters are set out in section 6.6.

If the Scheme is not implemented, the Toll Directors intend to continue to operate in the ordinary course of the business.

## 5.5 Material changes to Toll's financial position since 31 December 2014

Other than:

- the accumulation of profits in the ordinary course of trading; or
- as disclosed in this Scheme Booklet or as otherwise disclosed to ASX by Toll,

within the knowledge of the Toll Board, the financial position of Toll has not materially changed since 31 December 2014, being the date of the Toll Half-Year (1H15) Financial Report.

A copy of the Toll Half-Year (1H15) Financial Report is available free of charge on Toll's website (www.tollgroup.com/investors) or by contacting the Shareholder Information Line on 1800 222 722 (within Australia) or +61 2 9290 9699 (outside Australia).

Further information regarding Toll's financial performance is set out in the Independent Expert's Report which forms Annexure A to this Scheme Booklet.

## 5.6 Risks relating to Toll

The Toll Board in its ordinary course of business assesses material risks associated with the operations of the Toll Group and takes appropriate steps to manage and mitigate them. The Toll Board considers, however, that it is appropriate for Toll Shareholders, in considering the Scheme, to be aware that there are a number of risk factors, general and specific, which could materially adversely affect the future operating and financial performance of Toll, the value of Toll Shares and future dividends. These risks will only continue to be relevant to you if the Scheme does not proceed and you retain your existing investment in Toll.

These risks include, but are not limited to, the following risks:

**(a) General risks**

The market price of Toll Shares and future distributions made to shareholders are influenced by a number of factors in each of the countries and regions in which Toll operates, including:

- changes in investor sentiment and overall performance of the Australian and international stock markets;
- changes in general business, industry cycles (eg mining, manufacturing, retail) and economic conditions including inflation, interest rates, exchange rates, commodity rates, employment levels and consumer demand;
- changes in government fiscal, monetary and regulatory policies, including foreign investment;
- government or political intervention in export and import markets (including sanction controls) and the disruptions this causes to supply and demand dynamics;
- changes in consumer sentiment, international freight volumes, geographic sourcing, and shifts in supply chain management dynamics including the increasing trend for consumers to acquire goods online; and
- natural disasters and catastrophes, whether on a global, regional or local scale.

**(b) Toll specific risks**

Risks that are specific to Toll's operations include the following:

(1) Strategic initiatives

- Toll's current growth and operational efficiency programs/initiatives take time to fully implement and carry execution risks, some of which may be outside the control of Toll. If the initiatives are not implemented, delayed or are ineffective, or are only partially so, Toll's financial performance and revenue may be adversely affected.

(2) Operating risks

- While a strong emphasis is placed on the implementation of occupational health and safety standards, the risk of a serious injury or fatality remains possible given the nature of the equipment, interaction with public roads and other infrastructure and the tasks performed. The occurrence of such events may have an adverse effect on Toll's reputation or financial performance.
- Toll provides specialist hazardous chemicals transport and warehousing and bulk liquid petroleum cartage services to customers. Any loss of product containment (on site or in transit) or other environmental incident could have safety, reputation and financial consequences.

(3) Business earnings and returns improvement

- Deterioration in economic conditions, lower freight volumes, weights and revenue and reduced activity in Toll's network businesses could erode operational efficiency and margins. Lower freight task requirements (eg mine sites) by Toll's logistics major customers may also reduce future margins.
- Timely delivery of revenue and earnings targets for new service offerings is important to overall achievement of Toll Group growth targets.
- Due to the capital intensity of Toll's businesses, if Toll experiences a reduction in profitability or cash flows this will see a reduced return on capital.

(4) Relationships with major customers

- If key customers' operating and supply chain business models change, this could result in a loss or reduction of business and, therefore, a reduction in Toll Group's profitability.
- There is a risk that customer contracts may be terminated or not renewed upon their expiry.
- Toll's customers may find trading conditions difficult and as a result Toll's inability to fully recoup increasing costs may erode Toll Group's profit margins.

(5) Competition

- Toll operates in a highly competitive domestic and global business environment, characterised by competition on the basis of service quality, network reach, price and brand awareness. There is a risk that if Toll's competitors and other market participants or new entrants consolidate or bring alternative innovation to geographies and markets that Toll operates in, this may impact on Toll's market share and margins.

(6) Information technology

- A number of Toll strategic initiatives rely on implementing new key technology and delivery of major IT projects. Toll's operational efficiency and revenue could be impacted by failure or breach of core IT systems, project delays, loss of, or damage to, key transport and warehouse capability or assets or third party provider failure.

(7) Employees and industrial relations

- Interruptions at Toll's workplaces arising from industrial disputes, work stoppages and accidents may result in service delays. Renegotiation of collective agreements may increase Toll's operating costs and may involve industrial disputes.

- Toll competes in labour markets to attract and retain its employees and management team. The competitive nature of these labour markets and Toll's ageing workforce demographic may result in the loss of key employees from time to time or make it difficult and costly to attract or retain employees.

(8) Litigation or prosecution

- Exposure to litigation or prosecution brought by third parties such as customers, regulators, employees or business associates or detrimental outcomes in existing matters could negatively impact on Toll's financial performance through increasing costs, payments for damages and reputational damage.

(9) Regulatory compliance and ethical conduct

- Toll operates in many jurisdictions that have different regulatory, operational and ethical frameworks. Certain regulatory bodies assert extra-territorial jurisdiction which may be inconsistent with local rules and custom. Any non-compliance could attract serious financial penalties and could impact Toll's reputation.
- Any serious breach of transport and operational regulations can place at risk the Toll Group's 'licences to operate' in road transport, aviation and marine environments, impacting profitability and Toll's reputation.

(10) Foreign exchange

- A considerable amount of Toll Group debt is not denominated in Australian dollars. This is a natural hedge against foreign currency asset values. Movements in foreign currency exchange rates may affect the translation of foreign currency earnings into Australian dollars.

(11) Mergers and acquisitions

- Toll has a history of numerous and significant mergers, acquisitions and divestments and there is an intention to continue to conduct such activities in the future. These activities may include risks not identified as part of due diligence and valuation or which may arise during integration with the Toll Group.
- Merger and competition concentration control approval risk may inhibit growth and merger and acquisition activity in certain markets in the future.

## 5.7 Public information available for inspection

As a company listed on the ASX and a disclosing entity under the Corporations Act, Toll is subject to regular reporting and disclosure obligations. Broadly, these require Toll to announce price sensitive information as soon as it becomes aware of the information, subject to exceptions for certain confidential information. Toll's recent announcements are available from www.asx.com.au. Further announcements concerning developments at Toll will continue to be made available on this website after the date of this Scheme Booklet.

Toll is required to prepare and lodge with ASIC and ASX both annual and half-yearly financial statements accompanied by a statement and report from the Toll Directors and an audit or review report. Copies of these and other documents lodged with ASIC may be obtained from or inspected at an ASIC office and on the Toll website www.tollgroup.com/investors.

ASX maintains files containing publicly disclosed information about all companies listed on the ASX. Information disclosed to ASX by Toll is available on ASX's website at www.asx.com.au.

# 6 Information about Japan Post

## 6.1 Introduction

The information contained in this section 6 has been prepared by Japan Post. The information concerning Japan Post and its group companies and the intentions, views and opinions contained in this section are the responsibility of Japan Post. Toll and its officers and advisers do not assume any responsibility for the accuracy or completeness of this information.

## 6.2 Overview of operations

**(a) Postal and Distribution Business**

Japan Post provides universal domestic postal and parcel delivery services with a wide range of value-added features. In addition to domestic postal and logistics services, Japan Post also provides international postal services being letter, parcel and Express Mail Services in accordance with the Universal Postal Convention and other international postal agreements. As well as producing and selling standard, memorial and custom-made stamps and post cards, Japan Post is also commissioned by the Japanese government to sell documentary stamps which are used for payment of stamp duty. Further, in order to meet the needs of customers for outsourcing, Japan Post provides one-stop-shop total services to its business customers through its subsidiaries such as JP Biz Mail Co., Ltd, whereby it undertakes to plan and prepare customised mail-outs for businesses and to take every step until mail-outs are delivered to their recipients.

**(b) Banking Teller Business**

Under consignment from Japan Post Bank, Japan Post provides teller services, handling the bank's various types of deposits and providing remittance and settlement services. Japan Post also handles public pension payments and sells Japanese Government Bonds and investment trusts over the counter.

**(c) Insurance Sales Business**

Under consignment from Japan Post Insurance, Japan Post provides over the counter services, offering the company's life insurance policies and handling premium payments by policyholders. Under consignment from providers of life insurance and non-life insurance policies other than Japan Post Insurance, Japan Post also provides over the counter services, offering customers a wide range of insurance policies such as individual variable annuities, keyman insurance, cancer insurance, medical insurance with eased underwriting conditions and automobile insurance.

**(d) International Logistics Business**

Japan Post provides international logistics services to its corporate customers mainly in China and other parts of Asia with a strong focus on air cargo and international logistics. Japan Post's air cargo and other international cargo services are primarily provided by JP Sankyu Global Logistics Co., Ltd., a joint venture between Japan Post and Sankyu, Inc. established in 2008. Japan Post handles a wide range of international air cargo, from small-lot to large-lot cargo. In September 2013, Japan Post established a wholly-owned subsidiary, Japan Post International Logistics Co., Ltd. in Shanghai, China. Japan Post also launched an international door-to-door delivery service called U-Global Express in October 2014. The company provides international logistics services that deliver optimal logistics solutions to Japan Post's customers.

**(e) Logistics Business**

In response to customers' needs for sophisticated and diversified logistics, Japan Post, cooperating with its subsidiaries JP Logi Service Co., Ltd. and JP Media Direct Co., Ltd., provides third party logistics (3PL) services, providing optimal logistics solutions to its customers through consultation and management of the customers' logistics such as information processing, delivery, storage, cargo handling, labelling and packaging.

**(f) Logistics Finance Business**

Japan Post provides financial services linked to logistics such as settlement for mail-order businesses.

**(g) Real Estate Business**

Japan Post is expanding its operations to new business areas such as leasing of commercial buildings, including JP Tower constructed in front of Tokyo Station, housing businesses, and parking lot businesses utilising its real estate holdings to generate income.

## 6.3 Japan Post's board of directors

Japan Post's Board of Directors as at the date of this Scheme Booklet is comprised of the following members:

**Toru Takahashi**

Representative Director[3], Representative Executive Officer, President & Chief Executive Officer

Mr Toru Takahashi was appointed as President & CEO and as a Japan Post representative director on 28 June 2013. He joined the Ministry of Posts and Telecommunications, currently the Ministry of Internal Affairs and Communications, in 1977 and was appointed as the Deputy Director General of the Ministry in 2004. He held various senior positions at Japan Post Holdings group companies including Executive Vice President of Japan Post Holdings and Senior Managing Executive Officer of Japan Post Bank. Before his appointment to his current role, he was Executive Vice President of Japan Post (appointed in 2012). Mr Takahashi concurrently holds the position of director of Japan Post Holdings.

[3] A "representative director" is a statutory position of a company under Japanese Company Law. A representative director of a company may be appointed by the board from its members and has legal authority to bind the company.

**Tomohiro Yonezawa**

Representative Director, Executive Senior Vice President

Mr Tomohiro Yonezawa was appointed as Executive Senior Vice President and as a Japan Post representative director on 1 March 2015. He joined the Ministry of Finance in 1984. He was posted at the Cabinet Secretariat in 1993 and at the Financial Services Agency in 2002. Mr Yonezawa held the positions of Executive Officer (appointed in 2006) and Senior Managing Executive Officer (between 2007 and 2009) of Japan Post Holdings, and of Executive Vice President (appointed in 2007) and director and Representative Executive Vice President (between 2013 and February 2015) of Japan Post Bank.

**Toshihiro Tsuboi**

Representative Director, Executive Vice President

Mr Toshihiro Tsuboi was appointed as Executive Vice President and as a Japan Post representative director on 27 June 2014. He joined the Ministry of Posts and Telecommunications in 1978. He served as Executive Officer in 2007 and Managing Executive Officer in 2009 of Japan Post Network Co., Ltd, one of the former entities of Japan Post. Before his appointment to his current role, he became Managing Executive Officer (2012) and Senior Executive Officer (2013) of Japan Post. Mr Tsuboi concurrently holds the position of Managing Executive Officer of Japan Post Holdings.

**Seiki Fukuda**

Representative Director, Executive Vice President

Mr Seiki Fukuda was appointed as Executive Vice President and as a Japan Post representative director on 27 June 2014. He joined the Ministry of Posts and Telecommunications in 1971. After assuming a number of managerial positions at Nippon Yusei Kosha (pre-privatisation public entity succeeded by the Japan Post Holdings group), he was appointed as Managing Executive Officer of Japan Post Service Co., Ltd. (one of the former entities of Japan Post) in 2011 and as Senior Executive officer of Japan Post in 2012.

**Kenji Kitahara**

Outside Director[4]

Mr Kenji Kitahara was appointed as a Japan Post director on 1 September 2013. He has a career spanning over 50 years in the media and broadcasting industries in Japan. Mr Kitahara held numerous board and managerial positions in various private companies and industry bodies, including a member of the Management Committee of NHK, Japan's public broadcaster between June 2010 and June 2013.

**Yasuo Suzuki**

Outside Director

Mr Yasuo Suzuki was appointed as a Japan Post director on 28 June 2013. He joined the Ministry of Posts and Telecommunications in 1973. He held various senior positions at the Ministry, including Vice Minister (non-political position, appointed in 2009) and Senior Adviser (appointed in 2010). He was also Senior Adviser of Sompo Japan Insurance Inc. (appointed in 2010). Mr Suzuki concurrently holds the position of representative director of Japan Post Holdings.

**Risa Tanaka**

Outside Director

Professor Risa Tanaka was appointed as a Japan Post director on 27 June 2014. She has been in the public relations industry in Japan for over 25 years. Professor Tanaka is a professor at the Graduate School of Project Design and holds the position of Executive Vice President and Executive Editor of Sendenkaigi Co., Ltd.

**Toyohiko Takabe**

Outside Director

Mr Toyohiko Takabe was appointed as a Japan Post director on 27 June 2014. He joined Nippon Telegraph and Telephone Public Corporation (currently Nippon Telegraph and Telephone Corporation) in 1969 and held executive and board positions at the NTT group, including representative director and President of Nippon Telegraph and Telephone East Corporation (appointed in 2005). Mr Takabe currently holds the position of Senior Adviser of Nippon Telegraph and Telephone East Corporation and is a board member of Tsushinbunka Association.

**Taizo Nishimuro**

Outside Director

Mr Taizo Nishimuro was appointed as a Japan Post director on 28 June 2013. He started his career at Tokyo Shibaura Electric Co., Ltd (currently Toshiba Corporation) in 1961 and held management and board positions at the company, including President and CEO (appointed in 1996), Chairman of the Board (2000), and Senior Adviser to the Board (2005). In addition, he served as President and CEO of the Tokyo Stock Exchange, Inc. from 2005 to 2007 and as Chairman from 2007 to 2010, and as Chairman of the Board of the Tokyo Stock Exchange Group, Inc. from 2007 to 2010 and as Representative Executive Officer from 2007 to 2009. He was Chairman of

[4] An "outside director" is defined in the Japanese Company Law as a director of a company who is not and has never been an executive director or executive officer or an employee including a manager of the company or the company's subsidiary.

Postal Services Privatization Committee from 2012 to 2013. Since June 2013, he has been representative director, Representative Executive Officer and president & CEO of Japan Post Holdings.

**Michiko Hirono**

Outside Director

Ms Michiko Hirono was appointed as a Japan Post director on 27 June 2014. She has been in the investment and consulting industry for over 25 years. She founded an investment and consulting firm, 21 Lady Co., Ltd, in 2000 and has been the company's president and representative director since then. Ms Hirono also holds management and board positions in her company's subsidiaries, Hirota Co., Ltd. and Illums Japan Co., Ltd, and is a director of Nissen Holdings Co., Ltd.

## 6.4 Rationale for Japan Post's proposed acquisition of Toll

There are two main reasons for Japan Post's proposed acquisition of Toll:

1. Toll's attractiveness to Japan Post; and
2. Japan Post's desire to enhance its enterprise value.

**(a) Toll's attractiveness to Japan Post**

Japan Post's business operations have been focused on the Japanese domestic postal market. As a result of a declining domestic population and the impact of the Internet, the Japanese domestic postal market has been shrinking in recent years. The pace of decline of the market has been accelerating. For that reason, Japan Post recognises that in order to drive growth and stem the decline in earnings, it needs to diversify and expand internationally. Japan Post came to the conclusion that the best way to achieve those goals was to acquire existing overseas businesses.

Japan Post looked for suitable acquisition targets based on the following criteria, and found that Toll was the most attractive for the following reasons:

- size of revenues and profit;
- global presence;
- suitability to be Japan Post's springboard for its global expansion;
- credentials of management; and
- compatibility with Japan Post.

***Size of revenue and profit:*** Japan Post considers Toll's revenue and profit will make a significant contribution to Japan Post on a consolidated basis if the Scheme is approved.

***Global presence:*** Toll's strong presence in the Asia Pacific region is very attractive to Japan Post because Japan Post sees the region as a key growth area where the volume of distribution of goods is expected to grow rapidly. Asia Pacific is a high priority region for Japan Post's global expansion strategy.

***Suitability to be Japan Post's springboard for global expansion:*** Japan Post believes Toll has sufficient capabilities to become a springboard for Japan Post's global expansion. Toll has global operations, especially in the Asia Pacific region, and has a wealth of experience in mergers and acquisitions.

***Credentials of management:*** Toll's management team has successfully led Toll to implement mergers and acquisitions to pursue diversification of Toll's businesses and to obtain the benefit of business synergies. Japan Post is keen to utilise the existing knowledge and experience of Toll's management team to lead the implementation of Japan Post group's global expansion strategies.

***Compatibility with Japan Post:*** Japan Post believes Toll's management style is very compatible with that of Japan Post's own - running the business with balance and stability. Toll operates diverse businesses in a well-balanced way, giving Toll's business stability.

In addition, the compatibility of Toll's businesses with those of Japan Post is backed by the complementary nature of Toll's and Japan Post's business areas.

**(b) Japan Post's desire to enhance its enterprise value**

Japan Post wishes to enhance the value of Japan Post Holdings pending the proposed listing of its shares on the Tokyo Stock Exchange by way of an Initial Public Offering (IPO).

Currently Japan Post Holdings is wholly -owned by the Japanese government, with the Minister of Finance as the nominal shareholder. The Japanese legislature enacted legislation to privatise the country's postal services for the benefit of Japanese residents, which includes the release of the value of the government bodies to the private sector.

The Japanese government also has certain statutory obligations in relation to its shares in Japan Post Holdings. Most notably, the Japanese government is legally obliged to apply the proceeds from the sale of shares in Japan Post Holdings to the repayment of the special government bond which was issued to fund Japan's recovery from the effects of the Great Eastern Japan Earthquake and the resulting tsunami in 2011 which wiped out towns and caused the Fukushima nuclear disaster. To repay the debts to the maximum extent possible, there is a strong incentive for the Japanese government to enhance the value of Japan Post Holdings and hence Japan Post prior to its proposed selldown through an IPO.

Against this background, in October 2012, Japan Post Holdings published its official policy which includes the statement that Japan Post Holdings will improve its management and enhance the corporate value of the Japan Post Holdings group, including Japan Post.

## 6.5 Funding arrangements for the Scheme Consideration

The Scheme Consideration is 100% cash. The Scheme Consideration will be entirely funded by Japan Post's balance sheet resources. As of 31 December 2014, Japan Post has cash deposits of approximately 2.46 trillion yen, or A$26.5 billion (based on the exchange rate of A$1 = Y 92.70)[5] on a non-consolidated basis. Japan Post will not require or seek funding from any external source, including Japan Post Holdings and the Japanese government.

## 6.6 Japan Post's intentions if the Scheme is implemented

Set out below are Japan Post's present intentions in the event of successful implementation of the Scheme as at the date of this Scheme Booklet. However, the position of Japan Post may be subject to change after the implementation of the Scheme as new information becomes available or circumstances change.

**(a) Board of directors**

If the Scheme is implemented, Japan Post intends to reconstitute the Toll Board. The final composition of the board of Toll after implementation of the Scheme will be determined after the Scheme becomes effective.

**(b) Management team**

Japan Post does not intend that there will be any material change to Toll's management team if the Scheme is implemented. It also intends that the management of Toll will be conferred a wide ranging authority to spearhead the implementation of Japan Post group's global expansion strategies.

**(c) Employees**

Japan Post does not intend to alter materially Toll's business bases and locations, nor does it intend to undertake any material downsizing or outsourcing of operations to overseas if the Scheme is implemented.

**(d) Operations**

Japan Post does not contemplate any change of direction of Toll's existing business strategies in any material respect. Nor does it have any plans to materially alter Toll's business fundamentals.

Japan Post intends to utilise Toll's wealth of knowledge and experience in business operations around the globe, especially in the Asia Pacific region, and in mergers and acquisitions to spearhead the combined entity's global expansion. Japan Post intends that the combined entity will become one of the leading players in the international logistics industry. To achieve that end, Japan Post may provide Toll with access to Japan Post's financial and other tangible and intangible resources should it determine that it is appropriate to do so.

**(e) Delisting**

If the Scheme is implemented, Japan Post intends to request the ASX to remove Toll from the ASX's official list.

## 6.7 Japan Post's interests in Toll Shares

**(a) Interest in Toll Shares**

As at the date of this Scheme Booklet, none of Japan Post or any of its Associates has any Relevant Interest or voting power in any Toll Shares.

**(b) Dealing in Toll Shares in previous four months**

None of Japan Post or any of its Associates has provided or agreed to provide consideration for any Toll Shares under any other transaction during the period of four months before the date of this Scheme Booklet.

**(c) Benefits to holders of Toll Shares**

During the four months before the date of this Scheme Booklet, none of Japan Post or any of its Associates has given or offered to give or agreed to give a benefit to another person where the benefit was likely to induce the other person or an Associate to:

(i) vote in favour of the Scheme; or

(ii) dispose of Toll Shares,

where the benefit was not offered to all Toll Shareholders.

**(d) Benefits to Toll officers**

None of Japan Post and its Associates will be making any payment or giving any benefit to any current officers of Toll as compensation or consideration for, or otherwise in connection with, their resignation from their respective offices if the Scheme is implemented.

[5] Exchange rate published by the Reserve Bank of Australia on 16 March 2015.

# 7 Taxation implications

## 7.1 Introduction

The following is a general description of the Australian tax consequences of the Scheme (assuming it becomes effective) for Toll Shareholders who participate in the Scheme. It does not constitute tax advice and should not be relied upon as such. The comments set out below are relevant only to those Toll Shareholders who hold their Toll Shares on capital account and acquired, or have been deemed to acquire, their Toll Shares on or after 20 September 1985.

The description is based upon the Australian law and administrative practice in effect at the date of this Scheme Booklet, but is general in nature and is not intended to be an authoritative or complete statement of the laws applicable to the particular circumstances of a Toll Shareholder. Toll Shareholders should seek independent professional advice in relation to their own particular circumstances.

The description does not address the Australian tax consequences for Toll Shareholders who:

- hold their Toll Shares for the purposes of speculation or a business of dealing in securities (eg as trading stock);
- acquired their Toll Shares pursuant to an employee share, option or rights plan; or
- are subject to the taxation of financial arrangements rules in Division 230 of *Income Tax Assessment Act 1997* (Cth) in relation to gains and losses on their Toll Shares.

Toll Shareholders who are tax residents of a country other than Australia (whether or not they are also residents, or are temporary residents, of Australia for tax purposes) should take into account the tax consequences of the Scheme under the laws of their country of residence, as well as under Australian law.

## 7.2 Australian resident shareholders

**(a) Capital Gains Tax (CGT)**

Under the Scheme, Toll Shareholders will dispose of their Toll Shares to Japan Post. This disposal will constitute a CGT event A1 for Australian CGT purposes for Toll Shareholders.

The time of the CGT event will be the date the Scheme is implemented.

**(b) Calculation of capital gain or capital loss**

Toll Shareholders may make a capital gain on the disposal of Toll Shares to the extent that the capital proceeds from the disposal of the Toll Shares are more than the cost base of those Toll Shares. Conversely, Toll Shareholders will make a capital loss to the extent that the capital proceeds are less than their reduced cost base of those Toll Shares.

**(1) Cost base**

The cost base of the Toll Shares generally includes the cost of acquisition and certain non-deductible incidental costs of their acquisition and disposal. The reduced cost base of the Toll Shares is usually determined in a similar, but not identical, manner.

If the Toll Shares were acquired at or before 11.45am on 21 September 1999, a Toll Shareholder who is an individual, a complying superannuation entity or the trustee of a trust may choose to adjust the cost base of their Toll Shares to include indexation by reference to changes in the consumer price index from the calendar quarter in which their Toll Shares were acquired until the quarter ended 30 September 1999. Toll Shareholders that are companies will include that indexation adjustment if their Toll Shares were acquired at or before 11.45am on 21 September 1999. Indexation adjustments are taken into account only for the purposes of calculating capital gains; they are ignored when calculating capital losses.

Toll Shareholders who held their Toll Shares at the time of the Asciano or Virgin Blue demergers should also consider the impact the demergers may have had on the cost base of their Toll Shares.

**(2) Capital proceeds**

The capital proceeds received in respect of the disposal of each Toll Share should be $9.04 per Toll Share, being the amount of the Scheme Consideration.

**(3) Interim dividend**

It is considered that the interim dividend for the half-year ended 31 December 2014 will not form part of the capital proceeds received in respect of the disposal of each Toll Share under the Scheme. In particular, payment of the interim dividend was not conditional on the Scheme, was funded from Toll's own resources without any participation of Japan Post or its Related Bodies Corporate, was consistent with the interim dividends of prior years, did not affect the Scheme Consideration, and was paid 41 days in advance of the date scheduled for the Scheme Meeting. This conclusion is consistent with the reasoning of the Australian Taxation Office in Tax Ruling TR 2010/4.

It is also considered that, having regard to the relevant circumstances of the Scheme, it cannot be said that a Toll Shareholder, or an associate, does anything that has the effect of passing the benefit of the interim dividend to another person; the interim dividend was paid irrespective of whether the Scheme subsequently becomes effective. Accordingly, Toll Shareholders should not be taken for the purposes of the former Division 1A of the *Income Tax Assessment Act 1936* (Cth) to make a 'related payment' in respect of the interim dividend as a result of the Scheme. Therefore, a Toll Shareholder should be a 'qualified person' in relation to the interim dividend, and therefore entitled to a tax offset for the franking credit allocated to the dividend, provided that Toll Shareholder has held the Toll Shares 'at risk' for a period of 45 continuous days at any time up to 19 April 2015 (not counting the day of acquisition).

**(4) Other issues**

Individuals, complying superannuation entities or trustees that have held Toll Shares for at least 12 months but do not index the cost base of the Toll Shares (refer above) may be entitled to discount the amount of the capital gain (after application of capital losses) from the disposal of Toll Shares by 50% in the case of individuals and trustees or by 33⅓% for complying superannuation entities. For trustees, the ultimate availability of the discount for beneficiaries of the trusts will depend on the particular circumstances of the beneficiaries.

Capital gains (prior to any CGT discount) and capital losses of a taxpayer in an income year are aggregated to determine whether there is a net capital gain. Any net capital gain is included in assessable income and is subject to income tax. Capital losses may not be deducted against other income for income tax purposes, but may be carried forward to offset against future capital gains (subject to satisfaction of loss recoupment tests for certain taxpayers).

## 7.3 Non-resident shareholders

For a Toll Shareholder who:

- is not a resident of Australia for Australian tax purposes; and
- does not hold their Toll Shares in carrying on a business through a permanent establishment in Australia;

the disposal of Toll Shares will generally only result in Australian CGT implications if:

(a) that Toll Shareholder together with its associates held 10% or more of the Toll Shares at the time of the CGT event or for any continuous 12 month period within 2 years preceding the CGT event (referred to as a 'non-portfolio interest'); and

(b) more than 50% of Toll's value is due to direct or indirect interests in Australian real property (as defined in the income tax legislation).

If you are a non-resident who holds a 'non-portfolio interest' in Toll, you should obtain independent advice as to the tax implications of sale, and whether any protection will be available under a relevant double tax treaty.

A non-resident individual Toll Shareholder who has previously been a resident of Australia and chose to disregard a capital gain or loss on ceasing to be a resident will be subject to Australian CGT consequences on disposal of the Toll Shares as set out in section 7.2.

## 7.4 Goods and services tax (GST)

Toll Shareholders should not be liable to GST in respect of a disposal of those Toll Shares.

Toll Shareholders may be charged GST on costs (such as advisor fees relating to their participation in the Scheme) that relate to the Scheme. Toll Shareholders may be entitled to input tax credits or reduced input tax credits for such costs, but should seek independent advice in relation to their individual circumstances.

# 8 Additional information

## 8.1 Interests of Toll Directors in Toll

As at the date of this Scheme Booklet, the number of Toll Shares held by or on behalf of the Toll Directors is as follows:

| Director | Number of Toll Shares |
|---|---|
| Ray Horsburgh AM | 86,501 |
| Brian Kruger | 147,870 |
| Harry Boon | 39,985 |
| Mark Smith | 58,732 |
| Barry Cusack | 49,630 |
| Frank Ford | 30,000 |
| Nicola Wakefield Evans | 30,000 |
| Ken Ryan AM | Nil |

Other than an on-market purchase of an indirect interest in 20,000 Toll Shares at an average of $8.95 per share by Harry Boon on 20 February 2015 and an on-market purchase of an indirect interest in 20,000 Toll Shares at an average of $8.81 per share by Nicola Wakefield Evans on 3 March 2015, no director of Toll has acquired or disposed of a Relevant Interest in any Toll Shares in the 4 month period ending on the date immediately before the date of this Scheme Booklet.

In addition, as at the date of this Scheme Booklet, Mr Brian Kruger also holds 5,082,196 performance options, 755,071 performance rights and 64,844 deferred equity rights, which are on the terms described in section 8.5.

## 8.2 Interests of Toll Directors in Japan Post

No director of Toll has a Relevant Interest in any shares in Japan Post.

No director of Toll acquired or disposed of a Relevant Interest in any shares in Japan Post in the 4 month period ending on the date immediately before the date of this Scheme Booklet.

## 8.3 Summary of Scheme Implementation Deed

On 18 February 2015, Toll and Japan Post entered into a Scheme Implementation Deed under which Toll agreed to propose the Scheme. The Scheme Implementation Deed contains terms and conditions that are standard for these types of agreements, including in relation to the parties' obligations to implement the Scheme and Toll's obligation to conduct its business in the ordinary course during the Scheme process.

A summary of the key elements of the Scheme Implementation Deed is set out below. A full copy of the Scheme Implementation Deed was lodged with ASX on 18 February 2015 and can be obtained from www.asx.com.au or from www.tollgroup.com/investors.

### (a) Conditions

Implementation of the Scheme is subject to the following conditions which must be satisfied or waived (where capable of waiver) before the Scheme can be implemented:

- **Regulatory approvals:**
  - FIRB approval: the Federal Treasurer advising Japan Post that the Commonwealth of Australia has no objections to Japan Post acquiring Toll;
  - OIO approval: Japan Post has received all consents required under the *Overseas Investment Act 2005* (New Zealand) for implementation of the Scheme; and
  - JFTC approval: no order is made by the JFTC in relation to the Scheme and no notice has been given by the JFTC to Japan Post that it intends to object to the Scheme;
- **Regulatory intervention**: no order is issued by a court in Australia in a proceeding brought by a Government Agency preventing or delaying the Scheme;
- **Executive incentive arrangements**: Toll has taken all necessary steps to ensure that, before the Scheme Record Date, all executive incentive arrangements are dealt with as described in section 8.5;
- **Court approval**: the Court approves the Scheme;
- **Shareholder approval**: Toll Shareholders approve the Scheme;
- **No Toll Prescribed Occurrence**: no Toll Prescribed Occurrence occurs before 8.00am (AEST) on the Second Court Date; and
- **Representations and warranties**: the representations and warranties given by Toll and Japan Post to each other are true and correct in all material respects as at the date of the Scheme Implementation Deed and as at 8.00am (AEST) on the Second Court Date,except where expressed to be operative at another date.

Full details of the conditions and the ability of Toll and Japan Post to rely on the various conditions and the provisions relating to satisfaction or waiver of these conditions are set out in clause 3 of the Scheme Implementation Deed. As at the date of this Scheme Booklet, Toll is not aware of any reason why the conditions will not be satisfied.

A summary of the status of the regulatory conditions is set out in section 8.4.

**(b) Exclusivity**

The Scheme Implementation Deed contains certain exclusivity arrangements in favour of Japan Post. These arrangements are in line with market practice in this regard and may be summarised as follows:

- **No Talk**: Toll must not participate in discussions or provide information that may lead to a Competing Transaction.
- **No Shop**: Toll must not solicit any enquiries, discussions or proposals that may lead to a Competing Transaction.
- **Notification**: If Toll is approached in relation to a Competing Transaction, or a proposed or potential Competing Transaction, Toll must notify Japan Post of any such approach, and provide the identity of the relevant person making or proposing the Competing Transaction.
- **Matching Right:** Toll is prohibited from entering into an agreement to undertake a Competing Transaction and must use its best endeavours to ensure that none of the Toll Directors recommend a Competing Transaction unless Toll has given Japan Post at least five Business Days to provide a matching or superior proposal to the terms of the Competing Transaction.

However, Toll is not required to comply with its obligations under the No Talk and Notification provisions in the Scheme Implementation Deed if the Toll Board determines that complying with those provisions would be likely to constitute a breach of the fiduciary or statutory duties owed by any Toll Director.

These exclusivity arrangements are set out in full in clause 10 of the Scheme Implementation Deed.

**(c) Japan Post Reimbursement Fee**

In accordance with market practice, Toll has agreed to pay Japan Post a cash reimbursement fee of $65 million (excluding GST) (Reimbursement Fee) in certain circumstances. Those circumstances are:

- **Change of recommendation or recommendation of Competing Transaction**: any member of the Toll Board fails to recommend or withdraws or adversely modifies his or her support of the Scheme or his or her recommendation that Toll Shareholders vote in favour of the Scheme, or makes a public statement indicating that they no longer support the Scheme or that they support a Competing Transaction, other than as a result of:
  (1) the Independent Expert opining that the Scheme is not in the best interests of Scheme Shareholders (other than as a result of a Competing Transaction);
  (2) Japan Post is in material breach of the Scheme Implementation Deed and this breach is not remedied to Toll's reasonable satisfaction within 5 Business Days of notice being given; or
  (3) a failure of a condition precedent relating to regulatory approvals, regulatory intervention, or Court or shareholder approvals, other than as a result of a breach by Toll of its obligations to use its best endeavours to procure that the conditions are satisfied;
- **Change of control of Toll**: a Competing Transaction is announced prior to the Second Court Date and, within 6 months of the date of such announcement, the person announcing or making the Competing Transaction:
  (1) acquires a Relevant Interest in, or becomes the holder of, or otherwise acquires, directly or indirectly, 30% or more of Toll Shares and that acquisition is unconditional and free of defeating conditions;
  (2) acquires or becomes the holder of, or otherwise, acquires an economic interest in all or a substantial part of the business of Toll and its subsidiaries;
  (3) acquires control (as determined in accordance with section 50AA of the Corporations Act, disregarding sub-section 50AA(4)) of Toll; or
  (4) otherwise acquires or merges with Toll; or
- **Material breach**: Japan Post terminates the Scheme Implementation Deed as a result of a failure of the 'No Toll Prescribed Occurrence' or the 'Toll Representations and Warranties' conditions or due to Toll being in material breach of any clause of the Scheme Implementation Deed where that breach either cannot be remedied or is not remedied to the reasonable satisfaction of Japan Post within 5 Business Days' notice.

The Toll Directors consider the Reimbursement Fee is reasonable and appropriate in amount, structure and effect. The fee is not payable if the Scheme does not proceed merely because Toll Shareholders do not vote in favour of the Scheme in sufficient numbers to satisfy the legal requirements.

For full details of the Reimbursement Fee, see clause 11 of the Scheme Implementation Deed.

**(d) Termination**

Either party can terminate the Scheme Implementation Deed:

- in certain circumstances where an event occurs which would, or does, prevent a condition being satisfied;
- where the other party is in material breach of that deed and that breach either cannot be remedied or is not remedied to the reasonable satisfaction of the non-breaching party within 5 Business Days' notice; or
- where a Toll Director changes or withdraws his or her recommendation to Toll Shareholders to vote in favour of the Scheme, or recommends a Competing Transaction.

Japan Post may also terminate the Scheme Implementation Deed in the event of a material adverse change, being a matter which has, has had, or is reasonably likely to have, the effect (whether individually or in aggregate) of diminishing the consolidated net assets of the Toll Group by at least $270 million or diminishing the future consolidated recurring earnings before interest and tax of the Toll Group by at least $44 million per year. The definition of material adverse change is subject to certain carve-outs in favour of Toll, including for matters fairly disclosed to ASX or Japan Post prior to the date of the Scheme Implementation Deed or matters resulting from the actual or anticipated change of control of Toll under the Scheme.

## 8.4 Status of regulatory conditions

As at the date of this Scheme Booklet, the Federal Treasurer has confirmed that the Commonwealth of Australia has no objection to the Scheme under Australia's foreign investment policies. Accordingly, the FIRB approval condition has been satisfied.

Application for approvals and no objections have been made by Japan Post to OIO and JFTC, but, at the date of this Scheme Booklet, the conditions have not yet been satisfied. Japan Post, with Toll's assistance and co-operation, is continuing to progress these outstanding regulatory conditions. Neither Toll or Japan Post is aware of any circumstances which would cause these conditions not to be satisfied.

## 8.5 Toll executive incentive arrangements

**(a) Overview of arrangements**

As detailed in Toll's annual report for the year ended 30 June 2014, Toll operates various executive share plans to provide incentives and rewards for executives.

As at the date of this Scheme Booklet, there are on issue:

- 15,693,752 performance options, which entitle the holder to acquire one Toll Share, subject to the satisfaction of certain performance conditions which are referrable to Toll's financial performance over a set time period and payment of the applicable exercise price (which ranges from $4.61 to $6.25 per option);
- 7,095,019 performance rights, which entitle the holder to acquire one Toll Share, subject to the satisfaction of certain performance conditions which are referrable to Toll's financial performance over a set time period. These rights have a zero exercise price;
- 470,382 restricted rights, which entitle the holder to acquire one Toll Share, subject to the satisfaction of time based service conditions. These rights have a zero exercise price; and
- 177,411 deferred equity rights, which are awarded in lieu of cash due to executives under Toll's short term incentive scheme and entitle the holder to acquire one Toll Share, subject to the satisfaction of time based service conditions. These rights have a zero exercise price.

In addition, for employees of the Toll Group in overseas jurisdictions where an offer of equity rights creates legal issues, Toll has on issue 175,705 non-equity rights, which entitle the holder to a cash payment based on the Toll Share price, which are exercisable on conditions that match the conditions for the equity grants mentioned above.

As detailed in Toll's annual report for the year ended 30 June 2014, performance options and performance rights are subject to exercise conditions which include relative total shareholder return against the ASX 100, compound average growth rate in return on capital and cumulative growth in earnings per share (post amortisation) for on-going operations excluding abnormal items (EPS).

**(b) Implications of the Scheme for participants in the incentive plans**

A key assumption of Japan Post in proposing the acquisition of Toll was the retention of Toll's executives within the business and their motivation going forward. As stated in section 6.6, Japan Post does not presently intend to make any material change to Toll's management team if the Scheme is implemented. Therefore, a condition precedent of the Scheme proceeding is that Japan Post is satisfied that Toll has taken all the steps agreed with Japan Post to deal with all incentive options and rights on issue.

Having regard to this objective and the requirement that Japan Post own all of the issued shares in Toll and not be subject to dilution thereafter, the Toll Board and Japan Post agreed that the Toll Board would exercise its discretion under the incentive plans in a way that rewards incentive plan participants for their efforts which have led to the

Transaction being proposed in the interests of all Toll Shareholders. These discussions occurred after negotiations had concluded about the price at which Japan Post would acquire Toll Shares. In other words, the outcome for participants in the incentive plans has had no impact on the outcome for Toll Shareholders.

Accordingly, certain options and rights will vest and then be cancelled in exchange for a payment to holders equal to the Scheme Consideration minus any amount that would have been payable on exercise of the options and rights. This will apply to 16,198,961 of the options and rights described above. The balance of the options and rights (being those subject to EPS exercise conditions, the satisfaction of which is considered less likely) will not vest and will be cancelled for no consideration.

In addition, subject to the Scheme becoming effective, Japan Post will introduce a new retention plan under which certain ongoing employees of the Toll Group who formerly held options and rights subject to EPS exercise conditions will become entitled to a cash amount (which will approximate the Scheme Consideration minus the applicable exercise price of those options or rights, if any) payable as follows:

- 1/6 payable on the date that is 12 months after the Implementation Date;
- 2/6 payable on the date that is 24 months after the Implementation Date; and
- 3/6 payable on the date that is 36 months after the Implementation Date,

provided that they remain employed by the Toll Group as at the relevant payment date. If the employee ceases to be employed earlier by reason of redundancy, termination without cause, death or total and permanent disablement (as determined by Toll) or in other circumstances accepted by Toll as warranting similar treatment (such as an agreed transition to retirement), any remaining amount will be payable on cessation of employment.

As noted in section 8.1, Toll's managing director, Mr Brian Kruger, holds a number of options and rights. He has agreed to participate in the proposal described above on the same terms as other employees.

## 8.6 Benefits and agreements

**(a) Benefits in connection with retirement from office**

There is no payment or other benefit that is proposed to be made or given to any director, secretary or executive officer of Toll (or any of its Related Bodies Corporate) as compensation for the loss of, or consideration for or in connection with his or her retirement from, office in Toll (or any of its Related Bodies Corporate) in connection with the Scheme.

**(b) Agreements connected with or conditional on the Scheme**

There are no agreements or arrangements made between any Toll Director and any other person in connection with, or conditional on, the outcome of the Scheme, other than as set out below or, in relation to Mr Brian Kruger, in his capacity as a holder of executive incentive arrangements.

Japan Post has agreed to indemnify each Toll Director from any claim, action, damage, loss, liability, cost, expense or payment of whatever nature and however arising out of any breach of any of the representations and warranties given by Japan Post (as applicable) in Schedule 2 of the Scheme Implementation Deed.

**(c) Interests of Toll Directors in contracts with Japan Post**

None of the Toll Directors has any interest in any contract entered into by Japan Post.

**(d) Benefits under the Scheme or from Japan Post**

None of the Toll Directors has agreed to receive, or is entitled to receive, any benefit from Japan Post which is conditional on, or is related to, the Scheme, other than as set out in clause 8.6(b).

## 8.7 ASIC and ASX relief

**(a) ASIC relief**

Paragraph 8302(h) of Part 3 of Schedule 8 of the Corporations Regulations requires an explanatory statement to set out whether, within the knowledge of the Toll Directors, the financial position of Toll has materially changed since the date of the last balance sheet laid before Toll Shareholders in accordance with sections 314 or 317 of the Corporations Act, being 30 June 2014. ASIC has granted Toll relief from this requirement so that this Scheme Booklet only need set out whether, within the knowledge of the Toll Directors, the financial position of Toll has materially changed since 31 December 2014 (being the last date of the period to which the financial statements for the half-year ended 31 December 2014 relate).

**(b) ASX relief**

ASX has granted Toll a waiver of ASX Listing Rule 6.23.2 to the extent necessary to permit the treatment of the executive incentive arrangements as set out in section 8.5.

## 8.8 Consents and disclosures

**(a) Consents**

This Scheme Booklet contains statements made by, or statements said to be based on statements made by:

- Japan Post in respect of the Japan Post Information only; and
- Grant Samuel as the Independent Expert.

Each of those persons named above has consented to the inclusion of each statement it has made in the form and context in which the statements appear and has not withdrawn that consent at the date of this Scheme Booklet.

The following parties have given and have not, before the time of registration of this Scheme Booklet with ASIC, withdrawn their consent to be named in this Scheme Booklet in the form and context in which they are named:

- Lazard Pty Ltd as financial adviser to Toll;
- Herbert Smith Freehills as legal adviser to Toll; and
- Boardroom Pty Limited as the Toll Registry.

**(b) Disclosures and responsibility**

Further, each person named in section 8.8(a):

- has not authorised or caused the issue of this Scheme Booklet;
- does not make, or purport to make, any statement in this Scheme Booklet or any statement on which a statement in this Scheme Booklet is based, other than:
  - Japan Post in respect of the Japan Post Information only; and
  - Grant Samuel, in relation to its Independent Expert's Report, and
- to the maximum extent permitted by law, expressly disclaims all liability in respect of, makes no representation regarding, and takes no responsibility for, any part of this Scheme Booklet other than a reference to its name and the statement (if any) included in this Scheme Booklet with the consent of that party as specified in this section 8.8(b).

## 8.9 No unacceptable circum-stances

The Toll Directors believe that the Scheme does not involve any circumstances in relation to the affairs of Toll that could reasonably be characterised as constituting 'unacceptable circumstances' for the purposes of section 657A of the Corporations Act.

## 8.10 Other information material to the making of a decision in relation to the Scheme

Except as set out in this Scheme Booklet, there is no other information material to the making of a decision in relation to the Scheme, being information that is within the knowledge of any Toll Director, at the time of lodging this Scheme Booklet with ASIC for registration, which has not previously been disclosed to Toll Shareholders.

## 8.11 Supplementary information

If, between the date of lodgement of this Scheme Booklet for registration by ASIC and the Effective Date, Toll becomes aware that:

- a material statement in this Scheme Booklet is false or misleading;
- there is a material omission from this Scheme Booklet;
- a significant change affecting a matter in this Scheme Booklet has occurred; or
- a significant new matter has arisen which would have been required to be included in this Scheme Booklet if it had arisen before the date of lodgement of this Scheme Booklet for registration by ASIC,

Toll will prepare a supplementary document to this Scheme Booklet.

The form which the supplementary document may take, and whether a copy will be sent to each Toll Shareholder, will depend on the nature and timing of the new or changed circumstances.

In all cases, the supplementary document will be available from Toll's website at www.tollgroup.com/investors and from the ASX website at www.asx.com.au.

# 9 Glossary and interpretation

## 9.1 Glossary

The meanings of the terms used in this Scheme Booklet are set out below:

| Term | Meaning |
|---|---|
| **AEST** | Australian Eastern Standard Time. |
| **ASIC** | Australian Securities and Investments Commission. |
| **Associate** | has the same meaning as in section 12 of the Corporations Act. |
| **ASX** | ASX Limited (ABN 98 008 624 691) and, where the context requires, the financial market that it operates. |
| **Business Day** | a weekday in which trading banks are open for business in Melbourne, Victoria, Australia. |
| **Competing Transaction** | a proposal, transaction or arrangement pursuant to which a third party will, if the proposal, transaction or arrangement is entered into or completed:<br>1 acquire a Relevant Interest in, become the holder of, or otherwise acquire, have a right to acquire or have an economic interest, directly or indirectly, in more than 20% of Toll Shares;<br>2 acquire (whether directly or indirectly) or become the holder of, or otherwise acquire, have a right to acquire or have an economic interest in all or a substantial part of the business of Toll and its subsidiaries;<br>3 acquire control (as determined in accordance with section 50AA of the Corporations Act, disregarding sub-section 50AA(4)) of Toll; or<br>4 otherwise acquire or merge with Toll,<br>whether by way of takeover offer, scheme of arrangement, shareholder approved acquisition, capital reduction or buy-back, sale or purchase of shares or assets, joint venture, dual-listed company structure (or other synthetic merger), or other transaction or arrangement. |
| **Corporations Act** | the *Corporations Act 2001* (Cth). |
| **Corporations Regulations** | the *Corporations Regulations 2001* (Cth). |
| **Court** | the Supreme Court of Victoria or such other Court of competent jurisdiction under the Corporations Act agreed to in writing by Toll and Japan Post. |
| **Deed Poll** | the deed poll executed by Japan Post on 25 March 2015 pursuant to which Japan Post acknowledges and confirms its obligations under the Scheme. A copy of the Deed Poll is contained in Annexure C. |
| **Effective Date**<br>**Corporations Act.** | the date on which the Scheme comes into effect pursuant to section 411(10) of the |
| **End Date** | 30 June 2015, unless extended in accordance with the Scheme Implementation Deed. |
| **FIRB** | the Foreign Investment Review Board of Australia. |
| **Government Agency** | any foreign or Australian Government or governmental, semi-governmental, administrative, fiscal or judicial body, department, commission, authority, tribunal, agency or entity or minister of the Crown in right of the Commonwealth of Australia or any state. |

| Term | Meaning |
|---|---|
| **Implementation Date** | the fifth Business Day after the Scheme Record Date. |
| **Independent Expert** | Grant Samuel & Associates Pty Limited ACN 050 036 372. |
| **Independent Expert's Report** | the report prepared by the Independent Expert dated 1 April 2015 set out in Annexure A. |
| **Japan Post** | Japan Post Co., Ltd. |
| **Japan Post Bank** | Japan Post Bank Co., Ltd. |
| **Japan Post Holdings** | Japan Post Holdings Co., Ltd. |
| **Japan Post Information** | the information contained in:<br>• the paragraph commencing "Any forward-looking statements included in the Japan Post Information" in the subsection headed 'Disclaimer as to forward-looking statements' in the Important Notices;<br>• the answer to the question "Who is Japan Post?" in section 2; and<br>• section 6. |
| **Japan Post Insurance** | Japan Post Insurance Co., Ltd. |
| **JFTC** | Japan Fair Trade Commission. |
| **Listing Rules** | the official listing rules of the ASX. |
| **Notice of Meeting** | the notice of meeting relating to the Scheme Meeting which is contained in Annexure D. |
| **Proxy Form** | the proxy form which accompanies this Scheme Booklet. |
| **OIO** | New Zealand's Overseas Investment Office. |
| **Register** | the share register of Toll. |
| **Regulatory Authority** | includes ASX or ASIC, a government or governmental, semi-governmental or judicial entity or authority, a minister, department, office, commission, delegate, instrumentality, agency, board, authority or organisation of any government and any regulatory organisation established under statute. |
| **Reimbursement Fee** | has the meaning given in section 8.3(c). |
| **Related Body Corporate** | has the same meaning given to it in the Corporations Act. |
| **Relevant Interest** | has the same meaning as given by sections 608 and 609 of the Corporations Act. |
| **Scheme or Scheme of Arrangement** | the scheme of arrangement between Toll and the Scheme Shareholders under which all Scheme Shares will be transferred to Japan Post in accordance with Part 5.1 of the Corporations Act, substantially in the form in Annexure B,together with any amendment or modification made pursuant to section 411(6) of the Corporations Act. |
| **Scheme Booklet** | this document. |
| **Scheme Consideration** | in respect of each Scheme Share, $9.04 cash. |

| Term | Meaning |
|---|---|
| **Scheme Implementation Deed** | the Scheme Implementation Deed between Toll and Japan Post dated 18 February 2015. A summary is set out in section 8.3, and a full copy can be obtained from Toll's website www.tollgroup.com/investors. |
| **Scheme Meeting** | the meeting of Toll Shareholders ordered by the Court to be convened under section 411(1) of the Corporations Act. |
| **Scheme Record Date** | 7.00pm (AEST) on the fifth Business Day after the Effective Date. |
| **Scheme Resolution** | the resolution to agree to the terms of the Scheme. |
| **Scheme Share** | a Toll Share held by a Scheme Shareholder as at the Scheme Record Date. |
| **Scheme Shareholder** | each person who is a Toll Shareholder at the Scheme Record Date. |
| **Second Court Date** | the first day on which an application made to the Court for an order pursuant to section 411(4)(b) of the Corporations Act approving the Scheme is heard, or if the application is adjourned for any reason, the first day on which the adjourned application is heard. |
| **Second Court Hearing** | the hearing of the application made to the Court for an order pursuant to section 411(4)(b) of the Corporations Act approving the Scheme. |
| **Shareholder Information Line** | 1800 222 722 from within Australia and + 61 2 9290 9699 from outside Australia. |
| **Toll** | Toll Holdings Limited (ABN 25 006 592 089). |
| **Toll Board** | the board of directors of Toll. |
| **Toll Director or Your Director** | a member of the Toll Board. |
| **Toll Group** | Toll and each of its Related Bodies Corporate and a reference to a "Toll Group Member" or a "member of the Toll Group" is to Toll or any of its Related Bodies Corporate. |
| **Toll Information** | the information contained in this Scheme Booklet, other than the Japan Post Information and the information contained in Annexure A. |
| **Toll Prescribed Occurrence** | other than:<br>1 as expressly required or permitted by the Scheme Implementation Deed or the Scheme;<br>2 as fairly disclosed to ASX or to Japan Post in the due diligence materials prior to the date of the Scheme Implementation Deed;<br>3 pursuant to any corporate restructure of wholly-owned solvent bodies corporate within the Toll Group within the ordinary or usual course of a group such as the Toll Group; or<br>4 with the written consent of Japan Post not to be unreasonably withheld,<br>the occurrence of any of the following between the date of the Scheme Implementation Deed and 8.00am (AEST) on the Second Court Date:<br>1 Toll converting all or any of its shares into a larger or smaller number of shares;<br>2 Toll resolving to reduce its share capital in any way or reclassifying, combining, splitting or redeeming or repurchasing directly or indirectly any of its shares; |

| Term | Meaning |
|---|---|
| | 3 Toll:<br>• entering into a buy back agreement; or<br>• resolving to approve the terms of a buy back agreement under the Corporations Act;<br>4 a member of the Toll Group issuing shares, or granting a performance right or an option over an unissued share, or agreeing to make such an issue or grant such a right or an option, other than on vesting or exercise of, or in respect of, an executive incentive arrangement existing as at the date of the Scheme Implementation Deed and fairly disclosed in the due diligence materials, in the ordinary course or in accordance with section 8.5 of this Scheme Booklet;<br>5 a member of the Toll Group issuing, or agreeing to issue, securities convertible into shares or debt securities;<br>6 Toll declaring, paying or distributing any dividend, bonus or other share of its profits or assets, other than an interim dividend for the half-year ended 31 December 2014 of an amount not exceeding 13 cents per Toll Share;<br>7 a member of the Toll Group disposing, or agreeing to dispose, of the whole, or a substantial part, of the Toll Group's business or property;<br>8 a member of the Toll Group charging, or agreeing to charge, the whole, or a substantial part, of the Toll Group's business or property;<br>9 a member of the Toll Group making any change to its constitution;<br>10 a member of the Toll Group resolving that it be wound up;<br>11 a liquidator or provisional liquidator of a member of the Toll Group being appointed;<br>12 a court making an order for the winding up of a member of the Toll Group;<br>13 an administrator of a member of the Toll Group being appointed under the Corporations Act;<br>14 a member of the Toll Group executing a deed of company arrangement; or<br>15 a receiver, or a receiver and manager, being appointed in relation to the whole, or a substantial part, of the property of the Toll Group. |
| **Toll Registry** | Boardroom Pty Limited ACN 003 209 836. |
| **Toll Share** | a fully paid ordinary share in the capital of Toll. |
| **Toll Shareholder** | each person registered in the Register as a holder of Toll Shares. |
| **Transaction** | the acquisition of Toll by Japan Post through implementation of the Scheme. |
| **VWAP** | volume weighted average price. |

## 9.2 Interpretation

In this Scheme Booklet:

(a) words of any gender include all genders;

(b) words importing the singular include the plural and vice versa;

(c) an expression importing a person includes any company, partnership, joint venture, association, corporation or other body corporate and vice versa;

(d) a reference to a section or annexure, is a reference to a section of or annexure of, to this Scheme Booklet as relevant;

(e) a reference to any legislation includes all delegated legislation made under it and amendments, consolidations, replacements or re-enactments of any of them;

(f) headings and bold type are for convenience only and do not affect the interpretation of this Scheme Booklet;

(g) a reference to time is a reference to AEST;

(h) a reference to dollars, $, A$, AUD, cents, ¢ and currency is a reference to the lawful currency of the Commonwealth of Australia;

(i) an accounting term is a reference to that term as it is used in accounting standards under the Corporations Act, or, if not inconsistent with those standards, in accounting principles and practices generally accepted in Australia; and

(j) the words “include”, “including”, “for example” or “such as” when introducing an example, do not limit the meaning of the words to which the example relates to that example or examples of a similar kind.

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1 April 2015

The Directors
Toll Holdings Limited
Level 7
380 St Kilda Road
Melbourne Vic 3004

Dear Directors

**Offer by Japan Post Co., Ltd**

## 1 Introduction

On 18 February 2015, Toll Holdings Limited ("Toll") announced that it had entered into a scheme implementation deed with Japan Post Co., Ltd ("Japan Post") under which it is proposed that Japan Post acquire all of the ordinary shares in Toll for a cash payment of $9.04 per share (the "Proposal"). Toll shareholders will also receive a $0.13 per share fully franked interim dividend on 2 April 2015.

The Proposal is to be implemented by a scheme of arrangement under Section 411 of the Corporations Act, 2001 ("Corporations Act"), which is required to be approved by Toll shareholders and by the Supreme Court of Victoria (the "Scheme"). The Scheme is subject to a number of conditions that are set out in the Notice of Meeting and Explanatory Memorandum ("Scheme Booklet"). These conditions include receipt of all regulatory approvals, including Foreign Investment Review Board approval in Australia[1] and approval from the Overseas Investment Office in New Zealand and Japan Post receiving necessary approvals from the Japan Fair Trade Commission.

Other elements of the Proposal include:

- Toll has agreed with Japan Post that its issued performance rights, performance options, restricted rights and deferred equity rights will be cashed out (based on the offer price of $9.04), except for unvested performance rights and options with an earnings per share performance criteria which will be cancelled for no consideration; and
- Japan Post has advised that Toll management will remain in place, with the Chief Executive Officer of Toll, Brian Kruger, reporting to the President and Chief Executive Officer of Japan Post.

The directors of Toll have announced that they unanimously recommend that Toll shareholders vote in favour of the Proposal in the absence of a superior proposal and subject to an independent expert concluding that the Proposal is in the best interests of Toll shareholders

The directors of Toll have engaged Grant Samuel & Associates Pty Limited ("Grant Samuel") to prepare an independent expert's report setting out whether, in its opinion, the Proposal is in the best interests of Toll shareholders. A copy of the report (including this letter) will accompany the Notice of Meeting and Explanatory Memorandum ("the Scheme Booklet") to be sent to shareholders by Toll. This letter contains a summary of Grant Samuel's opinion and its main conclusions.

## 2 Opinion

**In Grant Samuel's opinion, the Proposal is in the best interests of Toll shareholders, in the absence of a superior proposal.**

[1] Toll was notified by FIRB that the Australian Government had no objection to the Proposal on 19 March 2015.

## 3 Key Conclusions

- **Grant Samuel estimates the full underlying value of Toll to be in the range $8.22-9.10 per share.**

The equity in Toll has been valued in the range $5,897-6,532 million which corresponds to a value of $8.22-9.10 per share:

| Toll - Valuation Summary ($ millions) | | | |
|---|---|---|---|
| | Full Report Section Reference | Value Range | |
| | | Low | High |
| Business operations[2] | 4.4, 4.5 | 7,500.0 | 8,100.0 |
| Other assets and liabilities | 4.6 | 191.9 | 211.9 |
| **Enterprise value** | | **7,691.9** | **8,311.9** |
| Adjusted net borrowings at 31 December 2014 | 4.7 | (1,638.2) | (1,638.2) |
| Non-controlling interests | 4.8 | (157.0) | (142.0) |
| **Value of equity** | | **5,896.7** | **6,531.7** |
| Number of issued shares (millions)[3] | | 717.4 | 717.4 |
| **Value per share** | | **$8.22** | **$9.10** |

The valuation represents the estimated full underlying value of Toll assuming 100% of the company was available to be acquired and includes a premium for control. The value exceeds the price at which, based on current market conditions, Grant Samuel would expect Toll shares to trade on the Australian Stock Exchange ("ASX") in the absence of a takeover offer.

The value attributed to the business operations of $7,500-8,100 million is an overall judgement having regard to a number of valuation methodologies and parameters, including capitalisation of earnings (multiples of EBITDA[4] and EBITA[5]) and discounted cash flow ("DCF") analysis.

The valuation allows for:

- other non-operating assets and liabilities, the majority of which represents the proceeds (including a minority interest in a business with Sea Swift) from the sale of businesses and assets subsequent to 31 December 2014 (refer to Section 4.6 of the full report for details);
- payment of the interim dividend of $0.13 per share and the cash out of the performance options, performance rights, restricted rights and deferred equity rights (which are reflected in the adjusted net borrowings at 31 December 2014) (refer to Section 4.7 of the full report for details); and
- the value attributable to non-controlling interests in Toll (refer to Section 4.8 of the full report for details).

2 Includes Toll's interests in joint ventures and associates and is after corporate overhead cost savings (i.e. listed company and other costs) which are available to acquirers of 100% of the business (refer to Section 4.5 of the full report for details).

3 Grant Samuel has not adjusted the number of issued shares for the exercise of performance rights, performance options, restricted rights and deferred equity rights. Net borrowings has been adjusted to reflect the cash payment to be made to holders of these securities in lieu of their vesting and/or being exercised (refer to Section 4.7 of the full report for details).

4 EBITDA is earnings before net interest, tax, depreciation and amortisation and significant and individually significant items.

5 EBITA is earnings before PPA amortisation, net interest, tax and individually significant items. PPA amortisation is purchase price accounting amortisation arising from business acquisitions.

- **The value of Toll's business operations represents relatively high multiples of earnings.**

  The earnings multiples implied by the valuation of Toll's business operations as a whole are summarised below:

| Toll's Business Operations – Implied Multiples | | | |
|---|---|---|---|
| | Variable ($ million) | Range of Parameters | |
| | | Low | High |
| **Multiple of EBITDA (times)** | | | |
| Year ended 30 June 2014 (adjusted actual)[6] | 756.3 | 9.9 | 10.7 |
| Year ending 30 June 2015 (adjusted broker consensus)[6, 7] | 767.4 | 9.8 | 10.6 |
| **Multiple of EBITA (times)** | | | |
| Year ended 30 June 2014 (adjusted actual)[6] | 470.0 | 16.0 | 17.2 |
| Year ending 30 June 2015 (adjusted broker consensus)[6, 7] | 479.3 | 15.6 | 16.9 |

Toll has a number of attributes that justify relatively high multiples of current earnings:

- the scope for material profit enhancement over time from the various initiatives that Toll has underway including One Toll (improved cross selling, procurement, employee engagement), Project Forward (additional cost savings and revenue benefits through a focus on volume in key trade lanes), continued investment in new state-of-the-art facilities such as Toll Global Express's ("TGX") Tullamarine depot, opportunities for business unit consolidation and benefits of the Global Technology Transformation and Global Finance Transformation programs;
- the potential for significant earnings growth, particularly in network businesses, as the Australian economy strengthens over time. Toll has made very substantial capital investments in its business over the past 4-5 years. To date, in a weak economy, the benefits have been limited but as and when the economy improves the increased volumes will generate strong earnings growth, particularly in view of the high operating leverage inherent in the business. An economic recovery would also likely see some easing of customer-led pressure on prices;
- the opportunities for market share gain and market growth in specific markets including the business to consumer ("B2C") market, Toll Liquids and Customised Solutions;
- the latent value inherent in Toll Offshore Petroleum Supply Base ("TOPS") and Toll Global Express Japan ("TGX Japan");
- the attractions of Toll's market position across the entire transport and logistics spectrum in Australia and the strategic value and potential of Toll's Asian footprint, including Project Forward cost savings and volume growth initiatives at Toll Global Forwarding ("TGF") and the Toll City development (a 100,000m$^2$ facility in Singapore to be completed in FY17[8]) which will be a cornerstone asset for accelerating the growth of Toll Global Logistics ("TGL"). In addition, it is likely that potential acquirers of Toll would see an opportunity to leverage these businesses using their existing freight flows, operational bases or other attributes; and
- the breadth and diversity of Toll's business as well as the increasingly integrated nature of its operations. The diversity provides a more stable, defensive earnings base.

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6 Historical and broker consensus forecast earnings have been adjusted by Grant Samuel to include contribution from associates, eliminate the earnings impact from businesses and assets sold, exclude significant one off items and include listed company cost savings (refer to Section 4.3.2 of the full report for details).

7 Toll has not publicly released earnings forecasts for the year ending 30 June 2015 and the directors have decided not to include any forecasts in the Scheme Booklet. Accordingly, the forecast multiples are based on the median of brokers' forecasts ("broker consensus") for Toll (refer to Appendix 2 to the full report for details). On a group basis, the broker consensus forecast is sufficiently close to Toll's 2015 Forecast to be useful for analytical purposes.

8 FYXX is the financial year end 30 June 20XX.

At the same time, it needs to be recognised that:

- transport and logistics is a very mature industry. While some segments (e.g. B2C) are likely to enjoy accelerated growth, the industry as a whole is unlikely to grow any faster than the overall economy in which it operates;
- the industry is highly competitive. Most segments have several well capitalised, experienced competitors as well as numerous aggressive niche operators. Some sectors such as global forwarding are highly fragmented. While service, reliability and efficiency are important criteria, much of the business is commoditised and price remains a significant factor in winning new business;
- the immediate and short term outlook for Toll is relatively subdued with demand and business and consumer confidence across the general Australian economy remaining weak, numerous major resource projects nearing completion, few new developments getting underway and the commodity price decline bringing an intense focus on operating costs by producers;
- there is no certainty that Toll's initiatives will ultimately deliver the level of cost savings anticipated. Many of the benefits of Toll's programs are only likely to be realised over a 3-5 year period (with most of the costs incurred upfront) and it is almost inevitable that some of these savings will need to be passed back to customers through lower pricing (or as other benefits);
- Toll's track record is mixed. While the track record can be largely explained by the underlying economic conditions, Toll's earnings over the last five years have essentially been flat and profit margins have barely changed. In addition, Toll has made a number of acquisitions, particularly in Asia, which have failed to deliver the anticipated returns;
- some of the growth initiatives will take time to pay off. For example, the build out of Toll's network to be an effective competitor in the B2C market will result in operating costs increasing ahead of revenue, so there will be a negative impact on earnings until critical mass is achieved. There is no certainty that Toll will achieve the level of market share targeted; and
- direct synergies for likely buyers are relatively limited. The most likely acquirers of Toll are offshore international buyers without an existing Australian base of operations. Accordingly, the synergy opportunities in acquiring Toll are likely to be limited to head office cost savings and the extent to which offshore buyers can enhance or absorb Toll's Asian operations.

These factors are reflected in the multiples implied by the value range. The low end is more in the nature of a "base case" control value and represents a more cautious view on the achievability of the earnings turnaround. The high end of the range implicitly represents a more optimistic view of the earnings turnaround.

The implied FY15 multiples of 9.8-10.6 times EBITDA and 15.6-16.9 times EBITA can be supported relative to the market evidence. In this context:

- EBITDA multiples have to be interpreted with considerable care because there can be substantial differences between sectors and individual companies in terms of relative capital intensity. In this respect, EBITA multiples may be a more reliable benchmark;
- there are no transactions involving businesses directly comparable to Toll. Most of the transactions are substantially smaller and none has the breadth of operations or market positioning of Toll. In addition, the data shows considerable variability. Grant Samuel has attributed limited weight to the transaction multiples. The overall medians (8.1 times historical EBITDA and 12.6 times historical EBIT are below those implied by the valuation of Toll but there are a number of individual transactions at comparable or higher multiples;
- there are a large number of listed companies engaged in transport and logistics. Again, none is directly comparable to Toll although many of them are diversified across express, forwarding and logistics and are more comparable in size. The listed company multiples also demonstrate a higher level of consistency. The median FY15 multiples (which do not include a premium for control) for the whole industry are 9.9 times EBITDA and 13.9 times EBIT albeit within a

wide range. The implied multiples for Toll are reasonable if allowance is made for a premium for control; and

- the effective multiples if Toll achieves its future business improvement initiatives are relatively modest (9.2-10.0 times FY15 EBITDA and 14.5-15.7 times FY15 EBITA if 50% of the expected earnings benefits are realised and 8.6-9.3 times FY15 EBITDA and 13.1-14.3 times FY15 EBITA if 100% of the expected earnings benefits are realised).

Grant Samuel has also analysed the valuation of Toll from the perspective of a "sum of the parts" by attributing value to each of Toll's five operating divisions (based on an allocation of the aggregate value of $7,500-8,100 million after attributing separate values to the TOPS supply base and TGX Japan). The implied FY15 multiples are set out in the table below:

| Toll's Business Divisions – Implied Multiples for Year Ending 30 June 2015[9] | | | |
|---|---|---|---|
| **Business Unit** | **Implied Multiples (times)** | | |
| **Contract Logistics Business Divisions** | | **TRGL** | **TGL** |
| Multiple of EBITDA | | 8.7-9.6 | 10.4-11.2 |
| Multiple of EBITA | | 15.2-16.9 | 15.7-17.0 |
| **Network-based Business Divisions** | **TGF** | **TDF** | **TGX Australia** |
| Multiple of EBITDA | 12.8-13.2 | 8.8-9.5 | 13.0-13.6 |
| Multiple of EBITA | 21.2-21.8 | 14.4-15.5 | 16.4-17.0 |

In Grant Samuel's opinion, the implied multiples for each of the business divisions are reasonable taking into account:

- their individual attributes (competitive position, growth outlook, capital intensity) and the potential to benefit from Toll's business improvement initiatives. As with all businesses, there is a combination of strengths and opportunities as well as weaknesses and threats. In particular:
  - considerable caution must be exercised in relation to Toll Resources & Government Logistics ("TRGL") and Toll Domestic Forwarding ("TDF") as they both comprise a number of individual business units with very different characteristics and outlook; and
  - the very high EBITDA multiples implied by the value attributed to TGF reflect the potential for a further turnaround in the business as well as the significant contribution from TGF's 25% interest in Cargo Services, which is performing well. The EBITA multiples are distorted by the current low profitability of TGF; and
- the market evidence as to sector specific multiples from recent acquisitions and more particularly, the multiples based on the market pries of comparable listed companies.

The multiples for Toll's business divisions can justifiably be higher than they would be for a standalone business in these industry sectors because of the inherent benefit of being part of the overall Toll group. Each business division is a stronger business because of the ability to access and integrate with Toll's other business divisions and the breadth and depth of services able to be supplied to any individual client (as well as the benefits of scale in areas such as technology developments).

- **The DCF analysis generates a value for the business operations of Toll consistent with the low end of the value range of $7,500-8,100 million based on standalone earnings.**

  Grant Samuel has prepared a high level DCF model of Toll's business operations. The key parameters of the model include:

[9] The implied multiples are based on Toll's 2015 Forecast for each business division as reliable brokers' consensus forecasts are not available. Accordingly, the valuation of each individual business division is not shown.

- ten and a half years of projected cash flows, from 1 January 2015 to 30 June 2025. The 2015 Forecast[10] and the financial projections prepared by Toll have been used as the basis for the cash flow forecasts for the second half of FY15 and for FY16 to FY19. The cash flows are nominal, ungeared and after tax;
- discrete assumptions for each business division, allowing for different revenue growth profiles, capital expenditure patterns and margin enhancing initiatives. TGX Japan is modelled separately from TGX Australia given its different market position and growth outlook;
- approximately $4.5 million of public company cost savings annually;
- a discount rate (weighted average cost of capital based on the Capital Asset Pricing Model ("CAPM")) of 8%;
- a corporate tax rate of 27% based on Toll's effective tax rate; and
- a terminal growth rate of 3.0% (implying an EBITA exit multiple of 11.5 times).

A number of different scenarios were examined. The key operating assumptions for Scenario A were as follows:

- the cash flows are based on Toll's financial projections (for the period up to FY19) but assume only 50% realisation of the benefits from implementation of the business improvement initiatives that Toll is just starting to undertake (business unit consolidation including the TDF business optimisation, Global Technology Transformation and Global Finance Transformation);
- the DCF model assumes that from FY20 onwards:
  - revenue for each business division grows at a rate equal to the average rate over the last four years and business division EBITDA margins remain at FY19 levels. This results in annual growth in revenue for Toll group of approximately 4.5% and an overall EBITDA margin for Toll group of approximately 9.5% for each year from FY20 to FY25;
  - corporate revenue and EBITDA are assumed to remain at FY19 levels;
  - business division sustaining capital expenditure is calculated as a percentage of revenue based on the trend over the last four years, resulting in annual capital expenditure for Toll group of approximately 3.5% of revenue. A further $100 million per year is assumed to be spent across the group on growth capital expenditure; and
  - business division depreciation is calculated as a percentage of capital expenditure based on the trend over the last four years, resulting in annual depreciation for Toll group of approximately 77% of capital expenditure.

The key parameters and the net present values ("NPV") of the scenarios are summarised below:

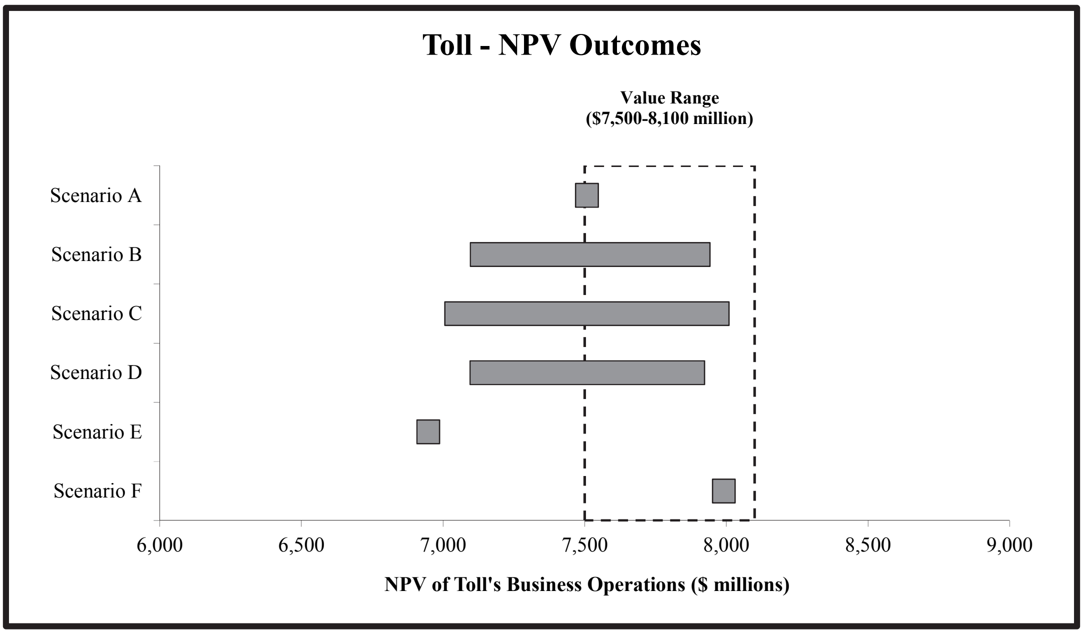
**Toll - DCF Scenarios**

| Scenario | NPV ($ millions) | Description |
|---|---|---|
| Scenario A | 7,508 | Refer to the assumptions set out above |
| Scenario B[11] | 7,097-7,943 | Scenario A except that revenue growth is 100 bps higher/lower post FY19 |
| Scenario C[11] | 7,006-8,010 | Scenario A except that margins grow/decline by 50 bps post FY19 |
| Scenario D[11] | 7,095-7,923 | Scenario A except that capital expenditure as a percentage of revenue increases/declines by 50 bps post FY19 |
| Scenario E[11] | 6,948 | Scenario A except that the discount rate is increased to 9% |
| Scenario F[11] | 7,991 | Scenario A except that the benefits from implementation of the future business improvement initiatives are achieved in full (i.e. 100% of benefits) |

10 The 2015 Forecast is the summarised forecast for Toll for the year ending 30 June 2015 prepared by management and reviewed by the directors of Toll.

11 The terminal value in each case is calculated using the same implied EBITA exit multiple as Scenario A (11.5 times).

The net present values of these scenarios are depicted graphically below:




Scenario A provides support for the low end of the range of values attributed to Toll's business operations. Scenarios B to D show that the NPV is highly sensitive to relatively small movements in revenue growth, margins and capital expenditure. Scenario E applies a discount rate of 9% to the Scenario A nominal after tax cash flows. A 9% discount rate is higher than the calculated discount rate under the CAPM (refer to Section 4.4.4 of the full report for further details), but is more in line with what Grant Samuel would consider a realistic, standalone value for Toll's business operations. The resulting NPV is well below the low end of the value range for Toll's business operations. Scenario F is close to (although still below) the high end of the value range for Toll's business operations even though it incorporates 100% of the benefits from implementation of Toll's future business improvement initiatives.

The DCF analysis represents a standalone value for Toll under the current ownership structure. In Grant Samuel's view, the offer price under the Proposal of $9.04 includes an element of payment for some of the strategic benefits and synergies that Japan Post anticipates generating.

- **The Proposal is fair and reasonable and, therefore, is in the best interests of Toll shareholders, in the absence of a superior proposal.**

  Grant Samuel has estimated the full underlying value of Toll to be in the range of $8.22-9.10 per share. The Proposal of $9.04 per share falls within the range. Accordingly, the Proposal is fair. The bottom of the range represents the relevant threshold for fairness. In this case, the consideration is near the top of the valuation range and is therefore demonstrably fair.

  As the Proposal is fair, it is also reasonable. In any event, there are a number of factors that support a conclusion that the Proposal is reasonable:

  - the offer price of $9.04 per share represents a substantial premium over the Toll share price prior to the Proposal. The following table summarises the premiums over the Toll share price up to 17 February 2015, the last trading day prior to announcement of the Proposal:

| Premiums Implied by the Proposal | |
|---|---|
| **Period** | **Premium over prices to 17 February 2015** |
| Closing Price | 48.7% |
| VWAP[12] – 1 week prior | 48.4% |
| VWAP – 1 month prior | 48.6% |
| VWAP – 3 months prior | 53.4% |

The Proposal represents very substantial premiums for control (~50%). Premiums of this magnitude are above the level of control premiums typically expected in takeovers, which generally fall in the range 20-35% but it is important to recognise that:

- premiums for control are an outcome not a determinant of value; and
- they vary widely depending on individual circumstances.

In this case, the extent of the premium is probably attributable to:

- the modest ratings (in terms of earnings multiples relative to peer group companies) attributed by the market to Toll, reflecting concerns over the impact of continuing weak demand across the Australian economy (particularly in the retail sector to which Toll is heavily exposed), the underperformance of Toll's Asian businesses (particularly TGF) and scepticism as to the likelihood, extent and timing of a turnaround in performance; and
- the long term strategic value to Japan Post of Toll's market position in Australia and its footprint in Asia as well as the synergies available to it (e.g. in relation to TGX Japan). None of these factors would be reflected in the daily trading of portfolio interests on the ASX. In addition, corporate buyers are often looking beyond the short term effects of economic cycles when making transformational acquisitions;

- in the absence of the Proposal or any alternative offer (or speculation as to any offer) it is likely that, under current market conditions, Toll shares would trade at prices well below $9.04; and
- there are no structural impediments to an alternative offer and there is ample time for a third party to make a competing bid prior to the shareholder meeting to approve the Proposal which is scheduled for 13 May 2015. However, while it is conceivable that a third party could make a higher offer, it is unlikely.

As the Proposal is fair and reasonable it is, therefore, in the best interests of Toll shareholders, in the absence of a superior proposal.

## 4 Other Matters

This report is general financial product advice only and has been prepared without taking into account the objectives, financial situation or needs of individual Toll shareholders. Accordingly, before acting in relation to their investment, shareholders should consider the appropriateness of the advice having regard to their own objectives, financial situation or needs. Shareholders should read the Scheme Booklet issued by Toll in relation to the Proposal.

This report sets out Grant Samuel's opinion and the reasons for it. Grant Samuel has not been engaged to provide a recommendation to shareholders in relation to the Proposal, the responsibility for which lies with the directors of Toll. In any event, the decision whether to vote for or against the Proposal is a matter for individual shareholders, based on their own views as to value, their expectations about the future performance of Toll and future market conditions as well as their particular circumstances including risk profile, liquidity preference, investment strategy, portfolio structure and tax position. In particular, tax consequences may vary from shareholder to shareholder. Shareholders who are in doubt as to the action they should take in relation to the Proposal should consult their own professional adviser.

12 VWAP = volume weighted average price.

Similarly, it is a matter for individual shareholders as to whether to buy, hold or sell shares in Toll. This is an investment decision upon which Grant Samuel does not offer an opinion or recommendation and is independent of a decision on whether to vote for or against the Proposal. Shareholders should consult their own professional adviser in this regard.

Grant Samuel has prepared a Financial Services Guide as required by the Corporations Act, 2001. The Financial Services Guide is included at the beginning of the full report.

This letter is a summary of Grant Samuel's opinion. The full report from which this summary has been extracted is attached and should be read in conjunction with this summary.

The opinion is made as at the date of this letter and reflects circumstances and conditions as at that date.

Yours faithfully
**GRANT SAMUEL & ASSOCIATES PTY LIMITED**

Grant Samuel & Associates

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# Financial Services Guide
# and
# Independent Expert's Report
# in relation to the Proposal from
# Japan Post Co., Ltd

**Grant Samuel & Associates Pty Limited**
**(ABN 28 050 036 372)**

**1 April 2015**

GRANT SAMUEL

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# Financial Services Guide

Grant Samuel & Associates Pty Limited ("Grant Samuel") holds Australian Financial Services Licence No. 240985 authorising it to provide financial product advice on securities and interests in managed investments schemes to wholesale and retail clients.

The Corporations Act, 2001 requires Grant Samuel to provide this Financial Services Guide ("FSG") in connection with its provision of an independent expert's report ("Report") which is included in a document ("Disclosure Document") provided to members by the company or other entity ("Entity") for which Grant Samuel prepares the Report.

Grant Samuel does not accept instructions from retail clients. Grant Samuel provides no financial services directly to retail clients and receives no remuneration from retail clients for financial services. Grant Samuel does not provide any personal retail financial product advice to retail investors nor does it provide market-related advice to retail investors.

When providing Reports, Grant Samuel's client is the Entity to which it provides the Report. Grant Samuel receives its remuneration from the Entity. In respect of the Report for Toll Holdings Limited ("Toll") in relation to the proposal from Japan Post Co., Ltd ("the Toll Report"), Grant Samuel will receive a fixed fee of $595,000 plus reimbursement of out-of-pocket expenses for the preparation of the Report (as stated in Section 6.3 of the Toll Report).

No related body corporate of Grant Samuel, or any of the directors or employees of Grant Samuel or of any of those related bodies or any associate receives any remuneration or other benefit attributable to the preparation and provision of the Toll Report.

Grant Samuel is required to be independent of the Entity in order to provide a Report. The guidelines for independence in the preparation of Reports are set out in Regulatory Guide 112 issued by the Australian Securities & Investments Commission on 30 March 2011. The following information in relation to the independence of Grant Samuel is stated in Section 6.3 of the Toll Report:

> *"Grant Samuel and its related entities do not have at the date of this report, and have not had within the previous two years, any business or professional relationship with Toll or Japan Post or any financial or other interest that could reasonably be regarded as capable of affecting its ability to provide an unbiased opinion in relation to the Proposal.*
>
> *Grant Samuel had no part in the formulation of the Proposal. Its only role has been the preparation of this report.*
>
> *Grant Samuel will receive a fixed fee of $595,000 for the preparation of this report. This fee is not contingent on the conclusions reached or the outcome of the Proposal. Grant Samuel's out of pocket expenses in relation to the preparation of the report will be reimbursed. Grant Samuel will receive no other benefit for the preparation of this report.*
>
> *Grant Samuel considers itself to be independent in terms of Regulatory Guide 112 issued by the ASIC on 30 March 2011."*

Grant Samuel has internal complaints-handling mechanisms and is a member of the Financial Ombudsman Service, No. 11929. If you have any concerns regarding the Toll Report, please contact the Compliance Officer in writing at Level 19, Governor Macquarie Tower, 1 Farrer Place, Sydney NSW 2000. If you are not satisfied with how we respond, you may contact the Financial Ombudsman Service at GPO Box 3 Melbourne VIC 3001 or 1300 780 808. This service is provided free of charge.

Grant Samuel holds professional indemnity insurance which satisfies the compensation requirements of the Corporations Act, 2001.

Grant Samuel is only responsible for the Toll Report and this FSG. Complaints or questions about the Disclosure Document should not be directed to Grant Samuel which is not responsible for that document. Grant Samuel will not respond in any way that might involve any provision of financial product advice to any retail investor.



GRANT SAMUEL & ASSOCIATES PTY LIMITED

ABN 28 050 036 372 AFS LICENCE NO 240985

# Table of Contents

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## 1 Terms of the Proposal

On 18 February 2015, Toll Holdings Limited ("Toll") announced that it had entered into a scheme implementation deed with Japan Post Co., Ltd ("Japan Post") under which it is proposed that Japan Post acquire all of the ordinary shares in Toll for a cash payment of $9.04 per share (the "Proposal"). Toll shareholders will also receive a $0.13 per share fully franked interim dividend on 2 April 2015.

The Proposal is to be implemented by a scheme of arrangement under Section 411 of the Corporations Act, 2001 ("Corporations Act") between Toll and its shareholders (the "Scheme").

The Scheme is subject to a number of conditions that are set out in the Notice of Meeting and Explanatory Memorandum ("Scheme Booklet"). In summary, the key conditions include:

- receipt of all regulatory approvals, including Foreign Investment Review Board ("FIRB") approval in Australia[1] and approval from the Overseas Investment Office in New Zealand and Japan Post receiving necessary approvals from the Japan Fair Trade Commission;
- Toll gives effect to the treatment of all performance rights, performance options, restricted rights, deferred equity rights or similar arrangements as disclosed in writing to Japan Post, with any vesting or payment to be subject to the Scheme becoming effective;
- the Supreme Court of Victoria approves the Scheme; and
- Toll shareholders approve the Scheme by the necessary majorities.

Other elements of the Proposal include:

- Toll has agreed with Japan Post that its issued performance rights, performance options, restricted rights and deferred equity rights will be cashed out (based on the offer price of $9.04), except for unvested performance rights and options with an earnings per share performance criteria which will be cancelled for no consideration;
- Japan Post has advised that Toll management will remain in place, with the Chief Executive Officer of Toll, Brian Kruger, reporting to the President and Chief Executive Officer of Japan Post;
- Toll and Japan Post have agreed to certain exclusivity restrictions including no-talk and no-shop provisions. The no-talk provisions apply unless the directors of Toll have determined in good faith that not undertaking an act would be likely to involve a breach of the directors' fiduciary or statutory duties;
- Toll must notify Japan Post in writing of any proposed or potential competing transaction or the provision of any information for the purposes of a competing transaction (unless the board determines in good faith that such notification would be likely to constitute a breach of the directors' fiduciary or statutory duties). Prior to recommending any competing transaction, Toll must give Japan Post the opportunity to provide a matching or superior proposal to the terms of the competing transaction and, if the Toll directors determine that this counter proposal is no less favourable than those of the competing transaction (taken as a whole), Toll and Japan Post must endeavour to implement the counter proposal; and
- Toll must pay Japan Post a reimbursement fee of $65 million if a Toll director withdraws or adversely modifies his or her recommendation that Toll shareholders vote in favour of the Scheme (other than as a result of the independent expert concluding that the Proposal is not in the best interests of Toll shareholders, Japan Post breaching the scheme implementation deed or the regulatory, court and shareholder approvals not being obtained), a competing transaction is announced and consummated within six months of announcement or Japan Post terminates the scheme implementation deed due to Toll failing to satisfy certain conditions precedent (relating to prescribed occurrences and representations and warranties).

The directors of Toll have announced that they unanimously recommend that Toll shareholders vote in favour of the Proposal in the absence of a superior proposal and subject to an independent expert concluding that the Proposal is in the best interests of Toll shareholders.

---

[1] Toll was notified by FIRB that the Australian Government had no objection to the Proposal on 19 March 2015.

## 2 Scope of the Report

### 2.1 Purpose of the Report

Under Section 411 the Scheme must be approved by a majority in number (i.e. more than 50%) of each class of shareholders present and voting (either in person or by proxy) at the meeting, representing at least 75% of the votes cast on the resolution. If approved by Toll shareholders, the Scheme will then be subject to approval by the Supreme Court of Victoria.

Part 3 of Schedule 8 to the Corporations Regulations prescribes the information to be sent to shareholders in relation to schemes of arrangement pursuant to Section 411. Part 3 of Schedule 8 requires an independent expert's report in relation to a scheme of arrangement to be prepared when a party to a scheme of arrangement has a prescribed shareholding in the company subject to the scheme, or where any of its directors are also directors of the company subject to the scheme. In those circumstances, the independent expert's report must state whether the scheme of arrangement is in the best interests of shareholders subject to the scheme and must state reasons for that opinion.

Although there is no requirement in the present circumstances for an independent expert's report pursuant to the Corporations Act or the Australian Securities Exchange ("ASX") Listing Rules, the directors of Toll have engaged Grant Samuel & Associates Pty Limited ("Grant Samuel") to prepare an independent expert's report setting out whether, in its opinion, the Proposal is in the best interests of Toll shareholders and to state reasons for that opinion. A copy of the report will accompany the Scheme Booklet to be sent to shareholders by Toll.

This report is general financial product advice only and has been prepared without taking into account the objectives, financial situation or needs of individual Toll shareholders. Accordingly, before acting in relation to their investment, shareholders should consider the appropriateness of the advice having regard to their own objectives, financial situation or needs. Shareholders should read the Scheme Booklet issued by Toll in relation to the Proposal.

Voting for or against the Proposal is a matter for individual shareholders based on their views as to value, their expectations about future market conditions and their particular circumstances including risk profile, liquidity preference, investment strategy, portfolio structure and tax position. Shareholders who are in doubt as to the action they should take in relation to the Proposal should consult their own professional adviser.

Similarly, it is a matter for individual shareholders as to whether to buy, hold or sell securities in Toll. This is an investment decision upon which Grant Samuel does not offer an opinion and independent of a decision on whether to vote for or against the Proposal. Shareholders should consult their own professional adviser in this regard.

### 2.2 Basis of Evaluation

There is no legal definition of the expression "in the best interests". However, the Australian Securities & Investments Commission ("ASIC") has issued Regulatory Guide 111 which establishes guidelines in respect of independent expert's reports. ASIC Regulatory Guide 111 differentiates between the analysis required for control transactions and other transactions. In the context of control transactions (whether by takeover bid, scheme of arrangement, the issue of securities or selective capital reduction or buyback), the expert is required to distinguish between "fair" and "reasonable". A proposal that was "fair and reasonable" or "not fair but reasonable" would be in the best interests of shareholders. For most other transactions the expert is to weigh up the advantages and disadvantages of the proposal for shareholders. If the advantages outweigh the disadvantages, a proposal would be in the best interests of shareholders.

The Proposal is economically the same as a takeover offer. Accordingly, Grant Samuel has evaluated the Proposal as a control transaction and formed a judgement as to whether the proposal is "fair and reasonable".

In a control transaction "fairness" and "reasonableness" are required to be assessed separately. Fairness involves a comparison of the offer price with the value that may be attributed to the securities that are the subject of the offer based on the value of the underlying businesses and assets. For this comparison, value is determined assuming 100% ownership of the target and a knowledgeable and willing, but not anxious, buyer and a knowledgeable and willing, but not anxious, seller acting at arm's length. Reasonableness involves an analysis of other factors that shareholders might consider prior to accepting an offer such as:

- the offeror's existing shareholding;
- other significant shareholdings;
- the probability of an alternative offer; and
- the liquidity of the market for the target company's shares.

An offer could be considered "reasonable" if there were valid reasons to accept the offer notwithstanding that it was not "fair".

Fairness is a more demanding criteria. A "fair" offer will always be "reasonable" but a "reasonable" offer will not necessarily be "fair". A fair offer is one that reflects the full market value of a company's businesses and assets. An offer that is in excess of the pre-bid market prices but less than full value will not be fair but may be reasonable if shareholders are otherwise unlikely in the foreseeable future to realise an amount for their shares in excess of the offer price. This is commonly the case where the bidder already controls the target company. In that situation, the minority shareholders have little prospect of receiving full value from a third party offeror unless the controlling shareholder is prepared to sell its controlling shareholding.

Grant Samuel has determined whether the Proposal is fair by comparing the estimated full underlying value of Toll with the offer price of $9.04. The Proposal will be fair if it is above the bottom end of Grant Samuel's estimated underlying value range. In considering whether the Proposal is reasonable, the factors that have been considered include:

- the existing shareholding structure of Toll;
- the likelihood of an alternative offer and alternative transactions that could realise fair value;
- the likely market price and liquidity of Toll shares in the absence of the Proposal; and
- other advantages and disadvantages for Toll shareholders of approving the Proposal.

### 2.3 Sources of the Information

The following information was utilised and relied upon, without independent verification, in preparing this report:

***Publicly Available Information***

- the Scheme Booklet (including earlier drafts);
- annual reports of Toll for the three years ended 30 June 2014;
- half year announcement of Toll for the six months ended 31 December 2014;
- press releases, public announcements, media and analyst presentation material and other public filings by Toll including information available on its website;
- brokers' reports and recent press articles on Toll and the transport and logistics industry; and
- sharemarket data and related information on Australian and international listed companies engaged in the transport and logistics industry and on acquisitions of companies and businesses in this industry.

*Non Public Information provided by Toll*

- summarised forecast for Toll for the year ending 30 June 2015 ("2015 Forecast") prepared by management and reviewed by the directors of Toll;
- summarised financial projections for the four years ending 30 June 2019 prepared by Toll management; and
- other confidential documents, board papers, presentations and working papers.

In preparing this report, representatives of Grant Samuel held discussions with, and obtained information from, senior management of Toll and its advisers.

### 2.4 Limitations and Reliance on Information

Grant Samuel believes that its opinion must be considered as a whole and that selecting portions of the analysis or factors considered by it, without considering all factors and analyses together, could create a misleading view of the process employed and the conclusions reached. Any attempt to do so could lead to undue emphasis on a particular factor or analysis. The preparation of an opinion is a complex process and is not necessarily susceptible to partial analysis or summary.

Grant Samuel's opinion is based on economic, sharemarket, business trading, financial and other conditions and expectations prevailing at the date of this report. These conditions can change significantly over relatively short periods of time. If they did change materially, subsequent to the date of this report, the opinion could be different in these changed circumstances.

This report is also based upon financial and other information provided by Toll and its advisers. Grant Samuel has considered and relied upon this information. Toll has represented in writing to Grant Samuel that to its knowledge the information provided by it was then, and is now, complete and not incorrect or misleading in any material respect. Grant Samuel has no reason to believe that any material facts have been withheld.

The information provided to Grant Samuel has been evaluated through analysis, inquiry and review to the extent that it considers necessary or appropriate for the purposes of forming an opinion as to whether the Proposal is in the best interests of Toll shareholders. However, Grant Samuel does not warrant that its inquiries have identified or verified all of the matters that an audit, extensive examination or "due diligence" investigation might disclose. While Grant Samuel has made what it considers to be appropriate inquiries for the purposes of forming its opinion, "due diligence" of the type undertaken by companies and their advisers in relation to, for example, prospectuses or profit forecasts, is beyond the scope of an independent expert. In this context, Grant Samuel advises that:

- due diligence reports on Toll prepared by Japan Post's advisers have not been provided to Grant Samuel; and
- it is not in a position nor is it practicable to undertake its own "due diligence" investigation of the type undertaken by accountants, lawyers or other advisers.

Accordingly, this report and the opinions expressed in it should be considered more in the nature of an overall review of the anticipated commercial and financial implications rather than a comprehensive audit or investigation of detailed matters.

An important part of the information used in forming an opinion of the kind expressed in this report is comprised of the opinions and judgement of management. This type of information was also evaluated through analysis, inquiry and review to the extent practical. However, such information is often not capable of external verification or validation.

Preparation of this report does not imply that Grant Samuel has audited in any way the management accounts or other records of Toll. It is understood that the accounting information that was provided was prepared in accordance with generally accepted accounting principles and in a manner consistent with the method of accounting in previous years (except where noted).

The information provided to Grant Samuel included:

- the 2015 Forecast prepared by management and reviewed by the directors of Toll; and
- summarised financial projections for Toll for the four years ending 30 June 2019 prepared by management.

Toll is responsible for the information contained in the 2015 Forecast and the summarised financial projections ("the forward looking information"). Grant Samuel has considered and, to the extent deemed appropriate, relied on this information for the purposes of its analysis. The major assumptions underlying the forward looking information were reviewed by Grant Samuel in the context of current economic, financial and other conditions. It should be noted that the forward looking information and the underlying assumptions have not been reviewed (nor is there a statutory or regulatory requirement for such a review) by an investigating accountant for reasonableness or accuracy of compilation and application of assumptions.

Subject to these limitations, Grant Samuel considers that, based on the inquiries it has undertaken and only for the purposes of its analysis for this report (which do not constitute, and are not as extensive as, an audit or accountant's examination), there are reasonable grounds to believe that the forward looking information has been prepared on a reasonable basis. In forming this view, Grant Samuel has taken the following factors into account:

- the 2015 Forecast is based on actual operating results for Toll for the six months ended 31 December 2014;
- the 2015 Forecast has been reviewed in detail by the directors of Toll; and
- the 2015 Forecast and the financial projections have been prepared through a detailed budgeting process involving preparation of "ground up" forecasts by the management of individual operations and "bottom down" review by management of Toll.

While Toll has made guidance statements about earnings for the year ending 30 June 2015, the directors of Toll have decided not to include the 2015 Forecast or the financial projections in the Scheme Booklet and therefore this information has not been disclosed in this report.

To provide an indication of the expected financial performance of Toll, Grant Samuel has considered brokers' forecasts for Toll (refer to Appendix 2). Grant Samuel has used the median of the brokers' forecasts to review the parameters implied by its valuation of Toll. On a group basis, the median of the brokers' forecasts is sufficiently close to the 2015 Forecast to be useful for analytical purposes, although this is not the case with the median of the brokers' forecasts for the individual business divisions. The lack of consistency between the 2015 Forecast and the median of the brokers' forecasts for the business division is not unexpected, given that Toll restructured its business divisions from 1 July 2014.

Grant Samuel has no reason to believe that the forward looking information reflects any material bias, either positive or negative. However, the achievability of the forward looking information is not warranted or guaranteed by Grant Samuel. Future profits and cash flows are inherently uncertain. They are predictions by management of future events that cannot be assured and are necessarily based on assumptions, many of which are beyond the control of the company or its management. Actual results may be significantly more or less favourable.

In forming its opinion, Grant Samuel has also assumed that:

- matters such as title, compliance with laws and regulations and contracts in place are in good standing and will remain so and that there are no material legal proceedings, other than as publicly disclosed;

- the assessments by Toll and its advisers with regard to legal, regulatory, tax and accounting matters relating to the Proposal are accurate and complete;
- the information set out in the Scheme Booklet sent by Toll to its shareholders is complete, accurate and fairly presented in all material respects;
- the publicly available information relied on by Grant Samuel in its analysis was accurate and not misleading;
- the Proposal will be implemented in accordance with its terms; and
- the legal mechanisms to implement the Proposal are correct and will be effective.

To the extent that there are legal issues relating to assets, properties, or business interests or issues relating to compliance with applicable laws, regulations, and policies, Grant Samuel assumes no responsibility and offers no legal opinion or interpretation on any issue.

# 3 Profile of Toll

## 3.1 Background

Toll is a leading provider of transport and logistics across the Asia Pacific region, employing approximately 40,000 people across approximately 1,200 locations in more than 50 countries.

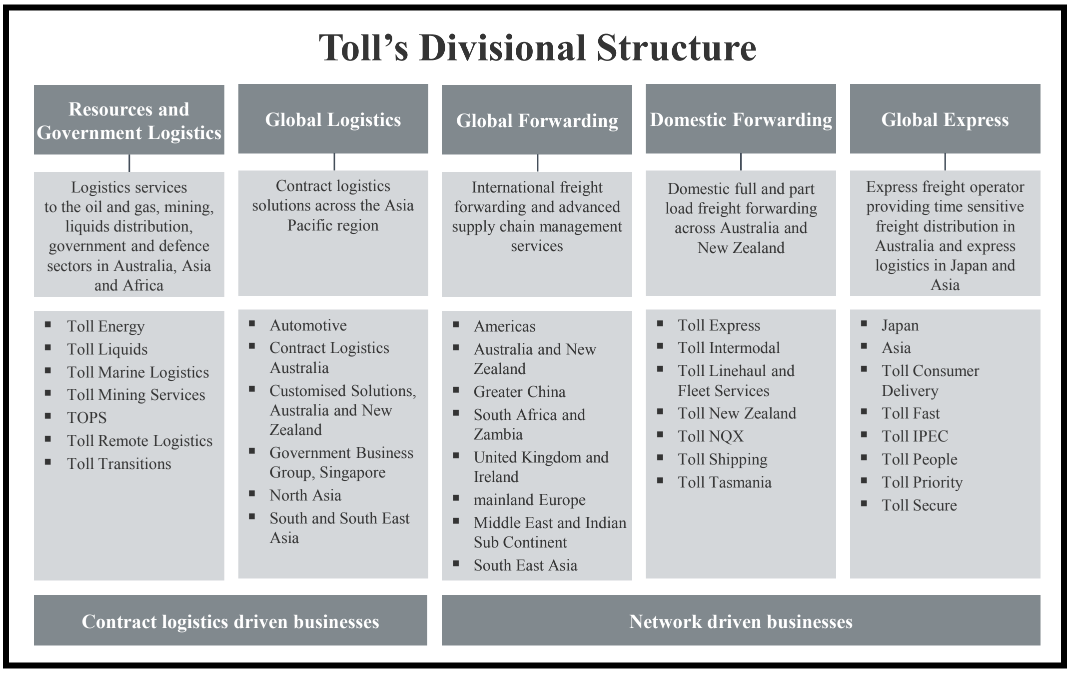
Toll was established in 1888 and became part of the Peko Wallsend Group in the 1960s. In 1986, a management buyout team led by former Managing Director, Mr Paul Little, and former Chairman, Mr Peter Rowsthorn, acquired Toll and the company was listed on the ASX in October 1993.

Over the following 15 years, Toll pursued an aggressive acquisition strategy focused on industry consolidation and offshore growth, including the transformational acquisitions over the period between 2006 and 2008 of SembCorp Logistics Limited and BALtrans Holdings Limited (two of Asia's premier logistics businesses and part of Toll's strategy to become the pre-eminent integrated logistics provider in the Asian region) and Patrick Corporation Limited (a ports and transportation business that provided benefits of an integrated end-to-end supply chain of global scale). These acquisitions established Toll as a leading integrated logistics business and provided it with the operational expertise, scale and diversity of services, technology solutions and resources to provide comprehensive logistics solutions for customers across the Asia Pacific region.

However, Toll also began to face a number of issues that limited its growth including regulatory constraints, the changing business mix reducing the return on capital and conflicts between individual business and overall group strategy. These issues were addressed through the demerger of Toll's port and rail business (Asciano Limited ("Asciano")) in June 2007 and the in specie distribution of its 63% interest in Virgin Blue Holdings Limited to Toll shareholders in August 2008. Following these divestments, Toll has focused on strengthening its existing business operations.

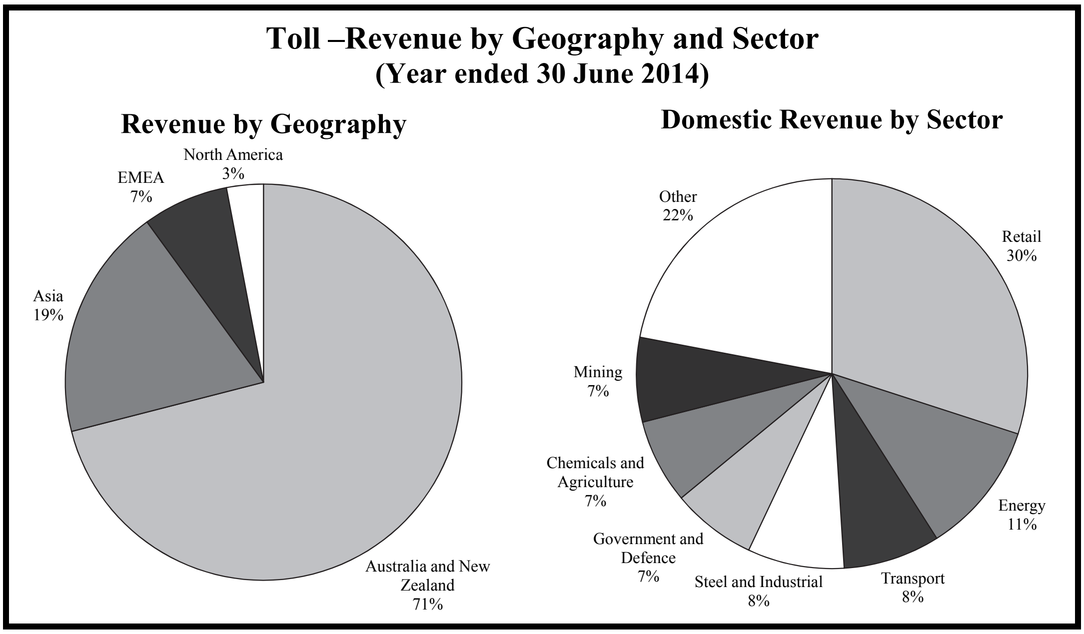
## 3.2 Business Operations

From 1 July 2014, Toll has operated through five key business divisions:




Source: Toll

Toll generates the majority of its revenue in Australia and New Zealand and is heavily exposed to the retail sector (FMCG[2] and general merchandise) and the mining and resources sector (machinery and equipment, oil & gas project logistics, mine site consumables), which collectively represented 48% of domestic revenue in FY14:




Source: Toll

A brief description of each of Toll's business divisions is set out below.

***Toll Resources and Government Logistics***

Toll Resources and Government Logistics ("TRGL") combines logistics services with a global supply chain network to provide tailored end-to-end solutions for customers in the oil & gas, mining and resources, liquids distribution and government and defence sectors in Australia, Asia and Africa. The division operates through more than 110 sites in nine countries in the Asia Pacific and includes Toll's 50% joint venture interest in Toll Mermaid Logistics Broome Pty Ltd ("Toll Mermaid Logistics"), which provides offshore supply base and logistics services to the oil & gas sector from its base in Western Australia.

TRGL has a significant exposure to the oil & gas sector, which contributes almost 50% of the division's revenue, with the balance split between mining and resources and government. In the oil & gas and mining and resources sectors, TRGL is predominantly exposed to production (including the production of ammonium nitrate) (75% of revenue) rather than construction and exploration (20% and 5% of revenue respectively).

TRGL operates through six key business units:

- **Toll Energy**, a leading provider of oil & gas supply base services in Australia, delivering specialised onshore support and integrated logistics services to the Australian oil & gas sector;
- **Toll Offshore Petroleum Supply Base ("TOPS")**, a leading supply base for third party oil & gas specialists in Singapore, providing onshore and offshore logistics services to the oil & gas sector in the Asia Pacific region;

---
2 FMCG is fast moving consumer goods.

- **Toll Remote Logistics**, a niche provider of contingency logistics (including helicopter services and camps) in remote locations (such as Africa);
- **Toll Transitions**, a leading provider of 4PL[3] employee removal and relocation services to the Australian Government Department of Defence and corporates;
- **Toll Mining Services**, the second largest domestic provider of bulk haulage services to and on mine sites and the leading provider in the haulage of ammonia nitrate and cyanide in Australia; and
- **Toll Liquids**, the second largest domestic provider of on road logistics to the fuel sector, specialising in road transportation of bulk liquids and industrial gases.

TRGL also includes Toll Marine Logistics although the majority of this division has been sold or is in the process of being sold (the general freight business and the Asian fleet) with only the business associated with the oil & gas sector being retained.

TRGL's key customers and major competitors are set out below:

| TRGL – Key Customers and Major Competitors | |
|---|---|
| **Key Customers** | **Major Competitors** |
| Chevron (Gorgon LNG Project) | Linfox Pty Ltd ("Linfox") |
| QGC (part of BG Group) (Queensland Curtis Project ("QCLNG")) | BIS Industries Limited ("BIS Industries") |
| INPEX (Ichthys LNG Project) | McAleese Limited ("McAleese") |
| Orica Limited | Centurion Transport Co Pty Ltd |
| Dyno Nobel Limited | |
| BC Iron Limited | |
| Royal Dutch Shell plc | |

***Toll Global Logistics***

Toll Global Logistics ("TGL") is a specialist contract logistics provider in the Asia Pacific region, providing a range of transport, warehousing and value-added services. It includes a 50% joint venture interest in Prixcar Services Pty Ltd ("Prixcar Services") which provides automotive pre-dealer vehicle services in Australia including finished vehicle logistics, storage and transportation. TGL operates across 16 countries throughout the Asia Pacific region at more than 600 facilities with a regional fleet of more than 19,000 vehicles (courier trucks, prime movers, b-doubles, trailers) and 13,000 units of various sizes of containers. It is the market leader in Australia, has tier 1, 2 and 3[4] city coverage in China and a strong presence in Singapore, which will be strengthened by the development of a state-of-the-art, multi-story ramp up warehouse and logistics facility, Toll City.

TGL generates approximately 60% of its revenue from Australia and New Zealand and 40% from Asia. It has a significant exposure to the retail sector, which contributes almost 50% of revenue.

TGL has three key operating areas:

- **Contract Logistics**, which provides contract distribution, general warehousing and inventory management services to customers within Australia;

[3] 4PL is fourth party logistics, where a customer outsources its logistical operations to two or more specialist firms (third party logistics) and hires another specialist firm (the fourth party) to coordinate the activities of the third parties.

[4] Chinese cities have been informally categorised into five tiers based on number of households and income per capita. Tier 1 cities are the most densely populated and wealthiest cities.

- **Customised Solutions**, which offers customised and industry-specific warehousing solutions as well as some secondary distribution (such as the purpose-built national distribution centre for Adidas); and
- **Contract Logistics Asia**, which provides warehousing across Asia (including operations in Singapore, China, Korea, Malaysia and Thailand), including the Government Business Group in Singapore, which provides logistics services to Singapore Government departments (such as defence and healthcare).

TGL's key customers and major competitors are set out below:

| TGL – Key Customers and Major Competitors | | |
|---|---|---|
| **Key Customers** | | **Major Competitors** |
| Woolworths | Yamaha | Linfox (Contract Logistics) |
| Coles | Carter Holt Harvey | DHL Australia |
| Foster's Group/SAB Miller | Colgate-Palmolive | CEVA Logistics |
| Coca-Cola Amatil | Johnson & Johnson | DB Schenker Logistics |
| Orora | Unilever | Kerry Logistics |
| Bluescope | Nike | Damco |
| Viridian | Osram | Kuehne & Nagel |

The majority of these customers have had a long term relationship in excess of 10 years with TGL.

***Toll Global Forwarding***

Toll Global Forwarding ("TGF") provides a full range of international freight forwarding and supply chain services including:

- air freight;
- ocean freight;
- sea/air, a combination of air and ocean freight that balances cost and speed of delivery;
- supply chain services including management of vendors, cargo and purchase orders and logistics services (warehousing, distribution, transloading[5] and cross docking[6]);
- customs brokerage; and
- project services, or specialised logistics solutions on a project basis (such as feasibility studies, export quality inspections, supply chain consultancy and network optimisation).

TGF is headquartered in Hong Kong and has a global network of 5,000 employees across 130 offices in 25 countries throughout Asia, Europe, North America, Africa, Australia, New Zealand and the Middle East. It includes Toll's 25% joint venture interest in Cargo Services Group ("Cargo Services"), a consolidation business and logistics service based in Hong Kong.

International freight forwarding is a fragmented market where none of the leading providers have less than 10% market share and most customers spread their requirements across several providers. TGF's major competitors are DHL Global Forwarding (part of the Deutsche Post AG group), Expeditors International of Washington Inc ("Expeditors"), Kerry Logistics Network Limited ("Kerry Logistics"), Kuehne & Nagel Inc ("Kuehne & Nagel"), Panalpina World Transport Limited ("Panalpina"), DSV A/S and Cargo Services.

5 Transloading is the process of transferring cargo from one mode of transport to another.

6 Cross docking is a logistics procedure where product from a supplier or manufacturer are distributed directly to a customer or retail chain with marginal to no handling or storage time.

The market is relatively equally split between air freight and ocean freight although ocean freight is growing at a faster rate. The majority of TGF's revenue comes from ocean freight (almost 50% of TGF's revenue) with air freight accounting for 25% of revenue and the balance of revenue from customs, third party logistics and other services.

Global forwarding is essentially an organising task and is therefore asset light. The major operating costs are staff and information technology ("IT") support and as these costs are relatively fixed, operating leverage is high. While the barriers to entry are relatively low for individual trade lane operations, key factors for success include:

- organisational capabilities (staff quality, experience and knowledge, systems quality); and
- volume, which is critical to securing attractive shipping rates which in turn underpins competitiveness and profitability.

***Toll Domestic Forwarding***

Toll Domestic Forwarding ("TDF") is a market leader in the provision of domestic full and part load freight forwarding services within Australia and New Zealand. It has an extensive freight network across Australia (over 700 destinations), primarily involving trucking and is Australia's largest user of intermodal rail and coastal shipping. TDF also has a comprehensive network across New Zealand (19 branches).

TDF has a significant exposure to the retail and mining sectors.

TDF operates through six key business units:

- **Toll Express**, the largest express pallet carrier in Australia with a focus on time sensitive part loads and pallet movements;
- **Toll NQX**, a leading provider of national consolidated and straightline transport and supply chain solutions with particular expertise in the mining, metal and resources sectors in Queensland and the Northern Territory;
- **Toll Intermodal**, which provides cost effective end-to-end road, rail and coastal shipping container solutions across Australia;
- **Toll Shipping**, which operates roll on/roll off vessels on Bass Strait, offering two-way shipping services between Tasmania and mainland Australia;
- **Toll Tasmania**, which provides freight forwarding services to and from Tasmania, specialising in palletised and bulk transport. Toll Tasmania works closely with Toll Shipping; and
- **Toll New Zealand**, a leading domestic freight forwarder offering wide range of logistics and transport services throughout New Zealand.

TDF has over 20,000 customers. Its major competitors are Border Express Pty Ltd, K&S Corporation Limited ("K&S"), Qube Logistics Limited ("Qube") and Aurizon Holdings Limited ("Aurizon").

***Toll Global Express***

Toll Global Express ("TGX") is a leading provider of time sensitive freight services in Australia with global reach, including a network of operations and agencies across the Asia Pacific region and provides express logistics services in Japan. It also offers a range of cash logistics, data and document management and recruitment services.

TGX has a comprehensive express freight coverage and capability that includes:

- 4,000+ flights per week through owned/subcontracted aircraft, belly space access to Virgin Australia and Virgin Samoa domestic and international flights and air charters. This air network is a key differentiator for Toll;
- 4,000+ vehicles throughout Australia (including subcontractors) ranging from 1 tonne vans to semi-trailers used for road linehaul and PUD fleet and metro point-to-point courier services;
- 300+ depots and agencies, including automated freight and handling systems in each of the major capital cities across Australia, airside facilities at each of the major airports, 550 DX exchanges and 50 mailrooms; and
- 1,300+ alternate domestic drop points for the business to consumer ("B2C") market in Australia through relationships with newsagents and other collection points.

TGX operates through a number of business units:

- **Time Defined Express** freight services which has three main businesses:
  - **Toll Priority**, time critical express domestic and global freight, primarily transported by air with same day or overnight delivery;
  - **Toll IPEC**, premium door-to-door express freight within Australia for parcels, cartons or pallets with a choice of next day or priority road delivery to all major capital cities and regional areas. Its specialised services include the handling and delivery of sensitive freight and hanging fashion garments; and
  - **Toll Fast,** a customised metropolitan delivery service ranging from bicycle couriers through to multi-vehicle solutions with courier networks in all Australian capital cities;
- **Specialised Solutions**, which, in response to customer demand, provides value added services beyond traditional freight and also has three main businesses:
  - **Toll Secure**, cash in transit/cash processing, ATM services and valuables. Westpac is Toll Secure's key customer;
  - **Toll People**, recruitment solutions including labour hire and training services; and
  - **Document Solutions**, document management, data warehousing and print management (integrated design, print, promotions, documents and mail and mailroom outsourcing) services; and
- **Toll Global Express Japan ("TGX Japan")**, which provides express road freight services in Japan.

While there are a large number of providers of express freight services, TGX's major competitors are Australia Post/Startrack and TNT Express. All three operators have national networks that provide a high barrier to entry. TGX and Australia Port/Startrack each have an estimated 30% share of the business to business ("B2B") market, with TNT Express's market share estimated at around 15%.

TGX has recently made or committed a significant capital investment in new state-of-the-art depots at Bungarribee, Sydney, (completed in October 2014) and Tullamarine, Melbourne (under construction and expected to be completed in the first half of FY16) to improve its offering in terms of scale, efficiency, automation and growth potential.

Toll believes that the B2C market is a key opportunity for TGX. Growth in the B2C market is a threat to B2B delivery volumes and revenue from Toll's B2B customers. TGX plans to leverage its leading position in the B2B market to grow its share of the B2C market, where Australia Post/Startrack have an almost 80% market share, compared to Toll's estimated 10% share. There are fewer providers of express freight services in the B2C market given high last mile delivery costs. In August 2013, Toll announced that it had entered into a contract with GraysOnline, an Australian online retail and auction company, to provide B2C express freight services to GraysOnline customers. GraysOnline sells more than 120,000 items every month. Through this and other partnerships, TGX plans to grow its share of the B2C market to 30%.

### 3.3 Business Strategy

***Recent Initiatives***

While Toll has focused on being a leading provider of integrated logistics in the Asia Pacific region since 2008, the previous aggressive acquisition strategy resulted in Toll comprising numerous subsidiary businesses globally that operated autonomously and largely on a standalone basis with multiple business processes, IT platforms and financial systems in place. In recent years, Toll has undertaken a consolidation phase focusing on investing to improve returns from existing businesses and winning new customers through a number of initiatives, including:

- One Toll, an ongoing program that commenced in FY11 and revolving around maximising the opportunities that come from being part of the broader Toll group. The initial phases of the program were about Toll's interface with its customers and involved implementing a consistent visual identity for the group and a collective set of values/single culture (The Toll Way). The program is ongoing and continues to evolve;
- Project Forward, another ongoing program introduced in FY13 and involving cost management initiatives for TGF which, while considered by Toll to be an attractive market in the long term, had been impacted by weak market conditions and uncertainty over the timing and extent of any recovery. More than $20 million of benefits from this program were delivered in FY14 and Toll expects overall annual benefits in the range $40-50 million;
- a restructure of Toll's operating divisions from 1 July 2014 to better align its service offerings of contract logistics and network-based logistics and expected to generate annual savings of $10-12 million commencing in FY15;
- significant capital investment in capability (depots and fleet) including:
  - TOPS, a $300 million investment in a strategically positioned deep water facility in Singapore servicing the offshore oil & gas sector completed in FY13;
  - Project Unite, a $70 million, four year program commenced in FY11 to implement a common, scalable freight management, customer relationship management and marketing platform for Toll IPEC and Toll Priority (part of TGX);
  - new state-of-the-art depots for TGX in Bungarribee, Sydney (completed in October 2014) and Tullamarine, Melbourne (under construction, expected to be completed in the first half of FY16) and for TDF in Karawatha, Brisbane. These new facilities consolidate existing depots and provide capacity to grow and are expected to result in improved productivity and safety, reduced costs and improved customer service;
  - rail terminal developments in Moolabin (Brisbane), Kewdale (Perth) and Brighton (Hobart); and
  - port facilities at Fremantle (Perth).

  Toll has continued to invest in network capacity so that it is well positioned to capitalise on any improvement in economic activity; and
- a review of non-core (i.e. where Toll does not have a market leading (number 1 or 2) position or a pathway to a market leading position) and non-performing businesses that have not met Toll's return on capital hurdles. The outcomes of this review included:
  - divestment of number of assets/businesses:
    - Toll Global Express Asia ("TGX Asia") (sale completed in the first half of FY15);
    - 40% interest in BIC Logistics Ventures Limited ("BIC Logistics") to the joint venture partner (sale completed in the first half of FY15);
    - Toll Marine Logistics Northern Australian marine freight assets, where Toll has entered into an agreement to sell the assets to Sea Swift Pty Ltd ("Sea Swift") for $45 million plus a 20% interest in the new business. The agreement is conditional on Australian Competition and Consumer Commission ("ACCC") approval. The

ACCC released a Statement of Issues in relation to the proposed acquisition on 19 February 2015 and a final decision is not expected until 16 April 2015. As the business was loss-making, the sale, if it proceeds, is expected to have a positive impact on EBITA[7];

- Marine Logistics Asia, where 34 vessels have been sold to date and the remaining 37 vessels are expected to be sold by 30 June 2015 generating proceeds estimates at book value (after impairment) of $43.3 million; and
- 50% interest in Toll Dnata Airport Services to the joint venture partner for $10 million (FIRB approval has been received and the sale has been completed);

- pursuing options to monetise the TOPS supply base (but continuing as the operator); and
- retaining TGX Japan and focusing on operating efficiencies and the potential for alliances to improve the performance of the business.

***Current Business Strategy and Initiatives***

Toll operates in a dynamic environment characterised by intense competition, increasing customer demands and expectations, increasing compliance obligations and new technologies. As a result, Toll must continue to evolve. Its current strategic objectives are to strengthen its business through:

- extending its position as a leading provider of integrated transport and logistics services in the Asia Pacific region through offering a broad range of individual services and integrated solutions to customers in a wide range of industry sectors.

  In the current difficult market conditions, Toll's approach has been to focus on those areas that it is able to control through collaboration, continuous improvement, customer satisfaction, core capability and capital return. Key initiatives currently underway include:

  - the ongoing One Toll program has evolved to encompass:
    - cross-selling of products/integrated solutions to the existing customer base to obtain a greater "share of wallet";
    - cost saving initiatives particularly in procurement processes but also in fleet and property management and shared services/back office;
    - executing a safety culture across the group which is expected to reduce the costs associated with workers' compensation, vehicle accident repairs, freight insurance and other indirect costs; and
    - increasing employee engagement with a view to reducing staff turnover which will, in turn, generate cost savings;
  - targeting new customers in specific industries such as retail/B2C (to protect TGX's existing customer base), agriculture (a large and growing sector where Toll has a small base), fuel and liquefied petroleum gas ("LPG") (exploiting TRGL's current capabilities), liquefied natural gas ("LNG") production logistics (leveraging Toll's existing relationships), heavy haulage (where TDF has made recent acquisitions to participate in infrastructure growth) and cash logistics (new technology);
  - a group wide focus on continuous improvement, a program which has been successfully implemented for some time in TGL. A specialist resource has been recruited to drive a consistent continuous improvement process across the Toll group;
  - Project Forward which, while continuing to focus on cost reductions and productivity improvements in TGF, has evolved to also focus on growth, particularly the opportunity offered by concentrating the sales effort on key trade lanes (Asia/Australia and New

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7 EBITA is earnings before PPA amortisation, net interest, tax and individually significant items. PPA amortisation is purchase price accounting amortisation arising from business acquisitions.

Zealand, Asia/United States, Asia/Europe, Asia/United Kingdom, Asia/South Africa and intra-Asia). TGF will not consider further acquisitions until it is able to demonstrate improved operating performance; and

- development of Toll City, a 100,000m$^2$, five-level, ramp-up warehouse in Singapore that is part of Toll's Asian strategy to develop and attract high margin accounts in the retail, consumer and healthcare sectors. Toll will invest S$32 million in the S$200 million facility which is expected to be completed in FY17.

Future business improvement initiatives include:

- opportunities within the business divisions for closer interaction between business units. For example, the TDF business unit optimisation, which involves a restructure of the Toll NQX and Toll Express businesses along geographic lines where Toll NQX will focus on moving freight in and out of Queensland and the Northern Territory and Toll Express will focus on inter-city lines. This restructure is expected to result in a reduction in pick-up and delivery ("PUD"), handling, linehaul and overhead costs without impacting service levels and generate long term cost savings;
- Global Technology Transformation. As a result of its acquisition strategy, Toll has a number of legacy IT systems and the majority of its annual IT budget is spent on running existing systems (rather than improving systems). There is a significant opportunity to enhance Toll's existing IT capabilities while delivering efficiencies, reducing operating costs and providing a platform for growth. The initiative involves moving IT from a fixed cost model to a variable cost model by outsourcing infrastructure applications support and is estimated to generate long term cost savings; and
- Global Finance Transformation, which is designed to provide improved reporting and analysis, enable better integration with customers, reduce costs and make acquisitions easier to integrate through implementation of a global Enterprise Resource Planning solution.

Together, these future business improvement initiatives have the potential to generate annual cost savings in excess of $100 million (although there will also be up front costs of a similar amount); and

- selectively building its presence in international markets based on customer demand and where Toll can establish a competitive advantage. Toll's focus is its:
  - existing broad Asia Pacific presence with global reach; and
  - presence and market share growth in key existing offshore transportation markets,

  but with the ability to pursue acquisitions in new geographic regions if compelling business opportunities arise that are compatible with Toll's proposition. The key characteristics of these types of acquisitions are those that:
  - are located in substantial and growing regions where there is demand for a provider of value added logistics solutions;
  - are linked to Toll's core Asia Pacific trade lanes; and
  - have industry structures and legal and regulatory environments that are conducive to sustainable value creation.

### 3.4 Financial Performance

***Historical Financial Performance***

The historical financial performance of Toll for the four years ended 30 June 2014 and the six months ended 31 December 2014 is summarised below:

| Toll - Financial Performance ($ millions) | | | | | |
|---|---|---|---|---|---|
| | Year ended 30 June | | | | Six months ended 31 Dec. 2014 actual |
| | 2011 actual | 2012 actual | 2013 actual | 2014 actual | |
| **Revenue** | **8,224.5** | **8,707.2** | **8,719.4** | **8,811.2** | **4,407.3** |
| **EBITDA**[8] | **663.7** | **681.3** | **702.5**[9] | **709.5** | **377.5** |
| Depreciation and amortisation | (214.5) | (254.1) | (263.8) | (276.5) | (137.4) |
| **EBITA**[10] | **449.2** | **427.2** | **438.7**[9] | **433.0** | **240.1** |
| PPA amortisation | (28.8) | (28.6) | (21.2) | (3.3) | (1.4) |
| Net interest expense | (35.4) | (37.0) | (36.6) | (41.6) | (22.5) |
| Share of profit of associates | 16.0 | 12.2 | 8.4 | 14.7 | 10.1 |
| **Operating profit before tax** | **401.0** | **373.8** | **389.3** | **402.8** | **226.3** |
| Income tax expense | (109.9) | (99.6) | (106.9) | (104.3) | (56.1) |
| **Operating profit after tax ("OPAT")** | **291.1** | **274.2** | **282.4** | **298.5** | **170.2** |
| Individually significant items (net of tax) | 3.7 | (203.3) | (190.7) | (5.4) | (33.6) |
| Non-controlling interests | (13.4) | (6.3) | (7.2) | (7.0) | (2.3) |
| **NPAT**[11] **attributable to Toll shareholders** | **281.4** | **64.6** | **84.5** | **286.1** | **134.3** |
| ***Statistics*** | | | | | |
| *Basic earnings per share from OPAT (cents)* | *40.5* | *37.5* | *38.4* | *40.6* | *23.4* |
| *Basic earnings per share (cents)* | *39.8* | *9.0* | *11.8* | *39.9* | *18.7* |
| *Dividends per share (cents)* | *25.0* | *25.0* | *27.0* | *28.0* | *13.0* |
| *Dividend payout ratio* | *63%* | *277%* | *229%* | *70%* | *70%* |
| *Amount of dividend franked* | *100%* | *100%* | *100%* | *100%* | *100%* |
| *Revenue growth* | *18.4%* | *5.9%* | *0.1%* | *1.1%* | *nc* |
| *EBITDA growth* | *7.5%* | *2.7%* | *3.1%* | *1.0%* | *nc* |
| *EBITA growth* | *8.8%* | *-4.9%* | *2.7%* | *-1.3%* | *nc* |
| *EBITDA margin* | *8.1%* | *7.8%* | *8.1%* | *8.1%* | *8.6%* |
| *EBITA margin* | *5.5%* | *4.9%* | *5.0%* | *4.9%* | *5.4%* |
| *Interest cover*[12] | *12.7x* | *11.5x* | *12.0x* | *10.4x* | *10.7x* |
| *Return on capital invested*[13] | *na* | *7.4%* | *7.6%* | *8.1%* | *7.9%* |

Source: Toll and Grant Samuel analysis

8 EBITDA is earnings before net interest, tax, depreciation and amortisation and individually significant items. It is also before share of profit of associates.

9 FY13 EBITDA and EBITA are after $10.3 million of restructuring costs that were not treated as individually significant.

10 EBITA is earnings before PPA amortisation, net interest, tax and individually significant items. It is also before share of profit from associates. PPA amortisation is purchase price accounting amortisation arising from business acquisitions.

11 NPAT is net profit after tax.

12 Interest cover is EBITA divided by net interest.

13 Return on capital invested is rolling 12 months NPAT before individually significant items plus net interest divided by average net borrowings plus shareholders equity.

Toll operates in a mature and highly competitive industry and its performance is heavily dependent on economic conditions, in particular in sectors to which it has high exposure such as retail and energy and resources. Difficult market conditions in recent years in Australia and globally, particularly in the resources sector, have increased competition and restricted revenue growth. The significant growth in revenue in FY11 was due to acquisitions (by TGF during FY11 and the full year impact of prior year acquisitions). Organic growth has largely resulted from new contract wins and renewals and a customer-led launch of new product offerings targeting sectors where Toll believes it can be better represented (such as pharmaceutical, agribusiness and B2C) and new clients. Revenue growth has been impacted by divestments and contracts completed or lost as well as foreign exchange and fuel and carbon surcharges. One Toll sales initiatives generated in excess of $100 million in additional revenue in FY13 and incremental sales of $65 million were generated in FY14.

Toll's major expenses are transport costs (50% of Toll's cost base) and employee costs (30% of Toll's cost base). Market conditions and aggressive competition have put margins under pressure but Toll has been able to maintain fairly consistent overall margins (8% EBITDA, 5% EBITA) for the last three years through restructuring and cost improvement initiatives. In particular, FY14 includes $20 million of benefits from Project Forward and $80 million of other restructuring and productivity programs. There have been more irregular movements in EBITA and EBITA margins as a result of a consistent increase in depreciation and amortisation from the investment in sustaining capital expenditure. The improvement in margins in the first half of FY15 reflects the results of further initiatives, in particular the sale of non-performing businesses (which reduce revenue but increase EBITA) and cost savings from restructuring (which contributed $20 million to the first half of FY15 EBITA and are expected to contribute $40-50 million to full FY15 EBITA) and continuous improvement, procurement and sustaining capital expenditure ($28 million in the first half of FY15). Earnings in the first half of FY15 also reflect a $5 million negative impact from the scheduled dry docking of the two vessels servicing the trans Bass Strait market.

Although margins have remained relatively steady, Toll has increased its return on capital invested over the period, from 7.4% in FY12 to 8.1% in FY14, reflecting the impact of restructuring and cost improvement initiatives.

PPA amortisation is a non-cash item that represents the amortisation of intangible assets acquired (other than goodwill) over their estimated useful lives. It mostly relates to capitalised software and technology which is amortised over 3-10 years. The significant reduction in PPA amortisation from FY14 reflects the write down of prior intangible assets combined with limited acquisition activity in recent years.

Share of profit of associates represents the NPAT contribution from Toll's interests in joint ventures and associates. Three key associates (Cargo Services, Prixcar Services and Toll Mermaid Logistics) generate approximately 90% of the NPAT contribution.

Toll has an effective tax rate in the range 25-27% which is below the 30% corporate tax rate due to Australian shipping concessions, lower tax rates in offshore jurisdictions and tax-exempt offshore contracts.

Individually significant items were primarily the impairment of TGX Japan and Australian properties (corporate) in FY12 and the impairment of TGF and Marine Asia vessels (offset in part by gains on the sale of non-core businesses) in FY13. In FY14, significant restructuring costs were offset by gains on the sale of businesses. In the first half of FY15, the individually significant items comprised impairments of Toll Dnata Airport Services and Toll Marine Asia as well as losses in the sale of BIC Logistics and TGX Asia.

Non-controlling interests represent the NPAT attributable to approximately 20, predominantly Asian entities in the Toll group that are not wholly owned by Toll (where Toll's ownership interest ranges from 50% to 95%). The NPAT attributable to these non-controlling interests in recent periods represents 1.5-2% of OPAT (before significant items) and is not material in the overall context of Toll's performance.

Toll restructured its operating divisions from 1 July 2014 and historical financial performance has been restated for the FY13 and FY14 years only:

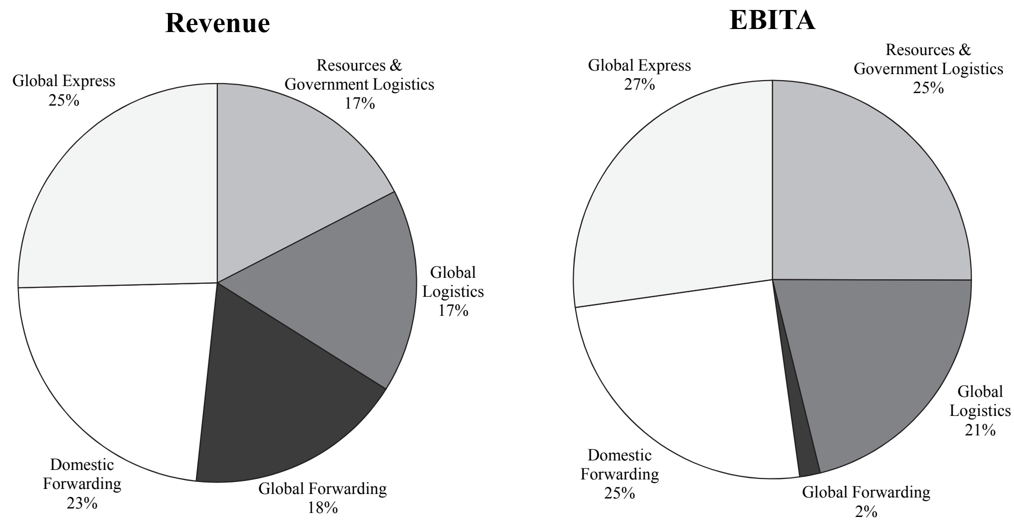
| Toll – Business Division Financial Performance ($ millions) | Year ended 30 June | | Six months ended 31 Dec. 2014 actual |
|---|---|---|---|
| | 2013 actual | 2014 actual | |
| **Resources & Government Logistics** | | | |
| Revenue | 1,593.4 | 1,528.4 | 716.8 |
| EBITDA | 209.0 | 204.1 | 97.2 |
| EBITA | 124.7 | 119.7 | 57.7 |
| *EBITA margin* | *7.8%* | *7.8%* | *8.0%* |
| *Return on capital employed*[14] | *10.9%* | *10.3%* | *9.6%* |
| **Global Logistics** | | | |
| Revenue | 1,358.3 | 1,448.1 | 728.3 |
| EBITDA | 143.9 | 150.6 | 84.7 |
| EBITA | 99.7 | 100.8 | 60.1 |
| *EBITA margin* | *7.3%* | *7.0%* | *8.3%* |
| *Return on capital employed* | *11.9%* | *12.0%* | *12.5%* |
| **Global Forwarding** | | | |
| Revenue | 1,506.6 | 1,556.5 | 842.2 |
| EBITDA | 16.0 | 22.8 | 20.1 |
| EBITA | 1.9 | 8.0 | 12.8 |
| *EBITA margin* | *0.1%* | *0.5%* | *1.5%* |
| *Return on capital employed* | *0.8%* | *2.2%* | *3.0%* |
| **Domestic Forwarding** | | | |
| Revenue | 2,002.8 | 2,009.8 | 997.0 |
| EBITDA | 194.0 | 200.6 | 103.7 |
| EBITA | 131.6 | 130.2 | 67.3 |
| *EBITA margin* | *6.6%* | *6.5%* | *6.8%* |
| *Return on capital employed* | *25.1%* | *25.5%* | *21.0%* |
| **Global Express** | | | |
| Revenue | 2,233.8 | 2,227.0 | 1,105.8 |
| EBITDA | 164.5 | 156.3 | 84.3 |
| EBITA | 128.4 | 119.3 | 65.8 |
| *EBITA margin* | *5.7%* | *5.4%* | *6.0%* |
| *Return on capital employed* | *26.9%* | *25.2%* | *na* |
| **Corporate** | | | |
| Revenue | 24.5 | 41.4 | 17.2 |
| EBITDA | (24.9) | (24.9) | (12.5) |
| EBITA | (47.6) | (45.0) | (23.6) |
| **Toll** | | | |
| Revenue | 8,719.4 | 8,811.2 | 4,407.3 |
| EBITDA | 702.5 | 709.5 | 377.5 |
| EBITA | 438.7 | 433.0 | 240.1 |
| *EBITA margin* | *5.0%* | *4.9%* | *5.4%* |

Source: Toll

[14] Return on capital employed is rolling 12 months EBIT before individually significant items divided by average capital employed. Capital employed is assets and liabilities excluding tax and financing related balances.

The contribution to revenue and EBITA by business division is illustrated in the following charts:

**Toll – Contribution by Business Division[15]**
**(Year ended 30 June 2014)**




Source: Toll

The contract-based business divisions (TRGL and TGL) represented 34% of revenue in FY14 but contributed 46% of EBITA, reflecting the higher margins generated by these business divisions (~7.5-8.0% compared to ~4.5-5.0% for the network based business divisions)[16]. The margins generated by the network based business divisions are also impacted by the highly competitive, low EBITA margin global forwarding business, TGF. Excluding TGF, Toll's network business divisions generated EBITA margins of ~6%. There was an improvement in margins in all business divisions in the first half of FY15 largely reflecting the impact of the Project Forward and One Toll strategic initiatives.

Observations and key drivers of the financial performance of each of Toll's business divisions over the last two and a half years are discussed below:

- TRGL reported consistent performance and margins in FY13 and FY14 with completed and lost contracts offset by a full year contribution from TOPS in FY14. The decline in revenue in the first half of FY15 reflects subdued conditions in the resources sector and the wind down of key contracts (LNG construction projects) as well as difficult conditions in marine markets (with these businesses now sold or on the process of being sold). While margins have improved, lower revenue has resulted in a decline in return on capital;
- TGL achieved moderate growth in revenue in FY14 but EBITA was flat due to a decline in margin. Performance in FY15 was impacted by foreign currency movements. Approximately 40% of TGL's revenue is contracted in S$ which strengthened against the A$ in FY14. The improvement in margin in the first half of FY15 reflects the impact of cost savings from a focus on continuous improvement programs (particularly in Customised Solutions) as well as rationalisation of customer accounts and increased capacity utilisation;
- TGF is a highly competitive business where Toll is disadvantaged by a lack of scale and as a result, while it generates gross margins comparable to its competitors, it has low EBITA margins. Freight rates and margins have been impacted by continued oversupply of capacity. Air volumes and rates have declined and while ocean volumes have increased, this has been

15 Before corporate revenue and corporate EBITA.

16 Albeit the contract-based business divisions generally (other than in comparison to TGF) earn a lower return on capital (~10-12%) than the network-based business divisions (~20-25%).

offset by a fall in rates. TGF's performance is also impacted by foreign currency movements as its reporting currency is HK$.

TGF has struggled to generate an adequate return on capital which prompted the Project Forward strategic review to remove costs and increase productivity. Project Forward generated $20 million of savings in FY14 which is reflected in the improved margins and return on capital (albeit the return on capital remains well below Toll group's post tax target of 10%). Further improvement in the first half of FY15 is mainly due to foreign exchange movements and additional Program Forward initiatives;

- TDF was able to maintain revenue and EBITA in FY14 despite the loss of the Coles contract in Far North Queensland during the year primarily due to additional volumes from the Linfox Trans-Bass acquisition. Revenue in the first half of FY15 was impacted by lower volumes from resources customers and being unable to replace the revenue impact of prior period lost and completed contracts, offset in part by the opening of the Brighton Terminal in Hobart in July 2014. The relative decline in revenue is reflected in the lower return on capital. EBITA was impacted by the scheduled dry docking of the two vessels servicing the trans Bass Strait market ($5 million impact), offset by continued progress on cost reduction, business integration and cross business division synergies;
- TGX's performance reflects a combination of TGX Australia and TGX Japan:

**TGX – Financial Performance ($ millions)**

| | Year ended 30 June | | Six months ended 31 Dec. 2014 actual |
|---|---|---|---|
| | 2013 actual | 2014 actual | |
| **TGX Australia** | | | |
| Revenue | 1,601.9 | 1,637.5 | 852.2 |
| EBITDA | 159.3 | 146.8 | 72.6 |
| EBITA | 132.6 | 118.1 | 57.7 |
| *EBITA margin* | *8.3%* | *7.2%* | *6.8%* |
| *Return on capital employed* | *39.9%* | *35.8%* | *30.3%* |
| **TGX Japan** | | | |
| Revenue | 631.9 | 589.5 | 253.6 |
| EBITDA | 5.2 | 9.5 | 11.7 |
| EBITA | (4.2) | 1.2 | 8.1 |
| *EBITA margin* | *0.7%* | *0.2%* | *3.2%* |
| *Return on capital employed* | *-0.9%* | *0.8%* | *5.6%* |

Source: Toll

TGX Australia's revenue in FY14 reflects the impact of market conditions and lower average consignment weights which was offset by new business wins (including growth in B2C volumes from the GraysOnline contract) and higher volumes from existing customers. The key driver of lower consignment weights was general customer down-trading[17]. Lower consignment weights affect productivity levels and therefore margins. This trend has continued in the first half of FY15 although the negative impacts of lower volumes and a change in customer mix were partially offset by a new pricing structure implemented from June 2014. The EBITA margin was also adversely impacted by:

- the higher cost associated with providing B2C services, in particular costs incurred to expand TGX's B2C alternative drop-point network and developing online tools and portals aimed at increasing market share of the small and medium size online market in FY14; and

[17] Down-trading refers to the reduction in discretionary spending by consumers as a result of an economic slowdown.

- the new Sydney depot at Bungarribee becoming fully operational from October 2014 which resulted in higher costs during the transition phase to the new facility. However, operating productivity has improved progressively since commissioning.

TGX Japan's revenue declined in FY14 mainly due to the divestment of a business in FY13. The decline in revenue continued in the first half of FY15 reflecting the impact of the divestment of KSU Logistics in May 2014 and a weaker A$. Underlying volumes (excluding the impact of divestments) have increased. Earnings, margins and return on capital improved in FY14 and the first half of FY15 reflecting the success of cost initiatives and some consolidation of branches, although TGX Japan's return on capital is still well below Toll's group post tax target of 10%.

***Outlook***

Toll has not publicly released earnings forecasts although it has provided some guidance for earnings for the year ending 30 June 2015. In conjunction with the release of its results for the year ended 30 June 2014 on 19 August 2014, Toll advised that:

- while the external environment remained challenging in Australia and globally and the competitive environment continues to keep pressure on margins, Toll is leveraged to any improvement in economic activity in Australia and key offshore markets; and
- internal actions such as the FY14 restructuring, ongoing cost and productivity improvements, increasing collaboration, cross selling and procurement benefits and investment in networks and new business sectors are improving Toll's competitive position and capacity to grow earnings.

On this basis, assuming no material change in the external environment, Toll expected to achieve higher underlying operating earnings in the year ending 30 June 2015. This outlook was confirmed when Toll released its results for the six months ended 31 December 2014 on 18 February 2015.

To provide an indication of the expected future financial performance of Toll, Grant Samuel has considered brokers' forecasts for Toll (refer to Appendix 2) as follows:

**Toll – Financial Performance ($ millions)**

| | Year end 30 June | |
|---|---|---|
| | **2014 actual** | **2015 broker consensus** |
| Revenue | 8,811.2 | 8,824.5 |
| EBITDA | 709.5 | 715.5 |
| EBITA | 433.0 | 437.1 |

Source: Grant Samuel analysis (refer to Appendix 2).

On a group basis, the median consensus brokers' forecasts indicate a 0.8% increase in EBITDA and a 0.9% increase in EBITA in the year ending 30 June 2015 which is not inconsistent with Toll's guidance and is sufficiently close to the 2015 Forecast to be useful for analytical purposes, although this is not the case with the median of the brokers' forecasts for the individual business units. The lack of consistency between the 2015 Forecast and the median of the brokers' forecasts for the business division is not unexpected, given that Toll restructured its business divisions from 1 July 2014.

### 3.5 Financial Position

The financial position of Toll as at 30 June 2014 and 31 December 2014 is summarised below:

| Toll - Financial Position ($ millions) | | |
|---|---|---|
| | **As at 30 June 2014 actual** | **As at 31 December 2014 actual** |
| Debtors and prepayments | 1,300.8 | 1,432.3 |
| Inventories | 59.5 | 60.5 |
| Creditors, accruals and provisions | (864.9) | (866.6) |
| **Net working capital** | **495.4** | **626.2** |
| Property, plant and equipment (net) | 1,936.2 | 1,754.9 |
| Goodwill | 1,548.6 | 1,530.5 |
| Other intangible assets (net) | 138.0 | 142.5 |
| Investments accounted for using the equity method | 172.1 | 150.8 |
| Other investments | 3.1 | 3.1 |
| Assets classified as held for resale | 73.1 | 476.7 |
| Deferred tax assets (net) | 115.5 | 111.6 |
| Loans to associates | 2.2 | 2.2 |
| Provisions | (521.9) | (478.1) |
| Derivative financial instruments (net) | (4.7) | 28.1 |
| Other assets/(liabilities) (net) | 6.3 | 7.3 |
| **Total funds employed** | **3,963.9** | **4,356.0** |
| Cash and cash equivalents | 837.0 | 853.7 |
| Borrowings | (2,068.2) | (2,386.8) |
| **Net borrowings** | **(1,231.2)** | **(1,533.1)** |
| **Net assets** | **2,732.7** | **2,822.9** |
| Non-controlling interests | (19.3) | (18.6) |
| **Equity attributable to Toll shareholders** | **2,713.4** | **2,804.3** |
| ***Statistics*** | | |
| *Shares on issue at period end (million)* | *717.1* | *717.4* |
| *Net assets per share* | *$3.78* | *$3.91* |
| *NTA[18] per share* | *$1.46* | *$1.60* |
| *Gearing[19]* | *31.1%* | *35.2%* |

Source: Toll and Grant Samuel analysis

The majority of Toll's funds employed is in property, plant and equipment, reflecting capital intensive nature of many of Toll's business operations. Toll also has a significant amount of goodwill on its balance sheet as a result of historical acquisitions. Other intangible assets is primarily acquired capitalised software and technology. The significant intangibles balance results in NTA per share of $1.60 as at 31 December 2014 (compared to its net assets per share of $3.91).

Working capital increased significantly as at 31 December 2014 in comparison to 30 June 2014 due to an increase in debtors and prepayments and lower provisions. The increase in debtors reflects the seasonality in Toll's business operations with November and December being the largest revenue months because of the Christmas period and Toll's exposure to the retail sector.

Toll has interests in a number of joint ventures and associates. Its significant investments are its 25% interest in Cargo Services Group ($59.7 million), 50% interest in Prixcar Services ($64.2 million) and 50% interest in Toll Mermaid Logistics ($10.9 million).

18 NTA is net tangible assets, which is calculated as net assets less intangible assets.

19 Gearing is net borrowings divided by net assets plus net borrowings.

The assets of certain businesses were classified as held for resale following Toll's November 2014 announcement in relation to their proposed divestment. The amount of $476.7 million comprises:

| Toll – Assets Held for Resale ($ millions) | | | | |
|---|---|---|---|---|
| **Asset/Business** | **Property, plant and equipment** | **Goodwill** | **Equity accounted investments** | **Total Book Value** |
| TOPS supply base | 261.2 | 138.1 | - | **399.3** |
| Toll Marine Logistics Northern Australian marine freight business | 26.3 | - | - | **26.3** |
| Toll Marine Logistics Asia business | 43.3 | - | - | **43.3** |
| 50% interest in Toll Dnata Airport Services joint venture | - | - | 7.8 | **7.8** |
| **Total** | **330.8** | **138.1** | **7.8** | **476.7** |

All of Toll's borrowings are in foreign currencies (US$, S$ and HK$) as part of a strategy to hedge investment in overseas subsidiaries and the average cost of borrowing is approximately 2.5% (net of investment hedges). The low cost of borrowings reflects the low interest rate environments in these countries and results in Toll having relatively low gearing based on its interest cover ratio (of more than 10 times). The increase in net borrowings as at 31 December 2014 is largely due to a weaker A$ and higher working capital at year end.

Non-controlling interests in a number of Toll's subsidiaries are described in Section 3.4. They represent less than 1% of Toll's net assets and are not material in the context of Toll's overall financial position.

### 3.6 Cash Flow

Toll's cash flow for the four years ended 30 June 2014 and the six months ended 31 December 2014 is summarised below:

| Toll - Cash Flow ($ millions) | | | | | |
|---|---|---|---|---|---|
| | **Year ended 30 June** | | | | **Six months ended 31 Dec. 2014 actual** |
| | **2011 actual** | **2012 actual** | **2013 actual** | **2014 actual** | |
| **EBITDA** | **663.7** | **681.3** | **702.5** | **709.5** | **377.5** |
| Changes in working capital, individually significant items and other non-cash items | (35.2) | (7.9) | (165.9) | (84.8) | (151.7) |
| **Net operating cash flow** | **628.5** | **673.4** | **536.6** | **624.7** | **225.8** |
| Capital expenditure | (506.5) | (478.6) | (391.6) | (418.5) | (251.9) |
| Sale of property, plant and equipment | 60.6 | 27.8 | 84.0 | 148.9 | 56.5 |
| **Net capital expenditure** | **(445.9)** | **(450.8)** | **(307.6)** | **(269.6)** | **(195.4)** |
| **Free cash flow** | **182.6** | **222.6** | **229.0** | **355.1** | **30.4** |
| Acquisitions | (328.3) | (14.9) | (7.5) | (26.0) | (16.9) |
| Sale of businesses/investments | 75.3 | 1.0 | 91.7 | 57.1 | 12.5 |
| **Net cash flow before financing and tax** | **(70.4)** | **208.7** | **313.2** | **386.2** | **26.0** |
| Net interest paid | (30.7) | (26.7) | (28.5) | (33.6) | (18.7) |
| Tax paid | (77.0) | (98.8) | (132.7) | (112.0) | (50.7) |
| Dividends | (114.9) | (159.4) | (186.4) | (200.0) | (91.1) |
| Other | 2.2 | (1.2) | (0.2) | 1.4 | (0.2) |
| **Net cash flow before movements in net borrowings** | **(290.8)** | **(77.4)** | **(34.6)** | **42.0** | **(134.7)** |

Source: Toll

Toll's net operating cash flow has been in excess of $600 million in each of the last four years except in FY13, where net operating cash flow was impacted by an increase in working capital, in particular an increase in receivables days outstanding and adverse movements in foreign exchange rates. Receivables collections improved in FY14. Net operating cash flow in the first half of FY15 was also impacted by an increase in working capital associated with the Christmas period.

Capital expenditure represents investment in fleet, depots and IT over the last four and a half years in readiness for any improvement in economic conditions. Total expenditure is separated into sustaining capital expenditure and growth capital expenditure:

| Toll – Capital Expenditure | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Year ended 30 June | | | | | | | Six months ended 31 Dec. 2014 actual | |
| | 2011 actual | 2012 actual | | 2013 actual | | 2014 actual | | | |
| | $m | $m | % | $m | % | $m | % | $m | % |
| Sustaining capital expenditure | na | 228 | *48* | 287 | *72* | 328 | *78* | 160 | *63* |
| Growth capital expenditure | na | 251 | *52* | 105 | *27* | 91 | *22* | 92 | *37* |
| **Total capital expenditure** | **507** | **479** | ***100*** | **392** | ***100*** | **419** | ***100*** | **252** | ***100*** |
| Depreciation and amortisation as a % of sustaining capital expenditure | nc | 111% | | 92% | | 84% | | 86% | |

The general reduction in capital expenditure has primarily been due to lower growth capital expenditure following completion of TOPS in FY12 and reduced activity in the mining sector over this period. Growth capital expenditure has fallen from $251 million in FY12 to $91 million in FY14. Growth capital expenditure increased in the first half of FY15 on the back of contract wins by TGL and TRGL (including the offshore logistics base being constructed for INPEX's Ichthys LNG Project in Darwin).

Excluding TOPS, total capital expenditure has generally been around $400 million each year, of which around $300 million is sustaining capital expenditure. Sustaining capital expenditure has generally been at a similar level to depreciation and amortisation expense. Over the last three and a half years, total depreciation and amortisation has averaged 93% of total sustaining capital expenditure (although the percentage has ranged from 84% to 111% in individual years).

Net capital expenditure has declined and free cash flow has improved over the last four years due to increasing inflows, particularly in FY14, from the disposal of non-core properties.

Outflows from acquisitions has fallen dramatically since FY11 as Toll's focus has changed to its existing business operations. Larger cash inflows from the sale of businesses and investments are the result of Toll's strategy to divest non-core and loss-making businesses.

The resulting net cash flow (before movements in net borrowings) has been relatively small from FY12 to FY14 although it has increased in the first half of FY15 (reflecting the increase in working capital in December).

### 3.7 Taxation Position

Under the Australian tax consolidation regime, Toll and its wholly owned Australian resident entities have elected to be taxed as a single entity.

At 30 June 2014, Toll had unrecognised carried forward revenue losses of $273.9 million and unrecognised carried forward Australian capital losses of $3.2 million. It had also recognised as a deferred tax asset $42.8 million of tax losses. The revenue losses relate primarily to TGX Japan's and TGF's business operations and a significant proportion are in foreign jurisdictions (Japan, Hong Kong, United Kingdom). It is uncertain whether the losses relating to TGX Japan will be utilised given its recent performance and outlook. While recovery of the losses relating to TGF is not considered sufficiently certain to be fully recognised in the balance sheet, Toll does expect to be able to utilise these losses over the medium term as the performance of TGF improves.

At 30 June 2014, Toll had $67.9 million of accumulated franking credits. This has or will be adjusted by franking credits that arise from payment of the first and second quarter tax instalments for the year ending 30 June 2015 and the franking debit associated with the 2015 interim dividend (to be paid on 2 April 2015).

### 3.8 Capital Structure and Ownership

***Capital Structure***

As at 27 March 2015, Toll had the following securities on issue:

- 717,437,878 ordinary shares;
- 15,693,752 performance options;
- 7,095,019 performance rights;
- 470,382 restricted rights; and
- 177,411 deferred equity rights.

Performance options and performance rights are granted to nominated executives at no up-front cost as long term incentives under Toll's Senior Executive Option and Rights Plan. Each performance option or performance right entitles an executive to acquire one fully paid ordinary share in Toll once all performance hurdles are met (usually between three and five years). Performance options have an exercise price based on the market value of a Toll share at the time the grant is approved and range from $4.61 to $6.25. Performance rights do not have an exercise price.

Restricted rights are granted to select key contributors (who do not participate in the executive long term incentive plan) under the High Performance Recognition Plan. Deferred equity rights represent the deferred component of the Toll executive team's earned short term incentive from prior years. No performance condition applies to restricted rights and deferred equity rights, only a service condition. Restricted rights and deferred equity rights may be exercised on vesting and do not have an exercise price. Each vested restricted right or deferred equity right entitles the holder to one fully paid ordinary share in Toll.

In addition, for employees of Toll in overseas jurisdictions where an offer of equity rights creates legal issues, Toll has on issue 175,705 non-equity rights which entitle the holder to a cash payment based on the Toll share price. These non-equity rights are exercisable on conditions that match the conditions for the equity grants outlined above.

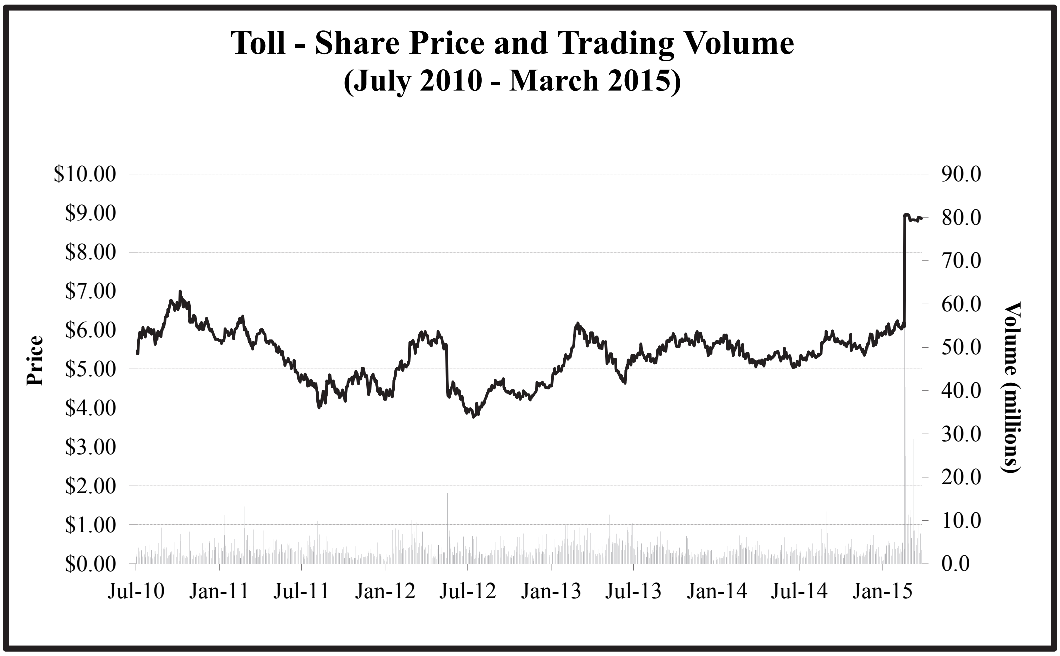
***Ownership***

Toll has approximately 65,000 registered shareholders. The top 10 registered shareholders represent more than 65% of the ordinary shares on issue and, other than Mr Paul Little, are principally institutional nominee or investment companies.

The only current substantial shareholder in Toll is Mr Paul Little, the former Managing Director of Toll who, along with his associates, holds 37,535,935 shares in Toll representing a 5.2% interest.

### 3.9 Share Price Performance

The following graph illustrates the movement in the Toll share price and trading volumes since 1 July 2010:




Source: IRESS

Toll shares have generally traded between $4.00 and $7.00 over the last four and a half years but mostly in a band between $5.00 and $6.00. The share price peaked at $7.04 in October 2010 on the back of better than expected results for the year ended 30 June 2010 but subsequently declined to around $4.00 in early August 2011, reflecting, in part, the general decline in markets over this period.

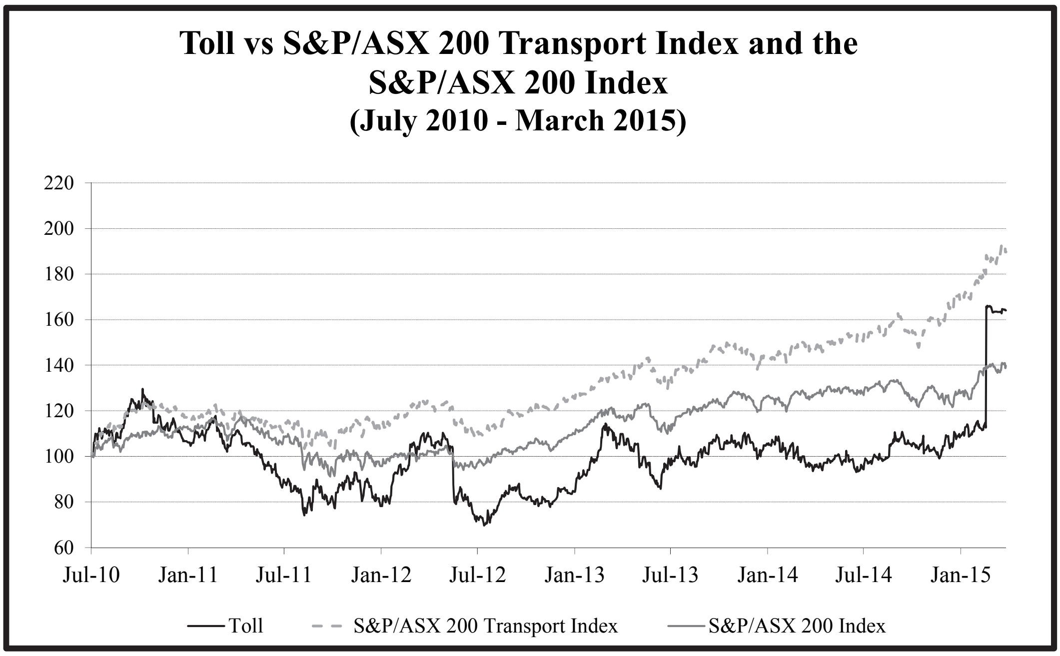
The share price recovered following the announcement of improved financial performance for the year ended 30 June 2011 and the six months ended 31 December 2011 in August 2011 and February 2012 respectively. However, these gains were reversed in May 2012 when Toll announced the impairment of TGX Japan and other assets together with an expected decline in performance for the year ended 30 June 2012. The Toll share price reached a low of $3.76 in July 2012 but subsequently recovered as Toll's consolidation strategy began to produce results and improved results were announced for the six months ended 31 December 2012 and the year ended 30 June 2013.

From June 2013, until the announcement of the Proposal on 18 February 2015, Toll shares have traded in the range $5.00-6.00, with challenging market conditions largely offsetting the impact of cost reductions and productivity improvements. Earnings have been essentially flat over this period. The Toll share price closed at $6.08 on 17 February 2015, the day prior to the announcement of the Proposal.

Since the announcement of the Proposal, Toll shares have traded in the range $8.79-8.98, at a weighted average price of $8.85, below the offer price under the Proposal of $9.04, in part reflecting the requirement for regulatory approvals to be obtained and the time until payment of the offer price.

Toll has been a reasonably liquid stock with average weekly volume over the twelve months prior to the announcement of the Proposal representing approximately 2.0% of average shares on issue or annual turnover of just over 100% of total average issued capital.

Toll is a member of various indices including the S&P/ASX 200 Index and the S&P/ASX 200 Transport Index. At 27 March 2015 its weighting in these indices was approximately 0.4% and 10% respectively. The following graph illustrates the performance of Toll shares since 1 July 2010 relative to these indices:




Source: IRESS

Toll's share price performance relative to the S&P/ASX 200 Transport Index and the S&P/ASX 200 has been impacted by the drop in the share price following the May 2012 announcement of the impairment of TGX Japan and other assets and an expected decline in performance for the year ended 30 June 2012. While the chart above indicates that the Toll share price has underperformed relative to the S&P/ASX 200 Transport Index and the S&P/ASX Index since the early months of 2011, its performance has been in line with both of these indices subsequent to the May 2012 announcement.

However, it should be noted that the S&P/ASX Transport Index comprises Transurban Group ("Transurban"), Sydney Airport, Aurizon, Qantas Airways Limited, Asciano, Qube, Macquarie Atlas Roads Group and MMA Offshore Limited ("MMA Offshore") in addition to Toll. The majority of these companies are not directly comparable to Toll:

- the S&P/ASX 200 Transport Index is dominated by Transurban, Sydney Airport and Aurizon, which collectively represent over 60% of the index; and
- the most comparable companies in the index are Qube and MMA Offshore, which collectively represent only approximately 5% of the index.

A comparison of the share price performance of Toll to companies that are more comparable (i.e. Qube, MMA Offshore and K&S Corporation) shows that Toll has:

- underperformed in comparison to Qube, primarily due to a significant increase in Qube's share price over the period from October 2010 to April 2011, during which Qube announced it would change its structure from a trust to a company and internalised its management, a 50% improvement in earnings for the six months ended 31 December 2010 and a 15% placement to Carlyle Infrastructure Partners, part of the Carlyle Group. Subsequent to April 2011, the relative performance of Toll and Qube shares has been more consistent; and
- performed relatively in line with other transport and logistics companies, albeit these companies are considerably smaller than Toll and operate in niche markets within Australia.

# 4 Valuation of Toll

## 4.1 Summary

Grant Samuel has valued Toll in the range $5,897-6,532 million which corresponds to a value of $8.22-9.10 per share. The valuation is summarised below:

| Toll - Valuation Summary ($ millions) | | | |
|---|---|---|---|
| | Section Reference | Value Range | |
| | | Low | High |
| Business operations[20] | 4.4, 4.5 | 7,500.0 | 8,100.0 |
| Other assets and liabilities | 4.6 | 191.9 | 211.9 |
| **Enterprise value** | | **7,691.9** | **8,311.9** |
| Adjusted net borrowings at 31 December 2014 | 4.7 | (1,638.2) | (1,638.2) |
| Non-controlling interests | 4.8 | (157.0) | (142.0) |
| **Value of equity** | | **5,896.7** | **6,531.7** |
| Number of issued shares (millions)[21] | | 717.4 | 717.4 |
| **Value per share** | | **$8.22** | **$9.10** |

The valuation represents the estimated full underlying value of Toll assuming 100% of the company was available to be acquired and includes a premium for control. The value exceeds the price at which, based on current market conditions, Grant Samuel would expect Toll shares to trade on the ASX in the absence of a takeover offer.

The value attributed to Toll's business operations of $7,500-8,100 million is an overall judgement having regard to a number of valuation methodologies and parameters, including capitalisation of earnings or cash flows (multiples of EBITDA and EBITA) and discounted cash flow ("DCF") analysis.

The valuation reflects the particular attributes of Toll's business and takes into account factors such as:

- the mature and highly competitive nature of the transport and logistics sector;
- the breadth and diversity of Toll's business and the integrated nature of its operations;
- Toll's strong market position across the entire transport and logistics sector in Australia and the strategic attractions of its extensive pan Asian network;
- the relatively subdued short term outlook for the Australian economy;
- Toll's historical financial performance and operational track record;
- the potential for earnings to improve (through margin enhancement and to a lesser extent, revenue growth) from the various strategic initiatives that are currently underway (such as One Toll, Project Forward and the other initiatives to better integrate the Australian business units) as well as the potential for growth as economic conditions improve; and
- the potential for synergies that might be available to acquirers of Toll.

[20] Includes Toll's interests in joint ventures and associates and is after corporate overhead cost savings (i.e. listed company and other costs) which are available to acquirers of 100% of the business (refer to Section 4.5 for details).

[21] Grant Samuel has not adjusted the number of issued shares for the exercise of performance rights, performance options, restricted rights and deferred equity rights. Net borrowings has been adjusted to reflect the cash payment to be made to holders of these securities in lieu of their vesting and/or being exercised (refer to Section 4.7 for details).

## 4.2 Methodology

### 4.2.1 Overview

The most reliable evidence as to the value of a business is the price at which the business or a comparable business has been bought and sold in an arm's length transaction. In the absence of direct market evidence of value, estimates of value are made using methodologies that infer value from other available evidence. There are four primary valuation methodologies that are commonly used for valuing businesses:

- capitalisation of earnings or cash flows;
- discounting of projected cash flows;
- industry rules of thumb; and
- estimation of the aggregate proceeds from an orderly realisation of assets.

Each of these valuation methodologies has application in different circumstances. The primary criterion for determining which methodology is appropriate is the actual practice adopted by purchasers of the type of business involved.

### 4.2.2 Capitalisation of Earnings or Cash Flows

Capitalisation of earnings or cash flows is the most commonly used method for valuation of industrial businesses. This methodology is most appropriate for industrial businesses with a substantial operating history and a consistent earnings trend that is sufficiently stable to be indicative of ongoing earnings potential. This methodology is not particularly suitable for start-up businesses, businesses with an erratic earnings pattern or businesses that have unusual capital expenditure requirements. This methodology involves capitalising the earnings or cash flows of a business at a multiple that reflects the risks of the business and the stream of income that it generates. These multiples can be applied to a number of different earnings or cash flow measures including EBITDA, EBIT (or, in the case of Toll, EBITA) or NPAT. These are referred to respectively as EBITDA multiples, EBIT multiples (or EBITA multiples) and price earnings multiples. Price earnings multiples are commonly used in the context of the sharemarket. EBITDA and EBIT (or EBITA) multiples are more commonly used in valuing whole businesses for acquisition purposes where gearing is in the control of the acquirer but are also used extensively in sharemarket analysis.

Where an ongoing business with relatively stable and predictable cash flows is being valued, Grant Samuel uses capitalised earnings or operating cash flows as a primary reference point.

Application of this valuation methodology involves:

- estimation of earnings or cash flow levels that a purchaser would utilise for valuation purposes having regard to historical and forecast operating results, non-recurring items of income and expenditure and known factors likely to impact on operating performance; and
- consideration of an appropriate capitalisation multiple having regard to the market rating of comparable businesses, the extent and nature of competition, the time period of earnings used, the quality of earnings, growth prospects and relative business risk.

While EBITDA multiples are commonly used benchmarks they are an incomplete measure of cash flow. The appropriate multiple is affected by, among other things, the level of capital expenditure (and working capital investment) relative to EBITDA. In this respect:

- EBIT (or EBITA) multiples can in some circumstances be a better guide because (assuming depreciation is a reasonable proxy for capital expenditure) they effectively adjust for relative capital intensity and present a better approximation of free cash flow. However, capital expenditure is lumpy and depreciation expense may not be a reliable guide. In addition, there can be differences between companies in the basis of calculation of depreciation; and

- businesses that generate higher EBITDA margins than their peer group companies will, all other things being equal, warrant higher EBITDA multiples because free cash flow will, in relative terms, be higher (as capital expenditure is a smaller proportion of earnings).

In determining values for Toll's business operations, Grant Samuel has placed particular reliance on the EBITDA and EBITA multiples implied by the valuation ranges compared to the EBITDA and EBIT multiples derived from an analysis of comparable listed companies and transactions involving comparable businesses.

Determination of the appropriate earnings multiple is usually the most judgemental element of a valuation. Definitive or even indicative offers for a particular asset or business can provide the most reliable support for selection of an appropriate earnings multiple. In the absence of meaningful offers it is necessary to infer the appropriate multiple from other evidence.

The primary approach used by valuers is to determine the multiple that other buyers have been prepared to pay for similar businesses in the recent past. However, each transaction will be the product of a unique combination of factors, including:

- economic factors (e.g. economic growth, inflation, interest rates) affecting the markets in which the company operates;
- strategic attractions of the business - its particular strengths and weaknesses, market position of the business, strength of competition and barriers to entry;
- rationalisation or synergy benefits available to the acquirer;
- the structural and regulatory framework;
- investment and sharemarket conditions at the time; and
- the number of competing buyers for a business.

A pattern may emerge from transactions involving similar businesses with sales typically taking place at prices corresponding to earnings multiples within a particular range. While averages or medians can be determined it is not appropriate to simply apply such measures to the business being valued. The range will generally reflect the growth prospects and risks of those businesses. Mature, low growth businesses will, in the absence of other factors, attract lower multiples than those businesses with potential for significant growth in earnings. The most important part of valuation is to evaluate the attributes of the specific business being valued and to distinguish it from its peers so as to form a judgement as to where on the spectrum it appropriately belongs.

An alternative approach in valuing businesses is to review the multiples at which shares in listed companies in the same industry sector trade on the sharemarket. This gives an indication of the price levels at which portfolio investors are prepared to invest in these businesses. Share prices reflect trades in small parcels of shares (portfolio interests) rather than whole companies and it is necessary to adjust for this factor. To convert sharemarket data to meaningful information on the valuation of companies as a whole, it is market practice to add a "premium for control" to allow for the premium which is normally paid to obtain control through a takeover offer. This premium is typically in the range 20-35%.

The premium for control paid in takeovers is observable but caution must be exercised in assessing the value of a company or business based on the market rating of comparable companies or businesses. The premium for control is an outcome of the valuation process, not a determinant of value. Premiums are paid for reasons that vary from case to case and may be substantial due to synergy or other benefits available to the acquirer. In other situations premiums may be minimal or even zero. It is inappropriate to apply an average premium of 20-35% without having regard to the circumstances of each case. In some situations there is no premium. There are transactions where no corporate buyer is prepared to pay a price in excess of the prices paid by institutional investors through an initial public offering.

Acquisitions of listed companies in different countries can be analysed for comparative purposes, but it is necessary to give consideration to differences in overall sharemarket levels and ratings between countries, economic factors (economic growth, inflation, interest rates) and market structures (competition etc.) and the regulatory framework. It is not appropriate to adjust multiples in a mechanistic way for differences in interest rates or sharemarket levels.

The analysis of comparable transactions and sharemarket prices for comparable companies will not always lead to an obvious conclusion as to which multiple or range of multiples will apply. There will often be a wide spread of multiples and the application of judgement becomes critical. Moreover, it is necessary to consider the particular attributes of the business being valued and decide whether it warrants a higher or lower multiple than the comparable companies. This assessment is essentially a judgement.

### 4.2.3 Discounted Cash Flow

Discounting of projected cash flows has a strong theoretical basis. It is the most commonly used method for valuation in a number of industries, including resources, and for the valuation of start-up projects where earnings during the first few years can be negative but it is also widely used in the valuation of established industrial businesses. Discounted cash flow valuations involve calculating the net present value of projected cash flows. This methodology is able to explicitly capture depleting resources, development projects and fixed terms contracts (which are typical in the resources sector), the effect of a turnaround in the business, the ramp up to maturity or significant changes expected in capital expenditure patterns. The cash flows are discounted using a discount rate which reflects the risk associated with the cash flow stream.

Considerable judgement is required in estimating future cash flows and it is generally necessary to place great reliance on medium to long term projections prepared by management. The discount rate is also not an observable number and must be inferred from other data (usually only historical). None of this data is particularly reliable so estimates of the discount rate necessarily involve a substantial element of judgement. In addition, even where cash flow forecasts are available, the terminal or continuing value is usually a high proportion of value. Accordingly, the multiple used in assessing this terminal value becomes the critical determinant in the valuation (i.e. it is a "de facto" cash flow capitalisation valuation). The net present value is typically extremely sensitive to relatively small changes in underlying assumptions, few of which are capable of being predicted with accuracy, particularly beyond the first two or three years. The arbitrary assumptions that need to be made and the width of any value range mean the results are often not meaningful or reliable. Notwithstanding these limitations, discounted cash flow valuations are commonly used and can at least play a role in providing a check on alternative methodologies, not least because explicit and relatively detailed assumptions as to expected future performance need to be made.

A financial model for Toll's business operations has been developed by Grant Samuel based on the financial projections prepared by Toll management. The model allows the key drivers of revenues, costs and capital expenditure to be modelled. The model is based on a number of assumptions and is subject to significant uncertainty and contingencies, many of which are outside the control of Toll. The financial model is discussed in more detail in Section 4.4.4 of this report.

#### 4.2.4 Industry Rules of Thumb

Industry rules of thumb are commonly used in some industries. These are generally used as a "cross check" of the result determined by a capitalised earnings valuation or by discounting cash flows. While they are only used as a cross check in most cases, industry rules of thumb can be the primary basis on which buyers determine prices in some industries. Grant Samuel is not aware of any commonly used rules of thumb that would be appropriate to value the business operations of Toll. In any event, it should be recognised that rules of thumb are usually relatively crude and prone to misinterpretation.

#### 4.2.5 Net Assets/Realisation of Assets

Valuations based on an estimate of the aggregate proceeds from an orderly realisation of assets are commonly applied to businesses that are not going concerns. They effectively reflect liquidation values and typically attribute no value to any goodwill associated with ongoing trading. Such an approach is not appropriate in Toll's case.

### 4.3 Valuation Approach for Toll

#### 4.3.1 Valuation of Business Operations

Grant Samuel's valuation of Toll has been estimated by aggregating the estimated market value of its operating business (on a "control" basis) together with the realisable value of non-trading assets and deducting external borrowings and non-trading liabilities. The value of the operating business has been estimated on the basis of fair market value as a going concern, defined as the maximum price that could be realised in an open market over a reasonable period of time assuming that potential buyers have full information.

Both earnings multiples analyses and DCF analysis have been used to estimate the value of the operating business. The value range selected is a judgement derived through an iterative process. The objective is to determine a value that is both consistent with the market evidence as to multiples and fits with the output of DCF analysis.

In estimating the value of the operating business, the first issue to consider is whether to value Toll as a single integrated transport and logistics business or as a portfolio of five business divisions (or possibly even 20 plus separate business units). There are strong arguments for both:

- over the past three years Toll has made significant steps towards integrating its business divisions, particularly through the One Toll program which has a major focus on creating a single brand and building the cross selling of all of Toll's services and capabilities. There is already an interdependence between business divisions with, for example, TGL making use of both TGF and TDF services. In a similar manner, TRGL is already progressing opportunities to sell the heavy haulage services of the recently acquired Deeson Heavylift business (part of TDF) to its resources clients. Further, full implementation of One Toll together with other initiatives such as the Global Technology Transformation and the Global Finance Transformation will, if successfully implemented, see a much more closely integrated and cohesive single business emerge over the next 3-5 years.

  This strategy is consistent with the view that a transport and logistics business is stronger if it covers all the major sectors rather than operating in a single "vertical" (such as express or logistics or trucking).

  Additionally, many of Toll's listed peers (which provide key benchmark earnings multiples) operate across several different sectors of the transport and logistics industry (e.g. even those focussed on express have significant logistics businesses). There are relatively few "pure play" listed companies; but, on the other hand

- despite the One Toll project, the reality at the current time is that each of the business divisions, if not the 20 plus individual business units, still operate with a high degree of autonomy and, at least theoretically, could be sold separately as standalone businesses (albeit probably at lower multiples). Moreover, each of the business divisions (and in fact each business unit) has very different economic drivers and competitive environments. For example, TRGL is largely dependent on activity levels in the oil & gas and mining sectors in Australia while TGF is largely dependent on global trade flows. Similarly, TRGL's main competitors (in its key business units) include Linfox, BIS Industries and McAleese, while TGF has a very small market share in a fragmented market where it competes with the world's largest freight forwarding companies.

Accordingly, Grant Samuel has considered the value of Toll from both perspectives:

- Section 4.4.2 analyses value in terms of overall EBITDA and EBITA multiples;
- Section 4.4.3 analyses value in terms of EBITDA and EBITA multiples for each business division. The values attributed to each business division are an allocation of the overall value; and
- Section 4.4.4 sets out a high level DCF analysis. While the value is a "single valuation" utilising an overall cost of capital, there are separate cash flows for each business division allowing for different revenue growth profiles, capital expenditure patterns and margin enhancing initiatives.

Other specific aspects of the methodology include:

- Toll's EBITA rather than EBIT was utilised in the earnings multiple analysis as it is before PPA amortisation charges relating to prior acquisitions;
- the business division analysis considers the value enhancement potential of a sale of the TOPS supply base. Toll is evaluating options for monetising the real estate component of its TOPS investment. While market value has not been established and no decision has been made by Toll, Grant Samuel believes it is appropriate to recognise the potential value impact. For the purposes of the report, Grant Samuel has assumed a sale value of $500 million;
- synergies achievable by acquirers of Toll have been considered but it needs to be recognised that:
  - normal valuation practice is to include a value for synergies that are common across multiple acquirers but to exclude those that are unique to a particular acquirer; and
  - where earnings multiples from comparable transactions are a primary reference point adding synergies to earnings would potentially double count them as the multiples from the other transactions are usually based on "standalone" earnings (either reported or forecast) and the value of synergies is therefore reflected in the multiple (i.e. the transaction multiple would be lower if based on earnings including synergy benefits).

  Accordingly, Grant Samuel has only recognised the savings in listed company costs ($4.5 million).

### 4.3.2 Earnings for Valuation Purposes

Grant Samuel has considered implied multiples of EBITDA and EBITA for the year ended 30 June 2014 (historical) and the year ending 30 June 2015 (forecast).

Toll has not provided any specific guidance in relation to earnings for the year ending 30 June 2015 and the directors have decided not to include any forecasts in the Scheme Booklet. Accordingly, the multiples implied by the valuation of Toll's overall business operations are based on broker consensus forecasts for Toll (refer to Appendix 2 for details).

The historical and broker consensus forecasts have been adjusted by Grant Samuel to:

- include the estimated EBITDA and EBITA contribution from key associates. The EBITDA and EBITA from key associates has been determined based on actual FY14 financial information and forecast FY15 NPAT adjusted for estimated tax, net interest and depreciation;
- eliminate the earnings impact from businesses and assets that have been sold or that are in the process of being sold, with the estimated proceeds from sale being included as a surplus asset (refer to Section 4.6 for details);
- exclude significant one off items (i.e. the dry docking of the two vessels servicing the trans Bass Strait market in the first half of FY15); and
- include the savings in listed company related costs of $4.5 million that would be available to any acquirer of Toll (refer to Section 4.5 for further discussion).

The adjusted earnings are summarised below:

**Toll – Adjustments to Earnings**

| | Section Reference | Year end 30 June 2014 actual | Year end 30 June 2015 broker consensus |
|---|---|---|---|
| **Reported/Consensus EBITA** | 3.4/App. 2 | **433.0** | **437.1** |
| add: estimated share of EBIT from associates | | 19.4 | 22.2 |
| add: EBIT loss from assets sold or held for resale | | 13.1 | 10.5 |
| Add: significant one-off items | | - | 5.0 |
| add: corporate overhead cost savings | | 4.5 | 4.5 |
| **Adjusted EBITA** | | **470.0** | **479.3** |
| Depreciation and amortisation (reported/consensus) | 3.4/App. 2 | 276.5 | 278.4 |
| Depreciation and amortisation from associates | | 9.8 | 9.7 |
| **Adjusted EBITDA** | | **756.3** | **767.4** |

Source: Toll and Grant Samuel analysis

No adjustment has been made to allow for the full year impact of cost savings from current or future business improvement initiatives or to eliminate any associated non-recurring costs of implementation (such as commissioning costs, duplicated property costs etc.) on the basis that:

- over the last three years, Toll has been investing in an average of three new facilities each year. As a result, any one year's earnings reflects a combination of benefits from completed facilities and costs associated with others that are commissioned, with the net impact not being material. This process of ongoing investment is expected to continue and as a result, no adjustment has been made for the impact of the Bungarribee depot (completed in October 2014) or the Tullamarine depot (under construction and expected to be completed in the first half of FY16);

- the One Toll group procurement initiative was implemented in FY13 and FY14 and is expected to realise approximately $30 million of cost savings over the FY14 to FY17 period. A significant proportion of these cost savings is already reflected in the 2015 Forecast and any risk adjusted additional savings would not be material to the performance of Toll as a whole; and
- any further benefits from Project Forward are expected to be primarily revenue benefits which will be generated over a longer time frame. While Toll would earn a margin on this incremental revenue, this has not been reflected in the adjustments made to Toll's earnings.

The positive impact that these cost savings would have on earnings in the longer term is reflected in the multiples implied by the valuation of Toll.

## 4.4 Value of Business Operations

### 4.4.1 Summary

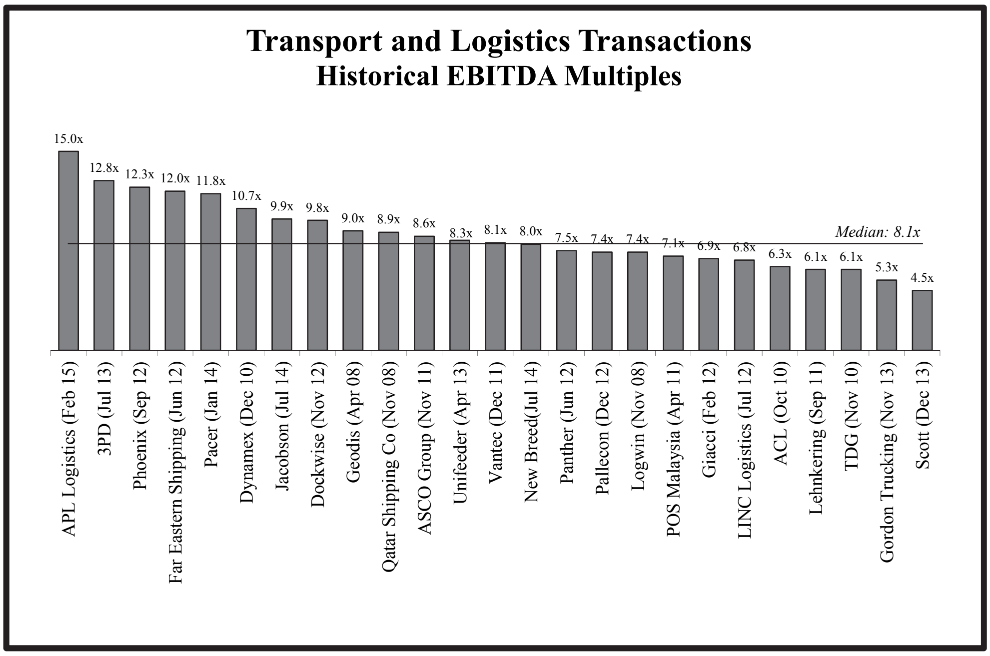
Grant Samuel has valued Toll's business operations (including a premium for control) in the range $7,500-8,100 million.

This valuation is a subjective judgment having regard to both earnings multiples and DCF analysis.

### 4.4.2 Earnings Multiple Analysis

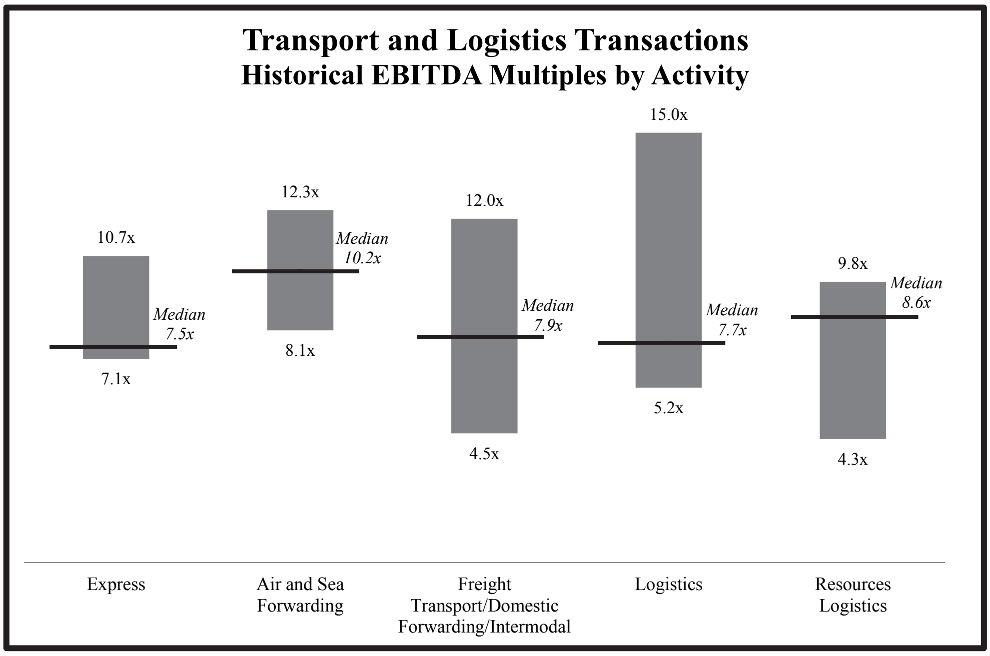
***Transaction Evidence***

Appendix 1 contains an analysis of the earnings multiples implied by acquisitions of transport and logistics businesses globally over the last five years. The following charts summarise the historical[22] EBITDA multiples overall and by main business activity:



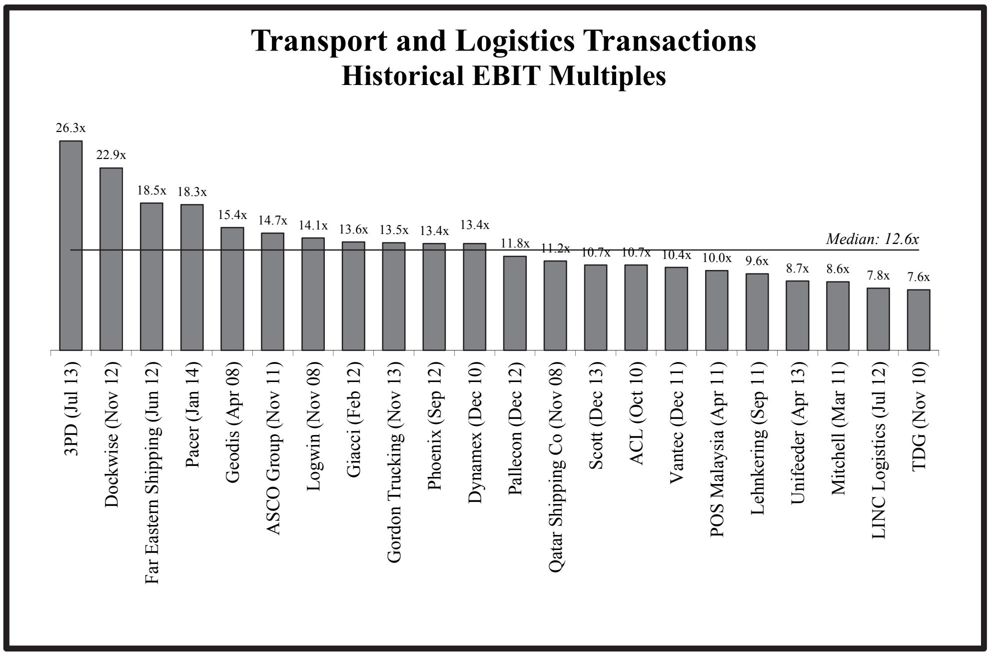

Source: Grant Samuel analysis (refer to Appendix 1)

22 To the extent possible, the historical multiples are based on the last twelve months ("LTM") earnings for the target company at the time of the transaction.

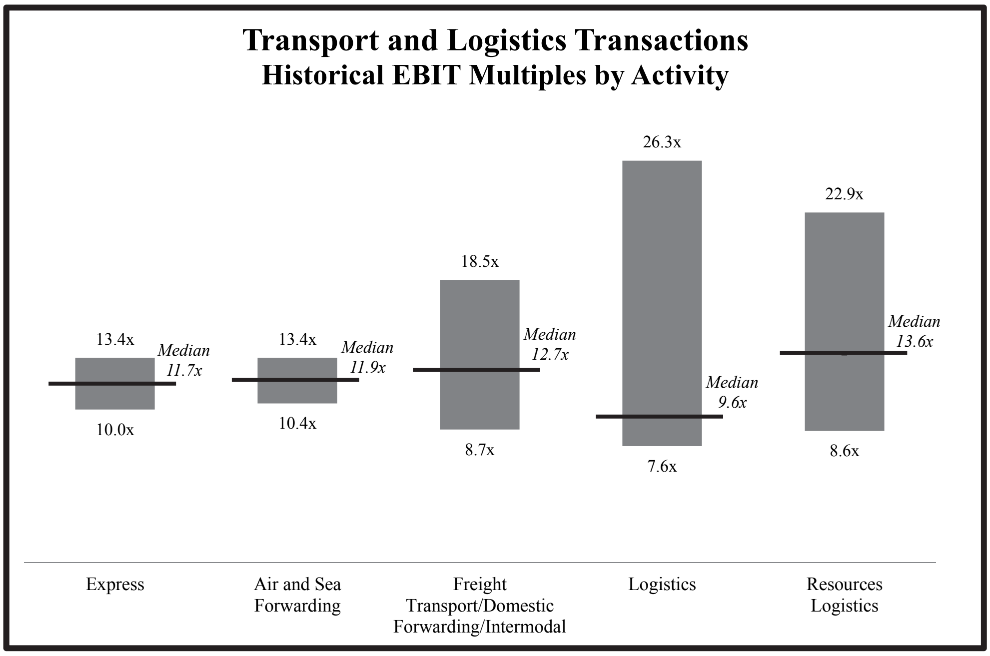



Source: Grant Samuel analysis (refer to Appendix 1)

The following charts summarise the historical[22] EBIT multiples overall and by main business activity:




Source: Grant Samuel analysis (refer to Appendix 1)




Source: Grant Samuel analysis (refer to Appendix 1)

The analysis indicates median multiples of around 8 times historical EBITDA and 12.6 times historical EBIT across the industry.

However, it would be dangerous to place any significant degree of reliance on these data points:

- the data indicates a very wide range of outcomes:
  - 4.5-15.0 times EBITDA; and
  - 7.6-26.3 times EBIT.

  The range reflects the widely divergent individual circumstances of each target including nature of activities, market position and operating performance. Exactly where within such a range a particular company (e.g. Toll) should sit is difficult to judge (i.e. the median is not necessarily the "benchmark");
- EBITDA multiples in particular need to be interpreted with considerable caution as there can be very substantial differences between companies in terms of capital intensity (as evidenced through the proportion of EBITDA consumed by depreciation/capital expenditure). In this respect EBIT multiples may be a better metric to consider;
- most of the acquisitions are of relatively small businesses and not comparable to Toll in either scale, breadth of activities or market leadership position; and
- many of the acquisitions were in-market acquisitions offering acquirers the opportunity to consolidate businesses and achieve significant cost savings. The effective multiples net of synergy benefits would be lower than those shown in the charts.

The sector specific EBITDA and EBIT multiples indicate that there are some differences between sectors (in terms of both range and medians) but:

- the data sets in some industry sectors are too small to be reliable (e.g. Express and Air and Sea Forwarding) and, in any event, the target companies cannot be realistically compared to Toll's individual business divisions which are, for the most part, materially larger and more diverse than the targets with well established leadership positions (except for TGF);

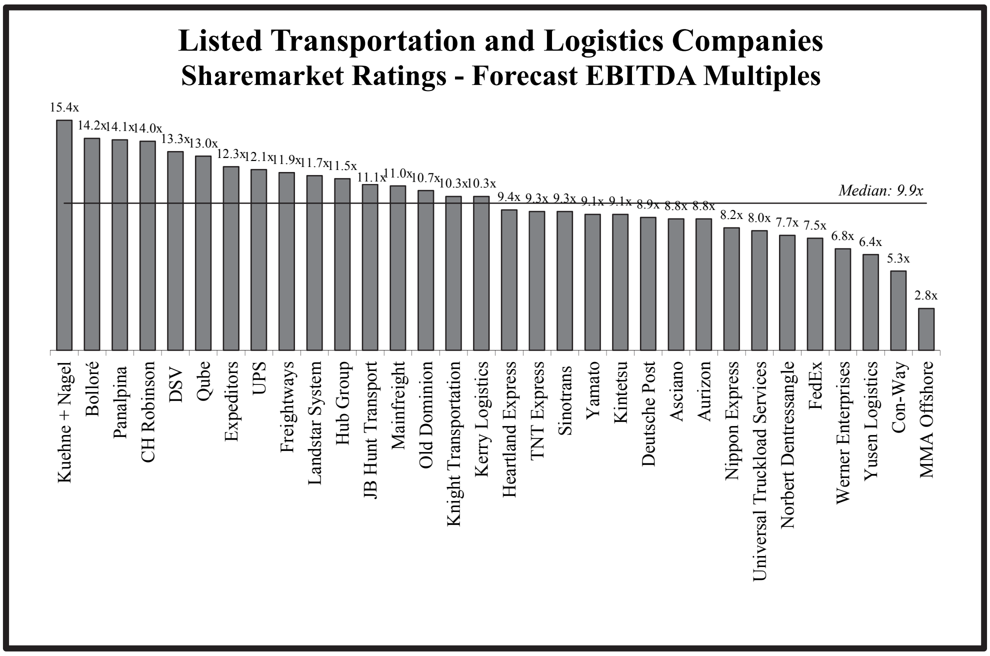
- there is often a blurring of activities particularly between domestic transport/forwarding and logistics services with several of the targets having significant operations in both categories;
- Air and Sea Forwarding does indicate higher EBITDA multiples (albeit from only two transactions) but this reflects the asset light nature of the business. There is no material difference in multiples at the EBIT level;
- the range and median EBIT multiples for the Logistics sector are impacted by the unavailability of EBIT data for three recent transactions (which are generally at the upper end of EBITDA multiples for the sector); and
- some of the transactions in Resources Logistics are at EBIT multiples above 20 times as a result of the very high capital intensity levels (depreciation representing over 50% of EBITDA) but it is difficult to judge by how much the effective multiples would be impacted by synergy benefits available to the acquirer.

***Sharemarket Evidence***

Appendix 1 contains analysis of the earnings multiples implied by the share prices as at 27 February 2015 for a selection of:

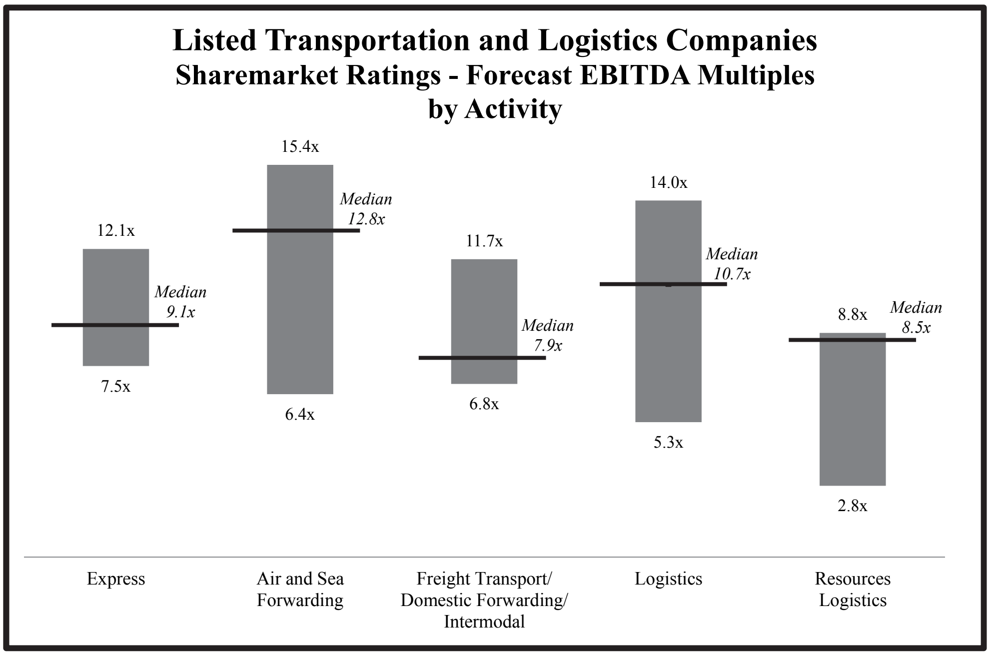
- Australian and New Zealand peers; and
- international companies operating in the transport and logistics sector, categorised by their primary activity[23].

The following charts summarise the EBITDA multiples for the current year (calendarised to 30 June 2015):



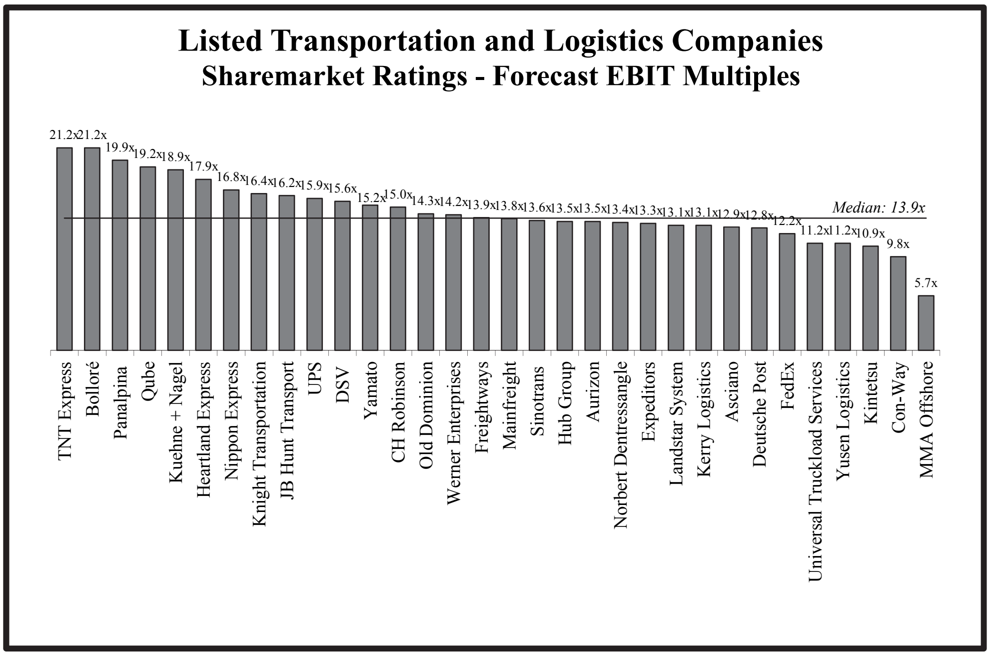

Source: Grant Samuel analysis (refer to Appendix 1)

[23] XPO Logistics has been excluded from this analysis as it has made a number of acquisitions over the last 12 months, the full year impact of which are not reflected in FY15 earnings. As a result, its trading multiples are not meaningful.

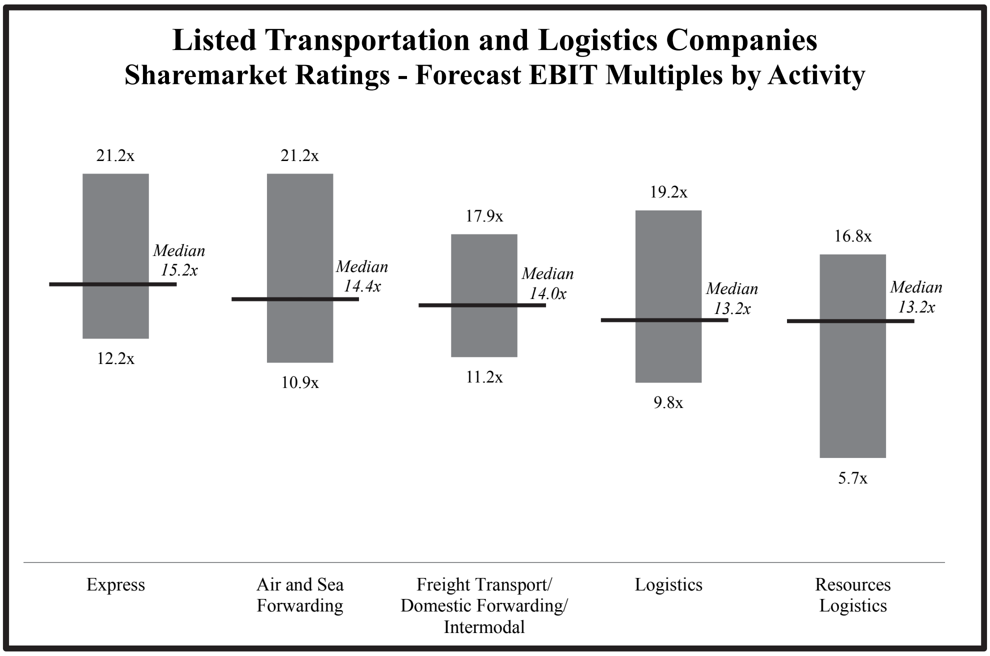



Source: Grant Samuel analysis (refer to Appendix 1)

The following charts summarise the EBIT multiples for the current year (calendarised to 30 June 2015):




Source: Grant Samuel analysis (refer to Appendix 1)




Source: Grant Samuel analysis (refer to Appendix 1)

While the multiples from listed companies do not include a premium for control they may provide a more useful insight into the valuation for Toll and its business divisions than the transaction data:

- the data set is larger and includes companies much more comparable to Toll in scale (indeed many are substantially larger). Many have market leading positions and operate across more than one sector;
- the data set in each sector is larger (eight or more except for Resources Logistics); and
- the pattern is more consistent. Across the industry as a whole, the majority of companies are trading at:
  - 8-12 times FY15 EBITDA (median 9.9 times); and
  - 13-16 times FY15 EBIT (median 13.9 times).

  The data reveals some differences between sectors at an EBITDA level with Air and See Forwarding trading at materially higher EBITDA multiples (median 12.8 times) reflecting its asset light basis of operations. However, as with the transactions the capital intensity is neutralised at the EBIT level where the data suggests there is no material differences between the sectors (with the medians varying between 13.2 times and 15.2 times).

At the same time, a degree of caution is warranted:

- none of the listed companies is directly comparable to Toll and very few have anything near the breadth or diversity of operations;
- while there is a clustering, the range of outcomes is extremely wide:
  - 2.8-15.4 times FY15 EBITDA; and
  - 5.7-21.2 times FY15 EBIT; and
- accurate categorisation is difficult and a significant number of listed companies have operations encompassing two or more sectors within the industry.

### *Analysis and Conclusions*

Grant Samuel has valued Toll's business operations in the range $7,500-8,100 million. Based on the adjusted earnings set out in Section 4.3.2, the value range represents the following multiples[24]:

| Toll's Business Operations – Implied Multiples | Variable ($ million) | Range of Parameters | |
|---|---|---|---|
| | | Low | High |
| **Multiple of EBITDA (times)** | | | |
| Year ended 30 June 2014 (adjusted actual) | 756.3 | 9.9 | 10.7 |
| Year ending 30 June 2015 (adjusted broker consensus) | 767.4 | 9.8 | 10.6 |
| **Multiple of EBITA (times)** | | | |
| Year ended 30 June 2014 (adjusted actual) | 470.0 | 16.0 | 17.2 |
| Year ending 30 June 2015 (adjusted broker consensus) | 479.3 | 15.6 | 16.9 |

Toll has a number of attributes that justify relatively high multiples of current earnings:

- the scope for material profit enhancement over time from the various initiatives that Toll has underway including:
  - One Toll (improved cross selling, procurement, employee engagement);
  - Project Forward (additional cost savings and revenue benefits through a focus on volume in key trade lanes);
  - continued investment in new state-of-the-art facilities such as TGX's Tullamarine depot (due to open in FY16);
  - the integration of TDF's Toll NQX and Toll Express as well as other opportunities for business unit consolidation; and
  - benefits of the Global Technology Transformation and Global Finance Transformation programs.

  Collectively, these initiatives could add incremental EBITA of more than $100 million per annum (if realised to their full potential);

- the potential for significant earnings growth, particularly in network businesses, as the Australian economy strengthens over time. Toll has made very substantial capital investments in its business over the past 4-5 years despite the subdued underlying economy. Net capital expenditure excluding acquisitions from 1 July 2010 to 31 December 2014 totalled $1.67 billion (compared to total depreciation and amortisation of $1.15 billion over the same period). A significant element of this capital program (e.g. the recently opened Bungarribee depot) has added materially to Toll's freight handling capacity. To date, in a weak economy, the benefits have been limited but as and when the economy improves the increased volumes will generate strong earnings growth, particularly in view of the high operating leverage (i.e. high proportion of fixed costs) inherent in the business.

  An economic recovery would also likely see some easing of the pressure on prices that has emanated from customers over the past few years;

[24] Toll has not provided any specific guidance in relation to earnings for FY15 and the directors have decided not to include any forecasts in the Scheme Booklet. Accordingly, the forecast multiples are based on the median of brokers' forecasts ("broker consensus") for Toll (refer to Appendix 2 for details). On a group basis, the broker consensus forecast is sufficiently close to the 2015 Forecast to be useful for analytical purposes, although this is not the case with the broker consensus forecasts for the individual business units.

- the opportunities for market share gain and market growth in specific markets. For example, the strong growth trend in B2C is expected to continue and Australia Post's existing 80% share of this market provides a real opportunity for a major second player to emerge. Toll is arguably the best placed of the remaining competitors to achieve this.

  Other areas with meaningful identifiable growth opportunities include:

  - Toll Liquids (market share gain from existing competitors); and
  - Customised Solutions as companies continue to focus on supply chain efficiency, albeit that such contracts typically involve significant capital investment;

- the latent value inherent in:

  - TOPS. While the process is still at an early stage, the nature of the asset should enable it to be sold on an attractive "real estate yield" basis. To the extent the effective multiple exceeds the market multiple applied to Toll's overall operating businesses, there is an implicit value gain; and
  - TGX Japan which generated EBITA in FY14 of $1.2 million ($8.1 million in the first half of FY15) but which could have a value in a sale to a third party that is greater than suggested by the current level of earnings;

- the attractions of Toll's market position across the entire transport and logistics spectrum in Australia. Toll is Australia' leading diversified transport and logistics business and holds either number 1 or number 2 market positions in every one of its domestic business units with the exception of Toll Marine Logistics (which it is in the process of divesting); and

- the strategic value and potential of Toll's Asian footprint (essentially TGL's Contract Logistics Asia and TGF). Toll has a well established market position in virtually all of the key markets across the Asia Pacific region.

  These businesses have not yet "delivered" and are performing at levels well below expectations at the time of entry (or acquisition). However, they are a key area of management focus and steps are in train to materially improve operations:

  - Project Forward has already successfully achieved cost savings of more than $20 million per year in TGF. The next stage involves refocussing the business on achieving volume growth in six key trade lanes rather than trying to compete across the board; and
  - management changes and an emphasis on capitalising on the growth of existing customers is expected to see a much stronger growth profile for contract logistics across Asia going forward. The Toll City development (a 100,000 $m^2$ facility in Singapore to be completed in FY17) will be a cornerstone asset for accelerating growth of TGL.

  In addition, it is likely that potential acquirers of Toll would see an opportunity to leverage these businesses using their existing freight flows, operational bases or other attributes; and

- the breadth and diversity of Toll's business as well as the increasingly integrated nature of its operations. The diversity provides a more stable, defensive earnings base (as evidenced over the last five years with underperforming businesses often offset by others doing well).

At the same time, it needs to be recognised that:

- transport and logistics is a very mature industry. While some segments (e.g. B2C) are likely to enjoy accelerated growth, the industry as a whole is unlikely to grow any faster than the overall economy in which it operates;

- the industry is highly competitive. Most segments have several well capitalised, experienced competitors as well as numerous aggressive niche operators. Some sectors such as global forwarding are highly fragmented. While service, reliability and efficiency are important criteria, much of the business is commoditised and price remains a significant factor in winning new business;
- the immediate and short term outlook for Toll is relatively subdued:
  - demand across the general Australian economy remains weak as does business and consumer confidence. A meaningful pick up is realistically some time off;
  - numerous major resource projects are nearing completion and depressed commodity prices have severely curtailed the level of new developments getting underway; and
  - the commodity price decline is also bringing an intense focus on operating costs by producers;
- there is no certainty that Toll's initiatives will ultimately deliver the level of cost savings anticipated. Integration, IT and systems projects are fraught with challenges, often subject to delays and cost overruns and commonly fail to realise their full potential. In this context, the potential benefits need to be "risk weighted" (even if only notionally).

  Additionally, many of the benefits of Toll's programs are only likely to be realised over a 3-5 year period (with most of the costs incurred upfront).

  Moreover, it is almost inevitable that some part of these savings will need to be passed back to customers through lower pricing (or as other benefits). All of Toll's competitors will also be engaged in their own continuous improvement and other cost out programs. Toll will need to realise a significant proportion of these benefits just to "stand still";
- Toll's track record is mixed. While the track record can be largely explained by the underlying economic conditions, Toll's earnings over the last five years have essentially been flat and profit margins have barely changed (highlighting the difficulty of achieving a significant uplift even through major initiatives).

  In addition, Toll has made a number of acquisitions, particularly in Asia, which have failed to deliver the anticipated returns. In particular, TGF has spent over $900 million buying businesses that generated an EBITA of $8 million in FY14 (excluding the 25% interest in Cargo Services). While EBITA for the first six months of FY15 increased to $12.8 million, this reflects the benefits from cost savings initiatives under Project Forward. Any future benefits are expected to be largely revenue-driven and may be harder to achieve;
- some of the growth initiatives will take time to pay off. For example, in the B2C express business Toll will need to build out its network and create sufficient network density to become an effective competitor to Australia Post. The operating costs will increase ahead of revenue, so there will be a negative impact on earnings until critical mass is achieved. In any event, there is no certainty that Toll will achieve the level of market share targeted (30%). Australia Post has a number of very material inherent competitive advantages;
- direct synergies for likely buyers are relatively limited. Over 70% of Toll's revenues are generated in Australia. The major participants in that market, who would be able to achieve significant in-market synergies, may face significant ACCC issues in acquiring Toll (depending on how the transaction was structured and how Toll's business was carved up). Accordingly, the most likely acquirers are offshore international buyers without an existing Australian base of operations and the synergy opportunities in acquiring Toll are likely to be limited to:

- head office cost savings; and
- the extent to which offshore buyers can enhance or absorb the Asian operations (TGL's Contract Logistics Asia, TGF).

These factors are reflected in the multiples implied by the value range. The low end is more in the nature of a "base case" control value and represents a more cautious view on the achievability of the earnings turnaround. The high end of the range implicitly represents a more optimistic view of the earnings turnaround.

The implied FY15 multiples of 9.8-10.6 times EBITDA and 15.6-16.9 times EBITA can be supported relative to the market evidence set out in the preceding sections. In this context:

- EBITDA multiples have to be interpreted with considerable care because there can be substantial differences between sectors and individual companies in terms of relative capital intensity. Toll itself is an amalgam of divisions with very different levels of capital intensity (from high in Contract Logistics to very low in Global Forwarding). For Toll overall, depreciation is equivalent to approximately 35-40% of EBITDA and capital expenditure has, at least over the last five years, run at levels well above depreciation (almost 1.5 times). In this respect, EBITA multiples may be a more reliable benchmark;
- there are no transactions involving businesses directly comparable to Toll. Most of the transactions are substantially smaller and none has the breadth of operations or market positioning of Toll. In addition, the data shows considerable variability. Grant Samuel has attributed limited weight to the transaction multiples. The overall medians (8.1 times historical EBITDA and 12.6 times historical EBIT) are below those implied by the valuation of Toll but there are a number of individual transactions at comparable or higher multiples; and
- there are a large number of listed companies engaged in transport and logistics. Again, none is directly comparable to Toll although many of them are diversified across express, forwarding and logistics and are more comparable in size. The listed company multiples also demonstrate a higher level of consistency.

  The median FY15 multiples (which do not include a premium for control) for the whole industry are 9.9 times FY15 EBITDA and 13.9 times FY15 EBIT albeit within a wide range. The implied multiples for Toll are reasonable if allowance is made for a premium for control.

  Australian industry participants such as Asciano and Aurizon are not direct peers as they are engaged in different sectors of the industry to Toll, with very different business models and customer bases (they are largely train operators shipping bulk commodities and in Asciano's case a port operator). Arguably, the most similar company is Mainfreight which, while smaller and New Zealand based, covers a similar spectrum of core activities. Mainfreight trades at 11 times FY15 EBITDA and 13.8 times FY15 EBIT but it has enjoyed a stronger growth profile than Toll over the past few years. Its higher EBITDA multiple also reflects lower capital intensity partly the result of a different business model (owner drivers).

Although these implied FY15 multiples for Toll are reasonable relative to the market evidence the essential question that emerges is whether they can be justified for Toll given that it has consistently traded at the low end of the industry multiples and they represent a significant step up from pre bid trading levels (~7.5 times FY15 EBITDA and ~12 times FY15 EBITA).

In Grant Samuel's opinion, they can be justified in the context of a change of control transaction and having regard to the factors outlined above. To give further insight into the value equation it is useful to consider the effective multiples if the planned actions and initiatives are achieved (at least to some extent). While many of the comparable listed companies and the acquisition targets will have their own sets of continuous improvement programs, cost saving plans and other initiatives, the scope and breadth of Toll's transformation program mean that it is reasonable to consider their effect separately. The following analysis indicates the implied pro forma FY15 earnings multiples if certain events occur:

- **Case A**: assuming the sale of the TOPS supply base for $500 million and assuming a value for TGX Japan equal to net tangible assets employed.
- **Case B**: Case A plus assuming 50% of the expected earnings benefits are realised from the following future business improvement initiatives:
  - opportunities within the business divisions for closer interaction between business units, including the TDF business unit optimisation;
  - Global Technology Transformation; and
  - Global Finance Transformation.

  These future business improvement initiatives are expected to produce aggregate cumulative EBITA benefits of approximately $100 million per annum by 2020 (assuming 100% achievement). Allowance has also been made for the one off costs associated with these initiatives.
- **Case C**: Case A plus assuming 100% of the benefits from the future business improvement initiatives are realised.

| Toll – Adjusted Implied Multiples (FY15) | | |
|---|---|---|
| | EBITDA | EBITA |
| Case A | 9.7-10.5 | 15.7-17.1 |
| Case B | 9.2-10.0 | 14.5-15.7 |
| Case C | 8.6-9.3 | 13.1-14.3 |

While limited weight should be put on these adjusted multiples given the uncertainty as to realisation of the benefits (particularly from the future business improvement initiatives) they do indicate that if Toll can successfully execute these plans, the effective multiples are relatively modest.

### 4.4.3 Business Division Valuations

Grant Samuel has also analysed the valuation of Toll from the perspective of a "sum of the parts" by aggregating the value of each of Toll's five business divisions. The implied multiples are set out in the table below. In interpreting the table the following issues need to be taken into account:

- the analysis is based on an allocation of the aggregate value of Toll's business operations of $7,500-8,100 million (refer to Section 4.4.1). The implied forecast multiples are based on Toll's 2015 Forecast for each business division as reliable brokers' consensus forecasts are not available (refer to Section 3.4). Accordingly, the valuation of each individual business division is not disclosed;
- value has been separately attributed to the TOPS supply base and TGX Japan on the basis set out in Case A above;
- corporate costs adjusted for savings have been valued based on average FY15 EBITA multiple for the business units (other than TGF) of 15.4-16.4 times; and
- considerable caution must be exercised in relation to TRGL and TDF as they both comprise a number of individual business units with very different characteristics and outlook. For example, within TDF there is Toll Express and Toll NQX alongside Toll Shipping which is a duopoly shipping operator across Bass Strait. Similarly, Toll Liquids, Toll Transitions and Toll Remote Logistics are very different.

| Toll's Business Divisions – Implied Multiples | | | |
|---|---|---|---|
| **Business Unit** | **Implied Multiples (times)** | | |
| **Contract Logistics Business Divisions** | | **TRGL** | **TGL** |
| **Multiple of EBITDA** | | | |
| Year ended 30 June 2014 (adjusted actual) | | 7.4-8.2 | 10.9-11.8 |
| Year ending 30 June 2015 (adjusted 2015 Forecast) | | 8.7-9.6 | 10.4-11.2 |
| **Multiple of EBITA** | | | |
| Year ended 30 June 2014 (adjusted actual) | | 12.9-14.3 | 16.5-17.9 |
| Year ending 30 June 2015 (adjusted 2015 Forecast) | | 15.2-16.9 | 15.7-17.0 |
| **Network-based Business Divisions** | **TGF** | **TDF** | **TGX Australia** |
| **Multiple of EBITDA** | | | |
| Year ended 30 June 2014 (adjusted actual) | 18.8-19.4 | 9.1-9.8 | 13.3-13.8 |
| Year ending 30 June 2015 (adjusted 2015 Forecast) | 12.8-13.2 | 8.8-9.5 | 13.0-13.6 |
| **Multiple of EBITA** | | | |
| Year ended 30 June 2014 (adjusted actual) | 39.8-41.0 | 13.9-15.1 | 16.5-17.1 |
| Year ending 30 June 2015 (adjusted 2015 Forecast) | 21.2-21.8 | 14.4-15.5 | 16.4-17.0 |

In Grant Samuel's opinion, the implied multiples for each of the business divisions are reasonable taking into account:

- their individual attributes (competitive position, growth outlook, capital intensity) and the potential of the benefit from Toll's business improvement initiatives. As with all businesses, there is a combination of strengths and opportunities as well as weaknesses and threats; and
- the market evidence as to sector specific multiples from recent acquisitions and more particularly, the multiples based on the market pries of comparable listed companies.

The multiples for Toll's business divisions can justifiably be higher than they would be for a standalone business in these industry sectors because of the inherent benefit of being part of the overall Toll group. Each business division is a stronger business because of the ability to access and integrate with Toll's other business divisions and the breadth and depth of services able to be supplied to any individual client (as well as the benefits of scale in areas such as technology developments).

Set out below is a discussion of factors relevant to each business division:

- **Toll Resources & Government Logistics**

  TRGL is a mixture of a number of diverse businesses. Its broad exposure to the oil & gas and mining sectors across Australia means that multiples should be relatively modest, reflecting the subdued outlook for these sectors over the next 2-3 years. The high capital intensity also means the EBITDA multiples should be at the low end.

  At the same time, it is necessary to recognise that:

  - there is a real opportunity to grow the market share of Toll Liquids;
  - business units such as Toll Transitions are performing well and generating a very attractive return on capital employed;
  - TRGL's direct exposure to bulk haulage of commodities (as opposed to mining supplies) is relatively limited; and
  - specialist services such as dangerous goods transport are strong and attractive niches.

- **Toll Global Logistics**

  Toll has a broadly based logistics business across Australia and Asia. There are significant opportunities for growth:

  - competitive pressures are leading many companies to aggressively pursue initiatives to improve supply chain efficiency with outsourced logistics being a common solution;
  - Toll's Customised Solutions business unit has demonstrated capacity to deliver state-of-the-art globally comparable dedicated facilities and logistics, the Adidas facility in Trugania, Melbourne being a case in point. There is scope to leverage this opportunity; and
  - Toll has under exploited its potential across Asia. The new Toll City facility in Singapore (expected to open in FY17) is planned to be the first element of a significant step up in its offering across Asia.

  On the other hand:

  - the business is relatively capital intensive (even with a significant component of leasing of the property elements) with depreciation representing approximately 30% of EBITDA. The return on capital employed is a relatively modest ~12% per annum; and
  - the core logistics business is contract based with contracts generally relatively short term (2-3 years) so across the portfolio there is a constant level of retendering. Contracts with major customers typically involve relatively thin margins. In addition, with a few notable exceptions, most contracts are non-exclusive.

- **Toll Global Forwarding**

  TGF is the most problematic division from a valuation perspective. Earnings from the wholly owned business (i.e. excluding the Cargo Services contribution) were minimal in FY13. As a result of the cost savings from Project Forward the business is turning around with meaningful uplifts in earnings in FY14 and the first half of FY15 (although the return on capital employed is still poor).

  The key issue is whether a substantial further turnaround (from the second stage of Project Forward) is realistic, particularly given the fragmented nature of the air and sea forwarding market where Toll is a minor player competing against much larger and stronger rivals.

  While some scepticism and caution is warranted there are other factors to consider:

  - Toll does generate gross margins in line with most competitors. The issue that is constraining profitability is volume;
  - the business enjoys a high degree of operating leverage so volume gains would have a very immediate impact on profitability;
  - the success of Project Forward to date in removing costs does provide some degree of confidence in management capabilities; and
  - the sector as a whole will benefit from growth in global trade.

  Other factors to note include:

  - the earnings include Toll's share of EBITDA and EBITA from Cargo Services which has been a very strong performer;
  - while depreciation does represent 37% of EBITDA in the first half of FY15, this is the result of the poor earnings performance. The business is fundamentally asset light and if EBITDA at a more acceptable level was being generated the ratio would be much lower; and

- there is potential for corporate transactions in relation to TGF and a number have been explored by Toll management over the past couple of years.

- **Toll Domestic Forwarding**

  TDF is a diverse business that is broadly exposed to the Australian and New Zealand economies. It generally has a very strong market position and delivers a return on capital employed of over 20% per annum.

  However, it must be recognised that it is a bit of a "mixed bag", with an attractive market position on the Bass Strait shipping service but a weaker market position in New Zealand (albeit one that is arguably necessary to service the numerous customers with trans Tasman businesses).

  The lower EBITDA multiples for TDF reflect the relatively high capital intensity (depreciation is 35% of EBITDA).

- **Toll Global Express Australia**

  TGX Australia is arguably Toll's flagship business. It has a very strong market position throughout Australia and generates a high return on capital employed of ~25% per annum.

  The business does face a number of challenges:

  - adverse trends in consignment weights;
  - volume shifts to B2C where Toll has a much weaker market share;
  - declining return on capital employed as capital investment in new facilities is brought on stream; and
  - expenditure required to build a strong B2C presence.

  However, the fundamentals are strong. The new facilities are providing a significant uplift in capacity that will deliver strong earnings growth as the economy recovers (and particularly as retail spending picks up). B2C could also be a significant growth contributor if it can be successfully executed.

  The EBITDA multiples also reflect the relatively low capital intensity (depreciation is just over 20% of EBITDA).

### 4.4.4 Discounted Cash Flow Analysis

No detailed projections are available for Toll. Nevertheless, Grant Samuel has used DCF analysis as a cross check of the capitalisation of earnings based valuation. To do so, Grant Samuel has developed a high level DCF model, by business division, based on the 2015 Forecast and the summarised financial projections prepared by Toll management. Grant Samuel has made adjustments to the financial projections to reflect its judgement on certain matters and has extended the model for a further five years based on assumptions in relation to revenue growth, margin and capital expenditure. The DCF model is based on a number of assumptions that Grant Samuel considers reasonable. However, the model does not constitute a forecast or projection by Grant Samuel of the future performance of Toll and no assurance or warranty is given that future performance will be consistent with the assumptions adopted in the model.

The DCF model forecasts nominal ungeared after tax cash flows from 1 January 2015 to 30 June 2025, a period of ten and a half years, with a terminal value calculated at 30 June 2025 by capitalising net after tax cash flows using a perpetual growth assumption. Other key assumptions include a nominal discount rate (weighted average cost of capital ("WACC")) of 8% and a corporate tax rate of 27%. The ungeared after-tax cash flows assume that tax is paid in cash from 1 January 2015 and Toll's existing tax losses have been considered separately.

***Discount Rate***

For the purposes of the analysis, Grant Samuel has utilised a discount rate of 8%. The determination of appropriate discount rates for the analysis is difficult:

- the cost of equity capital is not a precise or provable number nor can it be estimated with any degree of reliability. The cost of equity capital is not directly observable and models such as the Capital Asset Pricing Model ("CAPM") do no more than infer it from other data using one particular theory about the way in which security prices behave. Any estimate therefore depends on the efficacy of the theory and the robustness of the data but the available tools such as CAPM involve:
  - models which have limited empirical validity (and competing formulation);
  - simplifying assumptions;
  - the use of historical data as proxy for estimates of forward looking parameters;
  - data of dubious statistical reliability; and
  - unresolved issues.

  It is easy to over-engineer the process and to credit the output of models with a precision it does not warrant. The reality is that any cost of capital estimate or model output should be treated as a broad guide rather than an absolute truth. The cost of capital is fundamentally a matter of judgement, not merely a calculation; and

- strict application of the CAPM at the present time gives results that are arguably unrealistically low (primarily because of very low government bond rates) and are often inconsistent with other measures.

  Use of the CAPM based on current parameters would result in a cost of equity in the range 8.5-9.1% calculated as follows:
  - a risk free rate of 2.5% based on the 10 year Commonwealth Government bond rate as at 13 March 2015;
  - a market risk premium of 6%, which is similar to that used by a wide variety of analysts and practitioners (typically in the range 5-7%); and
  - an equity beta factor of 1.0-1.1 based on betas for Australian and international transport and logistics companies. Toll's own beta is over 1.5 (as reported by SIRCA Technology Pty Limited) but the vast majority of peer group companies have a beta of less than 1.0.

  The resultant WACC calculation is 7.1-7.9% assuming:
  - Toll currently borrows in a mix of foreign currencies (mostly S$, US$ and HK$) using the debt as an investment hedge against offshore assets. Accordingly, its incurred interest rate is very low (~2.5%). However, the cash flows used in the DCF are Australian dollar denominated and a more appropriate approach is to calculate the cost of debt as a margin over the A$ risk free rate. For the purposes of the analysis, Grant Samuel has assumed an interest rate of 4.0%; and
  - a debt/equity mix of 20-25% debt and 75-80% equity, based on gearing for Toll (prior to the Proposal) as well as Australian and international transport and logistics companies.

  In Grant Samuel's opinion, these calculations are likely to understate the true cost of capital for Toll. In this context:
  - anecdotal information suggests that equity investors have repriced risk since the global financial crisis in 2007 and that acquirers are pricing offers on the basis of hurdle rates above those implied by theoretical models. However, this has yet to

be translated into the measures of market risk premium (at least those based on longer term historical data). In this regard, an increase in the market risk premium of 1% (i.e. from 6% to 7%) would increase the calculated WACC range to 7.9-8.7%; and

- global interest rates, including long term bond rates, are at low levels by comparison with historical norms reflecting the liquidity still being pumped into many advanced economies to stimulate economic activity. Effective real interest rates are now extremely low. Grant Samuel does not believe this position is sustainable and the risk is clearly towards a rise in bond yields. Conceptually, the interest rates used to calculate the discount rate should recognise this expectation (i.e. they should be forecast for each future period) but for practical ease market practice is that a single average rate based on the long term bond rate is generally adopted for valuation purposes. Some academics/valuation practitioners consider it to be inappropriate to add a "normal" market risk premium (e.g. 6%) to a temporarily depressed bond yield and therefore advocate that a "normalised" risk free rate should be used. On this basis, an increase in the risk free rate to (say) 5% would increase the calculated WACC range to 9.4-10.2%.

In certain situations, other approaches such as the Gordon Growth Model ("GGM") provide more useful measures of the cost of equity. The GGM postulates that the cost of equity is equal to the current (strictly one year forecast) distribution or dividend yield plus the long term growth rate (it is essentially a restatement of the perpetuity formula). This method is appropriate where assets generate stable cash flows with steady long term growth rates (such as property assets).

Analysis of research reports on Toll indicates that brokers are currently adopting WACCs in the range 7-11.5% with a median of 8.1%.

Ordinarily, Grant Samuel would consider a discount rate above the calculated WACC to be an appropriate measure of the cost of capital. However, given the nature of the test for the purposes of this report, the objective of this analysis is to ensure that there is not a plausible basis on which the low end of the value range would exceed the offer price under the Proposal of $9.04. Accordingly, for this purpose Grant Samuel has adopted a discount rate that corresponds to the high end of the calculated WACC (i.e. 8%).

***DCF Assumptions***

The valuation adopts as a starting date 1 January 2015, being the beginning of the second half of FY15. Revenue, earnings and capital expenditure for the second half of FY15 are calculated by subtracting actual revenue, earnings and capital expenditure for the first half of FY15 from the 2015 Forecast. The financial projections prepared by Toll have been used as the basis for the cash flows in FY16 to FY19.

The DCF model has discrete assumptions for each business division, allowing for different revenue growth profiles, capital expenditure patterns and margin enhancing initiatives. TGX Japan is modelled separately from TGX Australia given its different market position and growth outlook.

The DCF analysis considers a number of different scenarios. Scenario A is based on Toll's financial projections (for the period up to FY19) but assumes only 50% realisation of the expected benefits from implementation of the future business improvement initiatives that Toll is just starting to undertake (business unit consolidation such as the TDF business optimisation, Global Technology Transformation and Global Finance Transformation) (refer to Section 3.3 for details). The DCF model assumes that from FY20 onwards:

- revenue growth and EBITDA margins are forecast by business division, resulting in annual growth in revenue for Toll group of approximately 4.5% and an overall

EBITDA margin for Toll group of approximately 9.5% for each year from FY20 to FY25.

Corporate revenue and EBITDA are assumed to remain at FY19 levels;

- business division sustaining capital expenditure is calculated as a percentage of revenue based on the trend over the last four years, resulting in annual capital expenditure for Toll group of approximately 3.5% of revenue. A further $100 million per year is assumed to be spent across the group on growth capital expenditure;
- business division depreciation is calculated as a percentage of capital expenditure based on the trend over the last four years, resulting in annual depreciation for Toll group of approximately 77% of capital expenditure;
- a corporate tax rate of 27% based on Toll's effective tax rate;
- approximately $4.5 million of public company cost savings annually; and
- a terminal growth rate of 3.0% (implying an EBITA exit multiple of 11.5 times).

The net present value ("NPV") of Scenario A is $7,508 million.

As with any long term projections, there are inherent uncertainties about future events and outcomes and small changes in certain assumptions (in particular, revenue growth, margins and levels of capital expenditure) can have disproportionate impacts on the calculated values. The DCF model is, at least implicitly, based on a large number of assumptions which are subject to significant uncertainty, many of which are outside the control of Toll, including macroeconomic conditions (e.g. foreign exchange rates, economic growth, interest rates, consumer spending and the level of household savings) and the level of competition in the transport and logistics sector as a result of actions of other participants and new entrants.

As a result of these uncertainties, there is a wide range of potential outcomes that could occur, both positive and negative (and an even greater number of possible combinations of those outcomes). Most of these risks impact demand for Toll's services, which would likely be reflected as either higher or lower volumes or higher or lower margins than anticipated.

Other potential outcomes include:

- future business improvement initiatives undertaken to improve margins are more or less effective than anticipated; and
- capital expenditure requirements to sustain existing business operations or for growth and development are greater or less than anticipated.

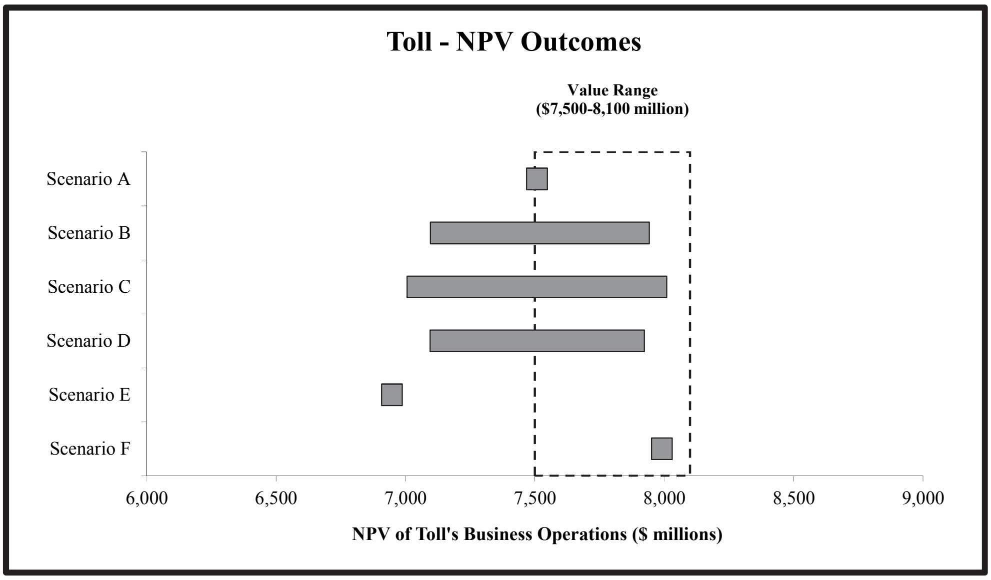
Given the high level nature of the DCF model and the purpose of the analysis, it is neither practical nor useful to analyse an exhaustive range of alternative scenarios. However, Grant Samuel has considered the impact of alternative assumptions for the key drivers to at least provide some indication of the sensitivity of the NPV outcome to changes in these drivers.

Each scenario assumes as a starting point that Scenario A is achieved. A description of each scenario and the resulting NPV is outlined in the table below:

**Toll - DCF Scenarios**

| Scenario | NPV ($ millions) | Description |
|---|---|---|
| Scenario A | 7,508 | Based on 2015 Forecast for second six months of FY15 and Toll financial projections FY16 to FY19. From FY20 onwards, revenue growth based on average for last four years and margins remain at FY19 levels. Capital expenditure at 3.5% of revenue plus $100 million of additional growth capital expenditure and depreciation approximately 77% of total capital expenditure. Future business improvement initiatives are fully implemented but achieve only 50% of the expected benefits. Terminal growth rate of 3%. |
| Scenario B[25] | 7,097-7,943 | Scenario A except that revenue growth is 100 basis points ("bps") lower/higher post FY19. |
| Scenario C[25] | 7,006-8,010 | Scenario A except that margins decline/grow by 50 bps post FY19. |
| Scenario D[25] | 7,095-7,923 | Scenario A except that capital expenditure as a percentage of revenue increases/declines by 50 bps post FY19. |
| Scenario E[25] | 6,948 | Scenario A except that the discount rate is increased to 9%. |
| Scenario F[25] | 7,991 | Scenario A except that the expected benefits from implementation of the future business improvement initiatives are achieved in full (i.e. 100% of benefits). |

The NPV outcomes are depicted diagrammatically below:




As discussed above, net present values from DCF analyses are subject to significant limitations and should always be treated with considerable caution.

25 The terminal value in each case is calculated using the same implied EBITA exit multiple as Scenario A (11.5 times).

The following factors are relevant to consideration of the NPV outcomes:

- Scenario A assumes that Toll's future business improvement initiatives are fully implemented but only achieve 50% of the expected benefits (with 100% of the costs incurred). Toll has only just commenced work on these initiatives and there is a risk that it will not achieve all of expected benefits. However, Toll does have a recent track record of generating cost savings as a result of programs such as Project Unite, Project Forward and One Toll. On this basis, it would be plausible for potential acquirers of Toll to attribute some value to these initiatives. Scenario A provides support for the low end of the range of values attributed to Toll's business operations;
- Scenarios B to D show the sensitivity of the NPV to relatively small movements in revenue growth, margins and capital expenditure. While the assumptions adopted in Scenario A are not inconsistent with Toll's recent historical performance (other than the EBITDA margins, which are assumed to gradually increase from historical levels of around 8% up to 9.5% as revenue increases (particularly for volume driven businesses such as TGF) and cost saving initiatives are implemented), there are a wide range of factors that could result in higher or lower revenue growth and margins in particular and the NPV is highly sensitive to these assumptions;
- Scenario E is the same as Scenario A except that a discount rate of 9% is applied to the nominal after tax cash flows. This higher discount rate is more in line with what Grant Samuel would consider a realistic standalone value for Toll's business operations (refer to the discussion on discount rates above for the rationale for adopting a discount rate more in line with the calculated WACC in this case). The resulting NPV is well below the low end of the value range for Toll's business operations; and
- Scenario F incorporates 100% of the benefits from implementation of Toll's future business improvement initiatives and is close to (although still below) the high end of the value range for Toll's business operations.

The DCF analysis represents a standalone value for Toll under the current ownership structure. In Grant Samuel's view, the offer price under the Proposal of $9.04 includes an element of payment for some of the strategic benefits and synergies that Japan Post anticipates generating.

### 4.5 Corporate Overhead Costs

Toll incurs unallocated corporate overhead costs of approximately $45 million per annum. These costs are largely related to running Toll's head office and include the costs of:

- the Toll executive office (such as costs associated with the offices of the Managing Director and Chief Executive Officer and the Chief Financial Officer, company secretarial and legal, corporate affairs, treasury, tax etc.);
- being a listed company (such as directors fees, annual reports and shareholder communications, share registry and listing fees and dividend processing); and
- certain group shared services (such as human resources, IT etc.) not fully recharged to the business operations during the year.

Any acquirer of 100% of Toll would be able to save the costs associated with being a publicly listed company. Furthermore, an acquirer of Toll which has an existing presence in Australia would potentially be able to eliminate some duplicated roles. Toll has estimated these cost savings to be $4-5 million per year.

The ability to save other head office costs is less clear particularly as the most likely acquirers of Toll are large international transport and logistics companies based overseas that would not be in a position to eliminate duplicate head office functions. In any event, allowing for such savings would potentially double count them given the earnings multiples from comparable transactions reflect (to some extent) synergies available to the acquirer.

For valuation purposes, Grant Samuel has reduced unallocated corporate overheads by $4.5 million per year (the mid-point of the estimated cost savings range of $4-5 million) in the calculation of Toll's adjusted earnings described in Section 4.3.2 and consequently, no separate adjustment has been made for these cost savings.

### 4.6 Other Assets and Liabilities

Toll's other assets and liabilities have been valued in the range $192-212 million:

| Toll – Other Assets and Liabilities | | | |
|---|---|---|---|
| | Section Reference | Value Range | |
| | | Low | High |
| Proceeds from the sale of businesses/assets post 31 Dec. 2014 | 3.3 | 98.3 | 98.3 |
| 20% minority interest in new business with Sea Swift | refer below | 40.0 | 40.0 |
| Tax losses | 3.7, refer below | 20.0 | 40.0 |
| Mark to market of derivative instruments | 3.5 | 28.3 | 28.3 |
| Unlisted investments | 3.5 | 3.1 | 3.1 |
| Loans to associates | 3.5 | 2.2 | 2.2 |
| **Value of other assets and liabilities** | | **191.9** | **211.9** |

As part of the consideration for the sale of the Toll Marine Logistics Northern Australian marine freight assets to Sea Swift, Toll will receive (subject to the transaction obtaining ACCC approval) a minority 20% interest in the new business. Toll has advised that for internal purposes, this interest was valued at approximately $40 million.

As at 30 June 2014, Toll had carried forward revenue losses of $316.7 million, primarily relating to TGX Japan's and TGF's businesses. It is uncertain whether the losses relating to TGX Japan will be utilised given its recent performance and outlook. However, Toll expects to be able to utilise the losses relating to TGF's business over the medium term as the performance of TGF improves. While it is sometimes debatable whether tax losses should be attributed any value, in this case Grant Samuel has attributed value to the tax losses on the basis that TGF is currently profitable and its performance is expected to improve considerably in the short term. The value attributed to the tax losses has been based on the net present value of the tax payments saved at a discount rate of 8%. The low end of the value range represents 50% of the high end of the value range to take into account that there is an element of uncertainty associated with their utilisation.

Other assets and liabilities does not include any value for Toll's interests in associated and joint ventures (book value of $150.8 million as at 31 December 2014) or assets held for resale (book value of $476.7 million as at 31 December 2014). The earnings from Toll's interests in key associates have been included in the valuation of its business operations (refer to Section 4.3). In relation to assets held for resale:

- it has been assumed that the TOPS supply base (book value of $399.3 million as at 31 December 2014) is retained and the earnings are included in the valuation of Toll's business operations[26]. This is consistent with the basis on which Toll's 2015 Forecast and financial projections have been prepared; and

[26] Other than the for the Case A analysis in Section 4.4.2 and the business division valuations in Section 4.4.3, where it has been assumed that the TOPS supply base is sold for $500 million and the earnings adjusted accordingly.

- the earnings of other assets held for resale have been excluded from Toll's earnings for valuation purposes (refer to Section 4.3.2) and the expected cash proceeds from sale have been included as a surplus asset (as set out above).

  Grant Samuel has not made an adjustment for any capital gains tax that may be payable on the sale of these assets on the basis that the capital loss on the sale of Marine Logistics Asia and Toll Dnata Airport Services would offset any capital gain on the sale of the Toll Marine Logistics Northern Australian marine freight assets.

### 4.7 Adjusted Net Borrowings

Toll's net borrowings for valuation purposes are $1,638.2 million. This amount is based on Toll's reported net borrowings as at 31 December 2014 of $1,533.1 million (refer to Section 3.5) adjusted for:

- the seasonality inherent in Toll's business operations. Toll's working capital requirements (primarily receivables) peak during November and December due to its significant exposure to the retail sector. The deduction for net borrowings needs to reflect this seasonality rather than just a particular point in time which may or may not be representative of underlying net borrowings. Grant Samuel has made an adjustment for seasonality having regard to Toll's monthly net working capital and net borrowings for the past 24 months and discussions with management;
- payment of the interim dividend for the year ending 30 June 2015 of $0.13 per share;
- Toll's share of net borrowings from associates; and
- the cash out of Toll's performance options, performance rights, restricted rights and deferred equity rights (other than those with an earnings per share performance criteria which will lapse).

The net impact of these adjustments is an increase in net borrowings for valuation purposes (referred to as adjusted net borrowings as at 31 December 2014) of $105.1 million.

### 4.8 Non-Controlling Interests

Grant Samuel has attributed a value of $142-157 million to non-controlling interests in Toll.

There are approximately 20, predominantly Asian, entities in the Toll group that are not wholly owned by Toll (where Toll's ownership interest ranges from 50% to 95%). $7.0 million of Toll's OPAT for the year ended 30 June 2014 and $18.6 million of Toll's net assets as at 31 December 2014 were attributable to non-controlling interests. While these non-controlling interests are not material in the overall context of Toll's value (1-2% of OPAT and net assets), an allowance should be made for them.

Toll has not incorporated in its 2015 Forecast or its financial projections a deduction for the non-controlling interests' share of earnings. For the purposes of the valuation, Grant Samuel has considered the historical price earnings multiple implied by the valuation of Toll (prior to taking into account non-controlling interests) of 20.3-22.4 times[27], and applied this multiple to the OPAT attributable to non-controlling interests of $7 million to arrive at a value for non-controlling interests in the range $142-157 million (rounded). The value attributed to non-controlling interests represents approximately 2% of the overall value of Toll.

27 Calculated as value of equity (before non-controlling interests of $6,053.7-6,673.7 million divided by OPAT for the year ended 30 June 2014 of $298.5 million.

# 5 Evaluation of the Proposal

## 5.1 Opinion

Grant Samuel has concluded that the Proposal is fair and reasonable. Accordingly, in Grant Samuel's opinion the Proposal is in the best interests of Toll shareholders, in the absence of a superior proposal.

## 5.2 Fairness

Grant Samuel has estimated the full underlying value in Toll, including a premium for control, to be in the range $5,897-6,532 million which corresponds to $8.22-9.10 per share. The value is the aggregate value of the estimated value of Toll's operating businesses together with other assets less external liabilities and any non trading assets or liabilities. In particular, the value estimate takes into account:

- the breadth and diversity of Toll's business and the integrated nature of its operations;
- Toll's strong market position in Australia and the strategic attractions of its extensive pan Asian network;
- the potential for earnings to improve (through margin enhancement and to a lesser extent revenue growth) from the various strategic initiatives that are currently underway (such as One Toll, Project Forward and the other initiatives to better integrate the Australian business units);
- the potential improvement in earnings as the Australian economy strengthens;
- the potential for synergies that might be available to acquirers of Toll.

The value range exceeds the price at which, based on current market conditions, Grant Samuel would expect Toll shares to trade on the ASX in the absence of a takeover offer (or speculation as to an offer). The valuation is set out in Section 4 of this report.

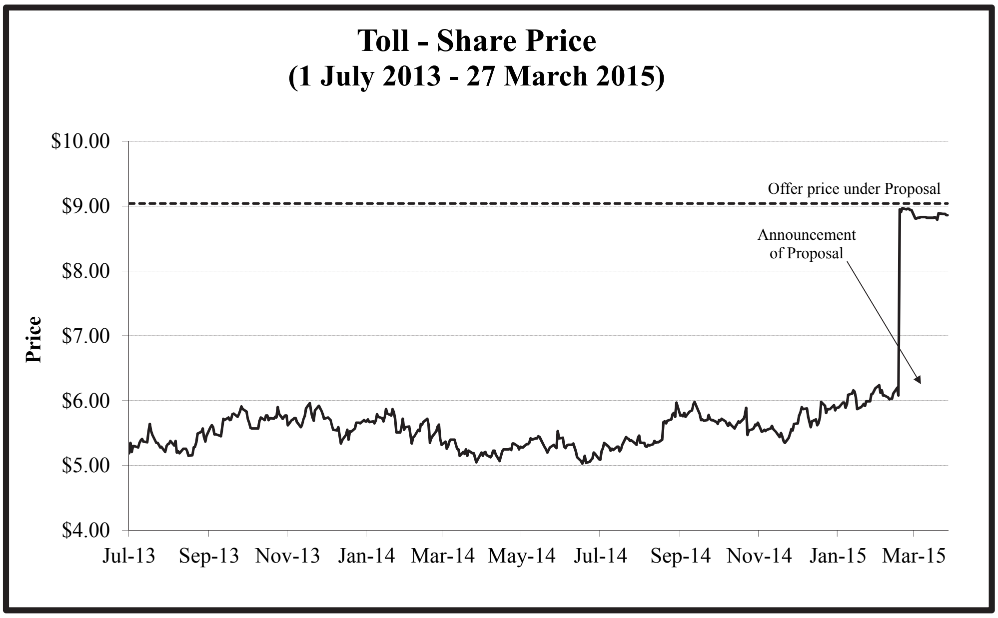
The consideration payable under the Proposal of $9.04 per share falls within the value range of $8.22-9.10. Accordingly, the Proposal is fair. The bottom of the value range represents the relevant threshold for fairness. In this case, the consideration is near the top of the valuation range and is therefore demonstrably fair.

## 5.3 Reasonableness

As the Proposal is fair, it is also reasonable. In any event, there are a number of other factors that support a conclusion that the Proposal is reasonable and which Toll shareholders should consider in determining whether or not to vote in favour of the Proposal. These factors are set out in the following sections.

### 5.3.1 Premium for Control

The Toll share price trading history on the ASX since 1 July 2013 is depicted below:




Source: IRESS

Over the past 18 months, Toll's shares have exhibited relatively low price volatility, consistently trading at between $5.00 and $6.00. More recently the price has been around $6.00 probably reflecting stronger overall equity market conditions. Toll shares are relatively liquid and the company is widely followed by broker analysts. Grant Samuel is aware of 14 brokers that publish research on Toll and Toll holds regular investor days where there are detailed presentations on each business division and Toll group. There is no reason to believe the share price represents anything other than a fair reflection of current market expectations at the time.

The following table summarises the premiums over the Toll share price represented by the Proposal up to 17 February 2015, the last trading day prior to the announcement of the Proposal:

| Premiums Implied by the Proposal | |
|---|---|
| **Period** | **Premium over prices to 17 February 2015** |
| Closing Price | 48.7% |
| VWAP – 1 week prior | 48.4% |
| VWAP – 1 month prior | 48.6% |
| VWAP – 3 months prior | 53.4% |

The Proposal represents very substantial premiums for control (~50%). Premiums of this magnitude are above the level of control premiums typically expected in takeovers which tend to fall in the range 20-35% but it is important to recognise that:

- premiums for control are an outcome not a determinant of value; and
- they vary widely depending on individual circumstances.

Premiums of around 50% are not necessarily uncommon, particularly where there is a contested, competitive process or where there are significant strategic and/or synergistic benefits available to an acquirer but which are not available to portfolio investors in the normal course of events on a standalone basis.

In this case, the extent of the premium is probably attributable to:

- the modest ratings (in terms of earnings multiples relative to peer group companies) attributed by the market to Toll, reflecting:
  - concerns over the impact of continuing weak demand across the Australian economy (particularly in the retail sector to which Toll is heavily exposed) and the significant downturn in commodity prices coupled with a subdued economic outlook. Toll has been unable to achieve any organic growth in revenues over the past few years;
  - the underperformance of Toll's Asian businesses, at least relative to initial expectations (particularly TGF); and
  - scepticism as to the likelihood, extent and timing of a turnaround in performance (partly as a result of Toll's mixed track record); and
- the long term strategic value to Japan Post of Toll's market position in Australia and its footprint in Asia as well as the synergies available to it (e.g. in relation to TGX Japan). None of these factors would be reflected in the daily trading of portfolio interests on the ASX. In addition, corporate buyers are often looking beyond the short term effects of economic cycles when making transformational acquisitions.

### 5.3.2 Share Trading in the Absence of the Offer

In the absence of the Proposal or any alternative offer, shareholders can only realise their investment by selling on the ASX at a price which does not include any premium for control and would incur transaction costs (e.g. brokerage). In these circumstances, assuming there is also no speculation as to an offer and based on trading in Toll shares prior to the Proposal, it is likely that, under current market conditions, Toll shares would trade at prices well below \$9.04. The price would probably be close to the levels of around \$6.00 that prevailed prior to the announcement of the Proposal if not lower having regard to the results recently announced for the six months ended 31 December 2014. A material improvement in the Toll share price is likely to require sustained evidence as to a turnaround in the performance of the Asian based businesses, an improvement in the Australian domestic economy and/or successful implementation of Toll's various business improvement initiatives.

### 5.3.3 Alternative Proposals

In the two years prior to the announcement of the Proposal, Toll had not been approached by (or on behalf of) any party with a view to that party making a takeover offer (or equivalent) for Toll. Similarly, since the announcement of the Proposal on 18 February 2015, no alternative offeror has approached Toll (or its advisers).

Nevertheless, it is conceivable that a third party (e.g. another international transport and logistics operator) could make a higher offer for Toll:

- the Proposal has highlighted the strategic value of Toll's business operations. Toll's business could be an attractive acquisition for a number of major global transport and logistics businesses, particularly those without a major presence in the Asia Pacific region;
- the largest shareholder in Toll holds only 5.2% of the issued shares and there are no structural impediments to an alternative acquirer. While there are the usual exclusivity provisions in the scheme implementation agreement, there is a fiduciary

- carve out and Toll can respond to unsolicited proposals from other parties (subject to a disclosure obligation); and
- while the extent of the premium already offered under the Proposal may be somewhat of a deterrent, it would not necessarily stop a determined bidder.

On the other hand, apart from Japan Post there are few obvious candidates with scale and financial capacity that would be interested in Toll's total portfolio of businesses (i.e. they are more likely to be interested only in specific parts).

The meeting at which Toll shareholders will vote on the Proposal is scheduled for 13 May 2015. This should be ample time for an alternative offeror to come forward. However, while it is conceivable that a third party could make a higher offer, it is unlikely.

## 5.4 Other Matters

### 5.4.1 Tax Consequences

If the Proposal is approved and is implemented, shareholders will be treated as having disposed of their shares for tax purposes. A gain or loss on disposal may arise depending on the cost base of Toll shares, the length of time held, whether the shares are held on capital or revenue account and whether or not the shareholder is an Australian resident for tax purposes.

Details of the taxation consequences are set out in Section 7 of the Scheme Booklet. Shareholders should consult their own adviser in relation to the taxation consequences of the Proposal.

### 5.4.2 Transaction Costs

If the Proposal is not approved, Toll will incur transaction costs of approximately $8-10 million. In certain circumstances, Toll will also be liable to pay Japan Post a $65 million break fee. If the Proposal is approved, all transaction costs will effectively be borne by Japan Post.

## 5.5 Shareholder Decision

Grant Samuel has been engaged to prepare an independent expert's report setting out whether in its opinion the Proposal is in the best interests of shareholders and to state reasons for that opinion.

Grant Samuel has not been engaged to provide a recommendation to shareholders in relation to the Proposal, the responsibility for which lies with the directors of Toll. In any event, the decision whether to vote for or against the Proposal is a matter for individual shareholders based on each shareholder's views as to value, their expectations about the future performance of Toll and future market conditions and their particular circumstances including risk profile, liquidity preference, investment strategy, portfolio structure and tax position. In particular, taxation consequences may vary from shareholder to shareholder. If in any doubt as to the action they should take in relation to the Proposal, shareholders should consult their own professional adviser.

Similarly, it is a matter for individual shareholders as to whether to buy, hold or sell shares in Toll. This is an investment decision upon which Grant Samuel does not offer an opinion and is independent of a decision on whether to vote for or against the Proposal. Shareholders should consult their own professional adviser in this regard.

## 6 Qualifications, Declarations and Consents

### 6.1 Qualifications

The Grant Samuel group of companies provide corporate advisory services (in relation to mergers and acquisitions, capital raisings, debt raisings, corporate restructurings and financial matters generally) and provide marketing and distribution services to fund managers. The primary activity of Grant Samuel & Associates Pty Limited is the preparation of corporate and business valuations and the provision of independent advice and expert's reports in connection with mergers and acquisitions, takeovers and capital reconstructions. Since inception in 1988, Grant Samuel and its related companies have prepared more than 500 public independent expert and appraisal reports.

The persons responsible for preparing this report on behalf of Grant Samuel are Stephen Wilson MCom (Hons) CA (NZ) SF Fin and Jaye Gardner BCom LLB (Hons) CA SF Fin GAICD. Each has a significant number of years of experience in relevant corporate advisory matters and is a representative of Grant Samuel pursuant to its Australian Financial Services Licence under Part 7.6 of the Corporations Act.

### 6.2 Disclaimers

It is not intended that this report should be used or relied upon for any purpose other than as an expression of Grant Samuel's opinion as to whether the Proposal is in the best interests of shareholders. Grant Samuel expressly disclaims any liability to any Toll shareholder who relies or purports to rely on the report for any other purpose and to any other party who relies or purports to rely on the report for any purpose whatsoever.

Grant Samuel has had no involvement in the preparation of the Scheme Booklet issued by Toll and has not verified or approved any of the contents of the Scheme Booklet. Grant Samuel does not accept any responsibility for the contents of the Scheme Booklet (except for this report).

Grant Samuel has had no involvement in Toll's due diligence investigation in relation to the Scheme Booklet and does not accept any responsibility for the completeness or reliability of the process which is the responsibility of Toll.

### 6.3 Independence

Grant Samuel and its related entities do not have at the date of this report, and have not had within the previous two years, any business or professional relationship with Toll or Japan Post or any financial or other interest that could reasonably be regarded as capable of affecting its ability to provide an unbiased opinion in relation to the Proposal.

Grant Samuel had no part in the formulation of the Proposal. Its only role has been the preparation of this report.

Grant Samuel will receive a fixed fee of $595,000 for the preparation of this report. This fee is not contingent on the conclusions reached or the outcome of the Proposal. Grant Samuel's out of pocket expenses in relation to the preparation of the report will be reimbursed. Grant Samuel will receive no other benefit for the preparation of this report.

Grant Samuel considers itself to be independent in terms of Regulatory Guide 112 issued by the ASIC on 30 March 2011.

### 6.4 Declarations

Toll has agreed that it will indemnify Grant Samuel and its employees and officers in respect of any liability suffered or incurred as a result of or in connection with the preparation of the report. This indemnity will not apply in respect of the proportion of any liability finally determined by the courts (or Grant Samuel fails to appeal a decision of a lower court within 28 day) to be caused or contributed to by the negligence or wilful misconduct of Grant Samuel. Toll has also agreed to indemnify Grant Samuel and its employees and officers for time spent and reasonable legal costs and expenses incurred in relation to any inquiry or proceeding initiated by any person. Where Grant Samuel or its employees and officers are found to have been negligent or engaged in wilful misconduct Grant Samuel shall bear the proportion of such costs caused by its action. Any claims by Toll are limited to an amount equal to $3 million.

Advance drafts of this report were provided to Toll and its advisers. Certain changes were made to the drafting of the report as a result of the circulation of the draft report. There was no alteration to the methodology, evaluation or conclusions as a result of issuing the drafts.

### 6.5 Consents

Grant Samuel consents to the issuing of this report in the form and context in which it is to be included in the Scheme Booklet to be sent to shareholders of Toll. Neither the whole nor any part of this report nor any reference thereto may be included in any other document without the prior written consent of Grant Samuel as to the form and context in which it appears.

### 6.6 Other

The accompanying letter dated 1 April 2015 and the Appendices form part of this report.

Grant Samuel has prepared a Financial Services Guide as required by the Corporations Act. The Financial Services Guide is set out at the beginning of this report.

**GRANT SAMUEL & ASSOCIATES PTY LIMITED**
1 April 2015

Grant Samuel & Associates

# Appendix 1

## Market Evidence

### 1 Valuation Evidence from Transactions

There have been a large number of transactions involving businesses operating in the transport and logistics sector, both in-market and between multinational service providers. In relation to these transactions:

- the majority involve the acquisition of private businesses or companies for which forecast information is not available. As a result, only historical EBITDA and EBIT multiples are able to be calculated; and
- for the purposes of valuing Toll, Grant Samuel has categorised each acquisition by the main activity undertaken. While some of the acquisitions are of businesses or companies that operate in a defined sector, Grant Samuel acknowledges that others operate across more than one activity and the multiples implied by these acquisitions will reflect the broader range of activities undertaken.

The table below sets out the available market evidence for recent transactions.

**Recent Transaction Evidence – Transport and Logistics**

| Date | Target | Transaction | Consid-eration[1] (millions) | EBITDA Multiple[2] (times) historical | EBIT Multiple[3] (times) historical |
|---|---|---|---|---|---|
| **Express** | | | | | |
| Jun 12 | Panther | Acquisition by Arkansas Best | US$180 | 7.5 | nc |
| Apr 11 | POS Malaysia | Acquisition of 32.2% interest by DRB-HICOM | MYR1,934 | 7.1 | 10.0 |
| Dec 10 | Dynamex | Acquisition by Transforce | US$248 | 10.7 | 13.4 |
| **Air and Sea Forwarding** | | | | | |
| Sep 12 | Phoenix | Acquisition by CH Robinson | US$635 | 12.3 | 13.4 |
| Dec 11 | Vantec | Acquisition of 89.9% interest by Hitachi Transport | ¥57,733 | 8.1 | 10.4 |
| **Freight Transport/Domestic Forwarding/Intermodal** | | | | | |
| Jan 14 | Pacer | Acquisition by XPO Logistics | US$335 | 11.8 | 18.3 |
| Dec 13 | Scott | Acquisition by K&S | A$48 | 4.5 | 10.7 |
| Nov 13 | Gordon Trucking | Acquisition by Heartland Express | US$300 | 5.3 | 13.5 |
| Apr 13 | Unifeeder | Acquisition by Nordic Capital | €400 | 8.3 | 8.7 |
| Dec 12 | Pallecon | Acquisition by Brambles | €135 | 7.4 | 11.8 |
| Jun 12 | Far Eastern Shipping Company | Acquisition of additional 56% interest by Summa Group | US$2,500 | 12.0 | 18.5 |
| Oct 10 | ACL | Acquisition by Platinum Equity | US$420 | 6.3 | 10.7 |
| Apr 08 | Geodis | Acquisition of remaining 56.7% interest by SNCF | €1,040 | 9.0 | 15.4 |

1 Implied enterprise value (i.e. equity + net borrowings) if 100% of the company or business had been acquired.

2 Represents gross consideration divided by EBITDA. EBITDA is earnings before net interest, tax, depreciation, amortisation and individually significant items.

3 Represents gross consideration divided by EBIT. EBIT is earnings before net interest, tax and individually significant items.

| Date | Target | Transaction | Consid-eration[1] (millions) | EBITDA Multiple[2] (times) historical | EBIT Multiple[3] (times) historical |
|---|---|---|---|---|---|
| **Recent Transaction Evidence – Transport and Logistics** | | | | | |
| **Logistics** | | | | | |
| Feb 15 | APL Logistics | Acquisition by Kintetsu | US$1,200 | 15.0 | nc |
| Jul 14 | Jacobson | Acquisition by Norbert Dentressangle | US$750 | 9.9 | nc |
| Jul 14 | New Breed | Acquisition by XPO Logistics | US$615 | 8.0 | nc |
| Jul 13 | 3PD | Acquisition by XPO Logistics | US$365 | 12.8 | 26.3 |
| Jul 12 | LINC Logistics | Acquisition by Universal Truckload Services | US$335 | 6.8 | 7.8 |
| Sep 11 | Lehnkering | Acquisition by Imperial Holdings | €270 | 6.1 | 9.6 |
| Nov 10 | TDG | Acquisition by Norbert Dentressangle | £196 | 6.1 | 7.6 |
| Nov 08 | Logwin | Acquisition of additional 27.4% interest by Delton | €172 | 7.4 | 14.1 |
| **Resources Logistics** | | | | | |
| Nov 12 | Dockwise | Acquisition by Royal Boskalis | US$571 | 9.8 | 22.9 |
| Feb 12 | Giacci | Acquisition by Qube | A$146 | 6.9 | 13.6 |
| Nov 11 | ASCO Group | Acquisition by Doughty Hanson | £250 | 8.6 | 14.7 |
| Mar 11 | Mitchell | Acquisition by Toll | A$110 | 4.3 | 8.6 |
| Nov 08 | Qatar Shipping Co | Acquisition of remaining 84% interest by Qatar Navigation | QAR3,295 | 8.9 | 11.2 |

Source: Grant Samuel analysis[4]

A brief summary of each transaction is set out below:

***Panther/Arkansas Best***

On 15 June 2012, Arkansas Best Corporation ("Arkansas Best") announced the acquisition of Panther Expedited Services, Inc. ("Panther") for US$180 million in cash (including the repayment of debt). Panther is an asset-light provider of expedited ground and freight forwarding services, with door-to-door transportation solutions for more than 11,000 customers worldwide including Fortune 500 corporations, government agencies and blue-chip transportation service providers. The acquisition was expected to allow Arkansas Best to offer its customers end-to-end logistics solutions in response to their complex supply chain needs.

***POS Malaysia/DRB-HICOM***

On 1 July 2011, DRB-HICOM Berhad ("DRB-HICOM") completed the acquisition of a 32.21% interest in Pos Malaysia Berhad ("Pos Malaysia") for MYR622 million in cash. POS Malaysia provides postal and related services in Malaysia, including the receipt and dispatch of post, general mailing solutions and payment services. The acquisition provided synergy benefits, the opportunity for DRB-HICOM to increase its market share in the courier segment, turnaround its retail business and leverage POS Malaysia's network to promote its insurance, logistics and banking products. The success of DRB-HICOM's bid was attributed to its clear business plan to drive POS Malaysia's growth.

4 Grant Samuel analysis based on data obtained from IRESS, S&P Capital IQ, company announcements and transaction documentation.

***Dynamex/Transforce***

On 23 February 2011, Transforce, Inc. ("Transforce") completed the acquisition of Dynamex, Inc. ("Dynamex") for US$248 million in cash. Dynamex is a leading provider of same-day delivery and logistics services in the United States and Canada, offering a wide range of door-to-door fulfilment and distribution services. It includes a network of 60 business centres, 1,500 employees and 3,700 independent contractors. The acquisition allowed Transforce to offer its customers same-day delivery, created a more attractive service offering for potential clients and provided improved access to the United States market. The relatively high implied EBITDA and EBIT multiples reflect the competitive bid process between Transforce and Greenbriar Equity Group.

***Phoenix/CH Robinson***

On 25 September 2012, C.H. Robinson Worldwide, Inc. ("CH Robinson") announced that it had agreed to acquire Phoenix International, Inc. (Phoenix") for US$571.5 million in cash and US$63.5 million in new CH Robinson stock. Phoenix primarily provides international freight forwarding services, including ocean, air, and customs brokerage. It serves approximately 15,000 customers globally, with 2,000 employees located in 76 offices across 15 countries. The acquisition brought additional expertise and scale as well as the opportunity to capitalise on long-term growth in international forwarding as global trade expanded and scale and technology become more important.

***Vantec/Hitachi Transport***

On 19 April 2011, Hitachi Transport System, Ltd ("Hitachi Transport") completed the acquisition of an 89.88% interest in Vantec Corp. ("Vantec") for ¥48.9 billion in cash. Vantec provides logistics services in Japan, the Americas, Europe and Asia. The company offers domestic logistics services, supply processing and distribution services, air and sea freight international forwarding and customs clearance and agency services. The acquisition allowed both companies to realise synergies by integrating their customer bases, domestic and overseas service networks, personnel, logistics and intellectual property resources.

***Pacer/XPO Logistics***

On 26 February 2014, XPO Logistics announced that it had entered into a definitive agreement to acquire Pacer International, Inc. ("Pacer"). Under the terms of the agreement, Pacer shareholders received US$6.00 in cash and US$3.00 in XPO logistics common stock for each share of Pacer common stock, or a total equity consideration US$335 million. Pacer is the third largest provider of intermodal services in North America, facilitating 10% of all domestic intermodal freight movements and is the largest provider of intermodal services between the United States and Mexico. The acquisition provided XPO Logistics with market share in intermodal services, one of the fastest-growing areas of transportation logistics. It also positioned XPO Logistics as the key participant in the cross-border Mexican market where growth was being driven by a trend to near-shoring manufacturing. The EBITDA multiple implied by the transaction reflects the expected upside associated with increased market share in a growth market.

***Scott /K&S***

In 13 November 2013, K&S Corporation Limited ("K&S") and Scott Corporation Limited ("Scott") announced an agreed merger by way of a takeover offer by K&S for all of the shares in Scott. The offer consideration was either A$0.59 cash or 0.345 K&S shares for each Scott shares, plus a fully franked special dividend to be paid by Scott of A$0.05 per share. Scott is a national carrier (in Australia) with expertise in the transport of bulk solids, liquids and explosives by road, rail and sea. Scott operates in different functional and geographic markets to K&S and offered K&S the opportunity to diversify its business.

***Gordon Trucking/Heartland Express***

On 11 November 2013, Heartland Express, Inc. ("Heartland Express") acquired all of the shares in Gordon Trucking, Inc. ("Gordon Trucking") for US$150 million in cash and Heartland Express stock. Heartland Express also assumed US$150 million of Gordon Trucking debt. An earn-out of up to US$20 million is payable upon realisation of earnings goals from 2014-2017. Gordon Trucking is primarily focused on the dry van market with some limited operations in refrigerated transport and freight brokerage. The acquisition provided Heartland

Express with substantial geographic diversity and was expected to provide synergies through increased in-house maintenance, optimisation of staffing and locations, purchasing economies, conforming insurance and claims structures and efficiencies in revenue yield.

***Unifeeder/Nordic Capital***

On 5 April 2013, Nordic Capital announced that it had agreed to acquire Unifeeder A/S ("Unifeeder") from Montagu Private Equity for €400 million. Unifeeder is a market leader in Northern Europe's largest feeder and short sea network for international container transportation, with a particular focus on intra-Europe container freight for large industrial companies, and has operations in the world's key container hubs. Unifeeder had invested in new markets and enhanced its networks, logistical operations and management structures, as a result of which it was expected to generate further organic and acquisition growth and benefit from increasing global trade volumes and an increase in demand for short sea container shipping as road transport costs increased.

***Pallecon/Brambles***

On 3 January 2013, Brambles Limited ("Brambles") announced the acquisition of Pallecon (trading as CEVA Logistics) for €135 million in cash. Pallecon provides intermediate bulk handling container systems and packaging solutions for the storage, distribution and handling of raw materials, ingredients and finished products, with operations focussed in Western Europe, Australia and New Zealand. The acquisition was expected to drive growth in the containers division of Brambles.

***Far Eastern Shipping Company/Summa Group***

On 12 December 2012, Summa Group announced that it acquired an additional 56% interest in Far Eastern Shipping Company OJSC ("Far Eastern Shipping Company") (part of the FESCO Group) for US$1.4 billion. Following the transaction, Summa Group held a 70% interest in the company. Far Eastern Shipping Company is one of the largest integrated logistics operators in the Russian container market. It provides logistics solutions including shipping, rail, trucking and port services in Russia. Its service offering includes ship ownership and management, the operation of container vessels and bulk carriers, liner and freight forwarding services for containers, as well as being an operator of rail based containerised and bulk cargo. It also owns and operates port facilities. Summa Group provides port logistics, engineering, construction and oil and gas production services in Russia. The acquisition of this controlling interest provided an integration opportunity for Summa Group's transport and logistics business including expansion of the geographic area in which it operated and access to additional marine basins.

***ACL/Platinum Equity***

On 21 December 2010, Platinum Equity LLC ("Platinum Equity") acquired American Commercial Lines Inc. ("ACL") for US$420 million in cash. ACL is one the largest and most diversified inland marine transportation and service companies in the United States. The transportation division provides dry cargo barge transportation and liquid tank barge transportation on inland waterways as well as value-added services including warehousing, third party logistics and transportation of commodities. The company is also involved in the design and manufacture of barges and other vessels. The resources and operational expertise within Platinum Equity was expected to accelerate the execution of ACL's strategy and expand the services it offered as a leading transportation services provider.

***Geodis/SNCF***

On April 6, 2008, SNCF Participations ("SNCF") announced the acquisition of the remaining 57.63% interest in Geodis SA ("Geodis"), taking its interest to 100%. The takeover bid closed at the end of July 2008 and was followed by compulsory acquisition in August 2008. Through this process, SNCF acquired 4,535,912 Geodis shares at a price of €132.15 per share, representing a total consideration of €600 million. Geodis provides groupage and express, freight forwarding, logistics, road transportation and global supply chain services. The freight management and freight forwarding services are provided globally by air and sea, with a focus on the automotive, aviation, high tech, industrial, marine, pharmaceutical and retail sectors, as well as to the oil & gas industry. The acquisition of Geodis positioned SNCF as a global European operator in freight and logistics and combined with other major external growth transactions, placed SNCF among the top five world players in freight transport.

*APL Logistics/Kintetsu*

On 17 February 2015, Kintetsu completed the acquisition of APL Logistics Ltd ("APL Logistics") for US$1,200 million in cash. APL Logistics designs and operates globally integrated supply chains, including supply chain services, international hub management, freight management, warehousing and distribution management and technology services. It focuses on value-added services for companies in the automobile and retail industries, with operations in North America and Asia. The high implied EBITDA multiple reflects the complementary nature of APL's logistics and service platform with Kintetsu's existing freight forwarding operations, which will allow expansion of both the commodities handled and the regions covered. The acquisition was expected to generate synergy benefits and create value for Kintetsu through providing a broader range of logistics services to customers.

*Jacobson/Norbert Dentressangle*

On 29 August 2014, Norbert Dentressangle SA ("Norbert Dentressangle") announced that it had acquired The Jacobson Companies ("Jacobson") from Oak Hill Capital Partners for US$750 million in cash. Jacobson is one of the largest value-added warehousing third party logistics ("3PL") providers in North America with integrated domestic transport management capabilities. It provides warehousing and logistics services including distribution, packaging, freight management, contract carriage and road shipping. The acquisition increased Norbert Dentressangle's scale globally and in particular provided a scalable base in the United States logistics and transport market. This strategic expansion was consistent with Norbert Dentressangle's strategy to become a top-tier player in global supply chain management.

*New Breed/XPO Logistics*

On 2 September 2014, XPO Logistics, Inc. "(XPO Logistics") announced that it had acquired New Breed Holding Company ("New Breed") for US$615 million in cash. New Breed Logistics provides transport and logistics (truckload, less-than-truckload and intermodal brokerage) services, as well as domestic freight shipment, international freight forwarding and ocean transport and air charter shipment services. Its focus is on providing non-asset based, engineered contract logistics solutions to blue chip customers, with services concentrated on high-growth outsourcing opportunities, particularly in telecommunications/technology, retail/e-commerce, aerospace and defence, medical equipment and select areas of manufacturing. The acquisition expanded XPO Logistics' operations to include an additional 203 locations and approximately 10,400 employees. It was also in line with XPO Logistics' strategy to grow its contract logistics platform through complementary acquisitions.

*3PD/XPO Logistics*

On 15 July 2013, XPO Logistics announced that it would acquire all the common stock in 3PD, Inc. ("3PD") for US$365 million, with the consideration to comprise US$357 million in cash and US$8 million in XPO Logistics restricted stock. 3PD provides last-mile logistics solutions to blue-chip customers in the United States and Canada, with a focus on customised solutions tailored to their supply chain needs. The services offered include assembly and installation services and solutions for manufacturers and retailers. The acquisition of 3PD was expected to be immediately accretive to XPO Logistics' earnings and advance its strategy for rapid, disciplined growth in non-asset transportation logistics in a fast growing division of the industry. The implied EBIT multiple reflects the capital intensive nature of 3PD's business.

*LINC Logistics/Universal Truckload Services*

On 1 October 2012, Universal Truckload Services, Inc. ("Universal Truckload Services") announced that it had completed the acquisition of LINC Logistics Company ("LINC Logistics") for US$182 million (plus the assumption of US$153 million of debt). The consideration was 0.70 new Universal Truckload Services shares for every LINC Logistics share held. LINC Logistics is an asset-light provider of custom-developed third-party logistics solutions, primarily providing value-added logistics services to the automotive and manufacturing industries. It also provides dedicated truckload, expedited and freight forwarding services in North America.

Universal Truckload Services' trucking operations include flatbed and dry bed services, as well as rail-truck and steamship-truck intermodal support services. The combination of these businesses created a full-service, asset-light logistics platform that enabled delivery of a more comprehensive suite of services and provided a diversified business mix that was expected to enhance Universal Truckload Services' long-term growth profile.

***Lehnkering/Imperial Holdings***

On 2 January 2012, Imperial Holdings Limited ("Imperial Holdings") announced that it had acquired Lehnkering GmbH ("Lehnkering") for €270 million, comprising €173 million in cash and the assumption of €97 million in net debt. Lehnkering provides logistics services including inland waterway shipment of gas, liquid and dry bulk cargo, road transport, warehousing and distribution services, particularly focussed on the chemical, agricultural, petrochemical and steel industries across Central and North Western Europe. Lehnkering had demonstrated consistent improvement in profits and provided services to similar industries to Imperial's international logistics division. The acquisition provided Imperial with the opportunity to diversify its international logistics business, grow its German-based operations and expand its operations in Europe into emerging markets that were served by German exports.

***TDG/Norbert Dentressangle***

On 29 November 2010, Norbert Dentressangle announced the acquisition of TDG plc ("TDG") for £196 million in cash. TDG operates three key business units – transport, logistics and freight forwarding (domestic and international). The group has an international presence with operations in 19 countries across 134 sites, with the majority of its revenue being generated in the United Kingdom. The acquisition strengthened Norbert Dentressangle's position in the industry with upside potential to be generated through cost synergies, including more favourable purchasing and back office/IT optimisation. The annual cost synergies were estimated at €12 million.

***Logwin/Delton***

On 31 December 2008, Delton Vermogensverwaltung AG ("Delton") announced the acquisition of an additional 27.4% interest in Logwin AG ("Logwin") for €47 million in cash. Following the acquisition of this interest Delton held 80.6% of the shares in Logwin. Logwin provides logistics and transport solutions for industry and commerce worldwide, including supply chain management, warehousing, value-added services, logistics outsourcing projects and international air and sea freight services. The implied EBITDA multiple reflects the reduction in demand for Logwin's logistics services which was attributed to the impact of general macroeconomic conditions, foreign exchange effects and expiring customer contracts. The high implied EBIT multiple reflects the capital intensive nature of the business, particularly in the Solutions and Road + Rail divisions.

***Dockwise/Royal Boskalis***

On 21 December 2012, Royal Boskalis Westminster NV ("Royal Boskalis") announced that it would acquire Dockwise Ltd ("Dockwise") for an equity consideration of €733 million in cash. This offer represented a 7.5% increase on a previous offer made by Royal Boskalis that was rejected by Dockwise. Dockwise is a marine contractor that provides heavy marine transportation and installation services for heavy offshore platforms worldwide, as well as providing logistical management solutions. The acquisition of Dockwise provided new strategic opportunities for accelerated growth in offshore services and the opportunity to create a service provider with an extensive package of services for clients in the oil & gas sector. The combination of Dockwise's equipment and Royal Boskalis' project management expertise was expected to enable optimal deployment of people and equipment worldwide under increasingly complex circumstances. The high implied EBIT multiple reflects the capital intensive nature of Dockwise's heavy lift operations, which includes heavy marine transport and offshore/onshore installations.

***Giacci/Qube***

On 16 March 2012, Qube Holdings Limited ("Qube") completed the acquisition of Giacci Holdings Pty Ltd ("Giacci") for A$119 million of which A$18 million was deferred for two years and subject to the future earnings of the business. Qube also assumed A$26.6 million of net debt. Giacci provides bulk haulage, handling, storage and civil contracting services, with a focus on the mining industry. The acquisition enabled Qube to provide a complete mine to port logistics solution covering transport, stockpile management and stevedoring.

***ASCO Group/Doughty Hanson***

On 27 November 2011, Doughty Hanson & Co ("Doughty Hanson") announced the acquisition of ASCO Group for £250 million in cash. ASCO Group provides supply chain management services and solutions to the oil & gas sector and other related industries in the United Kingdom. The company is also involved in specialist international logistics and oilfield waste management. The acquisition provided Doughty Hanson with a foothold in the fast growing outsourced logistics market, an industry with significant long-term growth potential.

***Mitchell/Toll***

On 4 May 2011, Toll acquired Mitchell Corp ("Mitchell") for $110 million in cash (including the assumption of net debt). Mitchell supplies transport and logistics services to and from mining sites in Western Australia. It is involved in transporting bulk resources, hydrocarbons and dangerous goods. The acquisition provided Toll with a strategic market position in a growth sector and the opportunity to continue to improve and grow the business.

***Qatar Shipping Co/Qatar Navigation***

On 24 November 2008, Qatar Navigation QSC (Qatar Navigation") agreed to acquire the remaining 84% interest in Qatar Shipping Co. QSC (Qatar Shipping Co) for QAR2.8 billion, satisfied through the issue of 42.5 million new Qatar Navigation shares. Qatar Shipping Co engages in international shipping activities in Qatar including the operation of a mixed fleet of vessels for trading crude oil, petroleum products, LPG, ammonia, petrochemicals, and LNG and provides offshore support services. The acquisition provided the opportunity to bring together two large and well-respected companies that were involved in similar lines of business to create an integrated maritime and logistics business with considerable scale.

## 2 Evidence from Sharemarket Prices

The sharemarket ratings of selected publicly listed transport and logistics companies in Australia and internationally are set out below. For the purposes of valuing Toll, Grant Samuel has categorised each company according to the main activity undertaken. Where a company has significant activities in more than one category, it has been included in each of the relevant categories:

**Sharemarket Ratings of Selected Listed Companies**

| Entity | Country | Market Capitalisation (A$ millions) | Enterprise Value (A$ millions) | EBITDA Multiple (times) | | EBIT Multiple (times) | |
|---|---|---|---|---|---|---|---|
| | | | | FY14 historical | FY15 forecast | FY14 historical | FY15 forecast |
| Toll | Australia | 4,362 | 5,548 | 7.7 | 7.6 | 12.4 | 12.3 |
| **Australian and New Zealand Peers** | | | | | | | |
| Brambles | Australia | 17,386 | 20,852 | 13.6 | 13.1 | 20.4 | 19.6 |
| Aurizon | Australia | 10,109 | 12,999 | 9.8 | 8.8 | 15.6 | 13.5 |
| Asciano | Australia | 6,319 | 9,934 | 9.9 | 8.8 | 14.6 | 12.9 |
| Qube | Australia | 3,110 | 3,603 | 17.1 | 13.0 | 25.7 | 19.2 |
| Mainfreight | New Zealand | 1,561 | 1,820 | 12.7 | 11.0 | 15.6 | 13.8 |
| Freightways | New Zealand | 954 | 1,123 | 14.0 | 11.9 | 16.4 | 13.9 |
| MMA Offshore | Australia | 324 | 633 | 6.6 | 2.8 | 18.0 | 5.7 |
| K&S | Australia | 162 | 256 | 9.8 | 4.4 | 15.6 | 9.5 |
| **Express** | | | | | | | |
| UPS | United States | 117,556 | 127,240 | 12.6 | 12.1 | 16.6 | 15.9 |
| FedEx | United States | 64,198 | 67,359 | 8.6 | 7.5 | 14.7 | 12.2 |
| Deutsche Post | Germany | 52,846 | 57,356 | 10.3 | 8.9 | 15.4 | 12.8 |
| Yamato | Japan | 12,212 | 11,438 | 9.9 | 9.1 | 16.6 | 15.2 |
| Nippon Express | Japan | 7,228 | 8,669 | 8.8 | 8.2 | 19.1 | 16.8 |
| TNT Express | Netherlands | 4,298 | 3,689 | 24.8 | 9.3 | na | 21.2 |
| Freightways | New Zealand | 954 | 1,123 | 14.0 | 11.9 | 16.4 | 13.9 |
| **Air and Sea Forwarding** | | | | | | | |
| Kuehne + Nagel | Switzerland | 22,422 | 20,824 | 16.0 | 15.4 | 20.0 | 18.9 |
| Bolloré | France | 17,701 | 22,688 | 16.0 | 14.2 | 24.6 | 21.2 |
| CH Robinson | United States | 13,932 | 15,182 | 15.5 | 14.0 | 16.6 | 15.0 |
| Expeditors | United States | 11,858 | 10,624 | 13.3 | 12.3 | 14.5 | 13.3 |
| DSV | Denmark | 7,026 | 8,158 | 14.3 | 13.3 | 16.6 | 15.6 |
| Panalpina | Switzerland | 4,233 | 3,792 | 19.3 | 14.1 | 25.1 | 19.9 |
| Sinotrans | China | 3,902 | 3,637 | 11.6 | 9.3 | 17.0 | 13.6 |
| Kintetsu | Japan | 2,092 | 1,768 | 9.9 | 9.1 | 11.8 | 10.9 |
| Mainfreight | New Zealand | 1,561 | 1,820 | 12.7 | 11.0 | 15.6 | 13.8 |
| Yusen Logistics | Japan | 696 | 958 | 7.5 | 6.4 | 16.7 | 11.2 |
| **Freight Transport/Domestic Forwarding/Intermodal** | | | | | | | |
| JB Hunt Transport | United States | 12,755 | 13,943 | 12.4 | 11.1 | 18.0 | 16.2 |
| Old Dominion | United States | 8,594 | 8,749 | 13.1 | 10.7 | 17.7 | 14.3 |
| Landstar | United States | 4,027 | 3,957 | 13.7 | 11.7 | 15.6 | 13.1 |
| Knight Transportation | United States | 3,435 | 3,587 | 13.0 | 10.3 | 22.2 | 16.4 |
| Werner Enterprises | United States | 2,960 | 3,027 | 7.7 | 6.8 | 17.9 | 14.2 |
| Heartland Express | United States | 2,829 | 2,838 | 12.4 | 9.4 | 25.0 | 17.9 |
| Norbert Dentressangle | France | 1,970 | 3,469 | 9.0 | 7.7 | 16.7 | 13.4 |

| Sharemarket Ratings of Selected Listed Companies | | | | | | | |
|---|---|---|---|---|---|---|---|
| Entity | Country | Market Capitalisation (A$ millions) | Enterprise Value (A$ millions) | EBITDA Multiple (times) | | EBIT Multiple (times) | |
| | | | | FY14 historical | FY15 forecast | FY14 historical | FY15 forecast |
| **Freight Transport/Domestic Forwarding/Intermodal (cont)** | | | | | | | |
| Hub Group | United States | 1,906 | 1,907 | 10.9 | 11.5 | 13.4 | 13.5 |
| Mainfreight | New Zealand | 1,561 | 1,820 | 12.7 | 11.0 | 15.6 | 13.8 |
| Universal Truckload Services | United States | 980 | 1,257 | 9.0 | 8.0 | 11.8 | 11.2 |
| **Logistics** | | | | | | | |
| CH Robinson | United States | 13,932 | 15,182 | 15.5 | 14.0 | 16.6 | 15.0 |
| Expeditors | United States | 11,858 | 10,624 | 13.3 | 12.3 | 14.5 | 13.3 |
| DSV | Denmark | 7,026 | 8,158 | 14.3 | 13.3 | 16.6 | 15.6 |
| Asciano | Australia | 6,319 | 9,934 | 9.9 | 8.8 | 14.6 | 12.9 |
| XPO Logistics | United States | 4,486 | 4,476 | na | 22.2 | na | na |
| Con-Way | United States | 3,256 | 3,647 | 6.2 | 5.3 | 12.4 | 9.8 |
| Kerry Logistics | Hong Kong | 3,113 | 3,682 | 11.4 | 10.3 | 14.8 | 13.1 |
| Qube | Australia | 3,110 | 3,603 | 17.1 | 13.0 | 25.7 | 19.2 |
| Mainfreight | New Zealand | 1,561 | 1,820 | 12.7 | 11.0 | 15.6 | 13.8 |
| Universal Truckload Services | United States | 980 | 1,257 | 9.0 | 8.0 | 11.8 | 11.2 |
| Yusen Logistics | Japan | 696 | 958 | 7.5 | 6.4 | 16.7 | 11.2 |
| **Resources Logistics** | | | | | | | |
| Aurizon | Australia | 10,109 | 12,999 | 11.4 | 8.8 | 14.8 | 13.5 |
| Nippon Express | Japan | 7,228 | 8,669 | 9.8 | 8.2 | 15.6 | 16.8 |
| Asciano | Australia | 6,319 | 9,934 | 8.8 | 8.8 | 19.1 | 12.9 |
| MMA Offshore | Australia | 324 | 633 | 9.9 | 2.8 | 14.6 | 5.7 |

Source: Company financial statements, S&P Capital IQ, Grant Samuel analysis

The multiples shown are based on sharemarket prices as at 27 February 2015, except for Toll, which is calculated using the share price on 17 February 2015, the day prior to the announcement of the Proposal. Earnings have been calendarised to a June year end. A brief description of each company is set out below:

***Brambles***

Brambles Limited ("Brambles") is a supply-chain logistics company that provides reusable pallets, crates and containers and associated logistics services in Australia and internationally. The company operates through three divisions, pallets, reusable plastic crates ("RPCs"), and containers. The pallets division provides pallets to manufacturers, producers, distributors and retailers for the transportation of their products. This division also offers supply chain optimisation and transport management services, as well as pallet management services. The RPCs division focuses on the management of reusable plastic containers primarily used to transport fresh produce from producers to grocery retailers. The containers division provides intermediate bulk, automotive, and chemical and catalyst containers. This division also operates an airline container pooling and repair business and non-flight critical aviation equipment maintenance and repair business. The company owns and operates approximately 470 million pallets, crates and containers.

***Aurizon***

Aurizon Holdings Limited ("Aurizon") operates an integrated heavy haul freight railway in Australia. The company transports bulk mineral commodities including coal, agricultural products, mining and industrial inputs, general freight and containerised freight. It also operates and manages the Central Queensland Coal Network that consists of approximately 2,670 kilometres of heavy haul rail infrastructure and provides a range of specialist services in rail design, engineering, construction, management and maintenance. In addition, Aurizon offers large-scale supply chain solutions to a range of customers.

***Asciano***

Asciano Limited ("Asciano") provides ports and rail freight services in Australia. It operates through four divisions, Pacific National Coal, Pacific National Rail (which together represented 63% of first half FY15 revenue), Terminals & Logistics (19% of first half FY15 revenue) and Bulk & Automotive Port Services (18% of first half FY15 revenue). Pacific National Coal hauls coal from mine to port, power stations and steelworks by rail in New South Wales and Queensland. Pacific National Rail offers intermodal rail and bulk haulage rail services, such as interstate container freight, interstate break bulk freight and regional freight. Terminals & Logistics provides container stevedoring and integrated logistics services. Bulk & Automotive Port Services manages bulk ports and supports infrastructure as well as providing port related logistics services at approximately 40 sites in Australia and New Zealand.

***Qube***

Qube is a diversified logistics and infrastructure company that provides logistics services for clients in both import and export cargo supply chains. The company has three divisions, Ports & Bulk (52.6% of first half FY15 revenue), Logistics (43.8% of first half FY15 revenue) and Strategic Assets (3.6% of first half FY15 revenue). Ports & Bulk provides a range of logistics services relating to the import and export of non-containerised freight including automotive, bulk and break bulk products. This division also offers stevedoring and related logistics services for the oil & gas industry, project and general cargo and handles commodities, such as iron ore, manganese, nickel concentrate and mineral sands. Logistics offers a range of services relating to the import and export of containerised cargo. Its services include physical and documentary processes and tasks along the import/export supply chain such as road and rail transport of containers to and from ports, operation of full and empty container parks, customs and quarantine services, warehousing, intermodal terminals and international freight forwarding as well as bulk rail haulage services for rural commodities. Strategic Assets invests in and develops infrastructure, including inland rail terminals.

***Mainfreight***

Mainfreight Limited ("Mainfreight") provides supply chain logistics solutions in New Zealand (26.3% of FY14 revenue), Australia (27.1% of FY14 revenue), the Americas (23.0% of FY14 revenue), Europe (21.3% of FY14 revenue) and Asia (2.4% of FY14 revenue). It offers a range of logistics services, including warehousing and supply chain management, domestic distribution and international air and ocean freight operations. Its divisions include Domestic Freight, International Freight and Forwarding (including customs brokerage), Logistics (including warehousing and inventory management) and Supply Chain Technology (including mainchain portals and freight management).

***Freightways***

Freightways Limited's ("Freightways") main business is the provision of express package and business mail services primarily in New Zealand and Australia. It also provides information management services. The company provides network courier services, point-to-point courier services, a secure service for valuables and various postal services. Services are offered through its network as well as through alliances with international express package operators. In addition, Freightways provides information management services, which comprise a range of archive management services for documents, computer media and document destruction, and digital conversion and online back-up services for the physical storage and protection of documents and other media.

***MMA Offshore***

MMA Offshore Limited ("MMA Offshore") provides marine logistics and supply base services to the offshore oil & gas industry in Australia and Singapore. It owns a range of vessels including anchor handling tugs, anchor handling tug supply vessels, platform supply vessels, multi-purpose survey and maintenance vessels, specialist offtake support vessels, ROV subsea operations, support vessels and accommodation vessels. The company also operates a ship repair facility in Dampier and provides a range of services and facilities support, such as open lay down storage, undercover storage, long term office facilities, labour supply, equipment hire, line haul, dangerous and specialist cargo handling, waste management, dangerous goods storage facility, undercover wash down bay facility, offshore container hire and crane services. MMA Offshore owns and operates approximately 62 vessels.

***K&S***

K&S provides transportation and logistics, contract management, warehousing and distribution and fuel distribution services primarily in Australia and New Zealand. The company conducts its operations through three divisions, Australian Transport, Fuels, and New Zealand Transport. It offers road, rail and coastal sea forwarding for full load and break bulk loads, including export packing, wharf lodgement and the delivery of integrated supply chain and systems solutions primarily to businesses operating in the timber, paper, dairy, agriculture and general transportation industries. K&S also offers support services to offshore exploration and drilling projects, dry and liquid bulk transportation services to mining, sugar, cement and fertiliser industries and fuel distribution services to retail and service stations, primary producers, fishing industry and transport operators. In addition, it offers facility management services, distribution chain management services, general, full load, and part load freight services and project services.

***UPS***

United Parcel Service, Inc. ("UPS") is a global package delivery company providing transportation, logistics and financial services in the United States and internationally. It operates through three divisions, United States Domestic Package (62% of 2014 revenue), International Package (22% of 2014 revenue) and Supply Chain & Freight (16% of 2014 revenue). United States Domestic Package offers time-definite delivery of letters, documents, small packages and palletised freight through air and ground services in the United States. International Package provides delivery services to approximately 220 countries and territories, including shipments outside the United States. Supply Chain & Freight offers forwarding and logistics services, such as supply chain design and management, freight distribution, customs brokerage, mail and consulting services in approximately 195 countries and territories as well as less-than-truckload and truckload services to customers in North America. The company operates a fleet of package cars, vans, tractors and motorcycles, and owns containers used to transport cargo in its aircraft.

***FedEx***

FedEx Corporation ("FedEx") provides transportation, e-commerce and business services globally. The company's FedEx Express division provides various shipping services for the delivery of packages and freight, international trade services specialising in customs brokerage, ocean and air freight forwarding services, international trade advisory services and global trade data (an information tool that allows customers to track and manage imports). This division also offers supply chain solutions, including critical inventory logistics, transportation management and temperature-controlled transportation services. FedEx Ground provides business and residential ground package delivery services and consolidates and delivers high volumes of low-weight and less time-sensitive business-to-consumer packages. FedEx Freight offers less-than-truckload freight services and freight-shipping services. FedEx Services provides sales, marketing, information technology, communications, customer service and other back-office support services and a range of ground shipping and time-definite express shipping services and packing services.

***Deutsche Post***

Deutsche Post AG (Deutsche Post") operates under the trade name Deutsche Post DHL, providing logistics and communications services across approximately 220 countries. The company operates through four divisions, Mail (27% of the first 9 months FY15 revenue), Global Forwarding and Freight (26% of the first 9 months FY15 revenue), Supply Chain (26% of the first 9 months FY15 revenue) and Express (22% of the first 9 months revenue). The Mail division is engaged in the transport and delivery of written communications. The Global Forwarding and Freight division is involved in the transportation of goods by rail, road, air and sea as well as the provision of transport management and customs clearance services. It also offers full, part and less than truckload freight services and intermodal transport services. The Supply Chain division is engaged in contract logistics activities, provision of supply chain logistics solutions (such as warehousing, distribution, managed transport, business process outsourcing, supply chain management and consulting), value-added services and end-to-end solutions for corporate information and communications management. The Express division offers international and domestic courier and express services to business and private customers.

### *Yamato*

Yamato Holdings Co., Ltd. ("Yamato") provides delivery, logistics, home convenience, e-business, financial and autoworks and other related services in Japan and internationally. The company's Delivery division offers small parcel delivery services and a door to door parcel delivery service as well as a posting service for the general public and corporations. It also provides intercompany logistics services for the B2B supply chain management market, and offers lifestyle support services, including moving and household effects delivery services. The company's Financial division offers financial services consisting of settlement and collection services for business customers and consumers. Its Autoworks division provides vehicle maintenance services and fuel supply services for transport companies. The company also provides highway transportation and personnel placement services.

### *Nippon Express*

Nippon Express Co., Ltd., ("Nippon Express") provides logistics services. It offers railway forwarding, chartered truck and motor cargo transportation, delivery, moving and relocation, warehousing and distribution processing, in-factory work, marine and harbor transportation, fine arts transportation and security transportation services as well as heavy haulage and construction services. The company also provides security guard, air freight forwarding, vehicle maintenance and insurance, investigation and research, money lending, automobile operation instruction, general worker dispatching, coastal shipping, customs-clearance, freight collection and settlement, and waste management services, as well as driver training courses. In addition, Nippon Express is involved in the sale and leasing of distribution equipment, wrapping and packing materials, vehicles, petroleum and liquefied petroleum gas, real estate, the transportation, construction, and installation of heavy cargo, non-life insurance agency business, travel agency business and the packing, labelling and storage of pharmaceuticals, quasi-pharmaceuticals cosmetics, and medical equipment. The company primarily operates in Japan, the Americas, Europe, East Asia, South Asia, and Oceania.

### *TNT Express*

TNT Express N.V. ("TNT Express") provides express delivery services to businesses and consumers worldwide. It picks up, transports and delivers documents, parcels and palletised freight as well as providing supply chain solutions. The company operates road and air transportation networks in Europe, the Middle East, Asia, Australia and South America. TNT Express operates a fleet of 54 aircraft. It serves multinationals and small and medium-sized enterprises in the industrial, automotive, high-tech and healthcare industries.

### *Kuehne & Nagel*

Kuehne & Nagel International AG ("Kuehne & Nagel") provides freight transportation, forwarding and logistics services. The company operates through four main divisions, Seafreight (49% of 2014 EBIT), Airfreight (29% of 2014 EBIT), Road & Rail Logistics (4% of 2014 EBIT) and Contract Logistics (19% of 2014 EBIT). In addition, Kuehne & Hagel provides integrated logistics services such as supply chain management solutions customs clearance, export documentation, import documentation and door-to-door services, as well as logistics supply movement arrangement services. The company primarily serves the aerospace, automotive, fast-moving consumer goods, high-tech, industrial, oil & gas, pharma and healthcare, retail, emergency and relief, drinks logistics, forest products, hotel logistics, marine logistics and foodservice industries. It operates in Europe, the Americas, the Asia-Pacific, the Middle East, Central Asia and Africa.

### *Bolloré*

Bolloré Group ("Bolloré) is engaged in transportation and logistics (53.1% of FY14 revenue), oil logistics (26.2% of FY14 revenue), communications and media (18.2% of FY14 revenue) and electricity storage and solutions (2.2% of FY14 revenue) in France and internationally. The company provides air, sea and land freight forwarding, warehousing and distribution, industrial logistics, stevedoring and port services, identification, labelling, packaging, order preparation and redistribution services, as well as shipping agency and freight and trans-shipment services. Bolloré also distributes fuel and other petroleum products to household and business customers, manages oil pipelines and depots, manufactures polypropylene films, electrical components, batteries and super capacitors and electric buses and cars, operates oil palm and rubber plantations in Cameroon and the United States as well as wine-growing estates in France. In addition, the company provides communications services including advertising, direct marketing, media planning and buying, corporate communication and wireless high-speed internet services.

***CH Robinson***

C.H. Robinson Worldwide, Inc. (CH Robinson"), a third party logistics company, provides freight transportation services and logistics solutions to companies in various industries worldwide. It is present in 38 countries and has over 11,520 employees. CH Robinson offers services including truckload (time-definite and expedited) transportation services, less than truckload services, intermodal transportation and non-vessel ocean common carrier or freight forwarding services as well as organising air shipments and providing door-to-door services. The company also provides custom broker services and other logistics services, including fee-based transportation management services and warehousing services. In addition, CCH Robinson is involved in buying, selling and marketing fresh produce. The company offers its fresh produce to grocery retailers, restaurants, produce wholesalers and foodservice distributors through a network of independent produce growers and suppliers.

***Expeditors***

Expeditors International of Washington, Inc. ("Expeditors") is a global freight forwarding and logistics company. The company's operations include air freight services (42% of 2014 revenue), ocean freight services (33% of 2014 revenue) and other logistical solutions (25% of 2014 revenue), including customs brokerage, warehousing and distribution, purchase order management, vendor consolidation, time-definite transportation services and cargo insurance. Expeditor's customers include retailers and distributors of consumer electronics, department store chains and clothing and shoe wholesalers, as well as high-tech, industrial and automotive manufacturers. It operates in North America, Latin America, the Asia Pacific, Europe, Africa, the Middle East and India.

***DSV***

DSV A/S ("DSV") provides transport and logistics services worldwide. It operates through three divisions, Air & Sea Freight Services (42% of 2014 revenue), Road Transport Services (full and part loads) (47% of 2014 revenue) and Solutions (including temperature-controlled transport and other specialised services) (11% of 2014 revenue). In addition, the company offers logistics services, including freight management, customs clearance, warehousing and distribution, information management and e-business support. DSV provides a range of value added services, including shipment booking, pick-up, customs clearance, cargo consolidation and document and insurance services, as well as warehousing, picking/packaging, distribution, supply chain management, order planning and relabelling services.

***Panalpina***

Panalpina World Transport (Holding) Ltd. ("Panalpina") provides air and ocean freight and logistics services in Europe, the Middle East, Africa, CIS, the Americas and the Asia Pacific. Its air freight services include general, special, express and intermodal services as well as charter and emergency services. The company also offers ocean freight products including full container load, less-than-container load and non-containerised load products and various services, such as dangerous goods handling, temperature controlled transportation, cargo insurance, letter of credit processing, certification and legalisation of documents, food and drug administration filing and advanced cargo information filing. In addition, Panalpina provides logistics services (including inbound, warehousing, production, distribution and aftermarket services), project services (including marshalling, warehousing and distribution, industrial export packing, vendor and purchase order expediting and customs clearance and documentation) and supply chain services (including supply chain optimisation and end-to-end solutions). It services the automotive, chemicals, consumer and retail, fashion, healthcare, hi-tech, manufacturing, telecom and perishable products industries.

***Sinotrans***

Sinotrans Limited ("Sinotrans") provides logistics services primarily in the People's Republic of China. The company offers freight forwarding services by sea, rail, air and road, integrated supply chain logistics solutions, warehousing services, express services and terminal value-added services (berthing, stevedoring, stack-up and delivery, forwarding, hauling and depot services). It also provides shipping agency services, container lines and coastal feeder services and long haul transportation services (such as cross-regional long haulage services, intra-regional distribution services, just in time transport, reverse logistics and supply transportation).

***Kintetsu***

Kintetsu provides air freight forwarding, sea freight forwarding, logistics and other services. The company offers packaging, customs clearance, project management, less-than-container load/full-container load, booking, crafting and break bulk services as well as logistics services including vendor managed inventory, just in time operation, reverse logistics, consultation, assembly works and product inspection services. Kintetsu also provides warehousing, packing, temporary staffing, property management, insurance agency and trucking services. The company operates primarily in the computer/IT/electronics, communication and automotive industries. It has operations in Japan (36% of the first 9 months FY15 revenue), the Americas (13% of the first 9 months FY15 revenue), Europe, Africa and the Middle East (11% of the first 9 months FY15 revenue), East Asia and Oceania (27% of the first 9 months FY15 revenue) and Southeast Asia (12% of the first 9 months FY15 revenue).

***Yusen Logistics***

Yusen Logistics Co., Ltd. ("Yusen Logistics") operates in the ocean and air freight forwarding, contract logistics and transportation sectors. It provides agency services for air and ocean carriers and offers freight forwarding, customs clearance, warehousing, integrated international shipping and agency, motor vehicle transportation and marine shipping brokerage services. The company is also involved in the packing, display and storage of medical devices, leasing of container loading equipment, distribution equipment and logistics information systems and real estate leasing and management. It operates in Japan, the Americas, Europe, East Asia, South Asia and Oceania.

***J.B. Hunt Transport***

J.B. Hunt Transport Services, Inc. ("JB Hunt Transport") provides transportation and delivery services in the United States, Canada and Mexico. The company operates through four divisions, Intermodal (59% of fourth quarter 2014 revenue), Dedicated Contract Services (23% of fourth quarter 2014 revenue), Integrated Capacity Solutions (12% of fourth quarter 2014 revenue) and Full-Load Dry-Van (6% of fourth quarter 2014 revenue). Intermodal offers intermodal freight solutions, including origin and destination pickup and delivery services. This division operates company-owned trailing equipment, owns and maintains its own chassis fleet as well as managing a fleet of over 3,000 company-owned tractors. Dedicated Contract Services designs, develops and executes supply-chain solutions to support various transportation networks. JB Hunt Transport focuses on private fleet conversion and provides final mile delivery, replenishment and specialised equipment and services. Integrated Capacity Solutions offers non-asset and asset-light transportation logistics solutions, flatbed, refrigerated, expedited and less-than-truckload solutions as well as various dry-van and intermodal solutions.

***Old Dominion***

Old Dominion Freight Line, Inc. ("Old Dominion") operates as a less-than-truckload motor carrier in North America. It provides regional, inter-regional and national less-than-truckload services, including ground and air expedited transportation and consumer household pickup and delivery. The company also offers various value-added services including international freight forwarding, container drayage, truckload brokerage, supply chain consulting and warehousing. As at 31 December 2014, it owned 6,907 tractors and 27,259 trailers and operated 222 service centres.

***Landstar***

Landstar System, Inc. ("Landstar") provides integrated transportation management solutions in the United States and internationally. The company operates through two divisions, Transportation Logistics and Insurance. Transportation Logistics provides transportation services, including truckload and less-than-truckload transportation, rail intermodal, air cargo, ocean cargo, expedited ground and air delivery and customs brokerage. Landstar offers truck services through dry and specialty vans, unsided/platform trailers, temperature-controlled vans and containers. Insurance reinsures certain risks of the company's independent contractors.

*Knight Transportation*

Knight Transportation, Inc. ("Knight Transportation") operates as a short-to-medium haul truckload carrier of general commodities primarily in the United States. It operates through two divisions, Trucking and Logistics. Trucking offers truckload carrier dry van, temperature-controlled and drayage services between ocean ports, rail ramps and shipping docks. As at 31December 2014, Knight Transportation operated 3,718 company-owned tractors and 9,732 trailers as well as having 456 tractors under contract that are owned and operated by independent contractors. Logistics provides logistics, freight management, freight brokerage, rail intermodal and other non-trucking services.

*Werner Enterprises*

Werner Enterprises, Inc. ("Werner Enterprises") is a transportation and logistics company that hauls truckload shipments of general commodities interstate and intrastate in the United States, Mexico, Canada, China and Australia. The company operates through two divisions, Truckload Transportation Services (81% of FY14 revenue) and Value Added Services (19% of FY14 revenue). Truckload Transportation Services operates regional short-haul fleet (transports consumer nondurable products and other commodities in truckload quantities), medium-to-long-haul van fleet (provides comparable truckload van services over irregular routes) and expedited fleet (offers time-sensitive truckload services). It also provides truckload services dedicated to a specific customer, including services for products requiring specialised trailers, such as flatbed or temperature-controlled trailers. Value Added Services provides non-asset-based transportation and logistics services, including truck brokerage, logistics management services and solutions, rail transportation through alliances with rail and drayage providers and management of global shipments from origin to destination using a combination of air, ocean, truck and rail transportation modes.

*Heartland Express*

Heartland Express, Inc. ("Heartland Express") operates as a short-to-medium-haul truckload carrier of general commodities in the United States and Canada. The company provides dry van truckload services through its regional terminals and transports freight for shippers using owned and leased equipment and independent contractor tractors. It also provides temperature-controlled truckload, dedicated truckload and freight brokerage services. Heartland Express primarily serves retailers and manufacturers.

*Norbert Dentressangle*

Norbert Dentressangle provides transport, logistics and freight forwarding services. Its transport division offers national and international full load transport, third party logistics transport solutions, pallet and contract distribution and customer fleet outsourcing as well as multimodal, bulk and chilled transportation services. This division operates a fleet of trucks, trailers and tractor trucks. The logistics division provides warehousing and stock management, order preparation, quality control, sub-assembly, co-packing and co-manufacturing, reverse logistics, temperature controlled logistics, shared logistics and e-commerce solutions as well as information management and real-time traceability control. The freight forwarding division offers air and sea freight, customs engineering and information management services. This division also has a fleet of tankers for the overseas transport of chemicals. Norbert Dentressangle has operations in Europe, Asia and the United States.

*Hub Group*

Hub Group, Inc. ("Hub Group") is an asset-light freight transportation management company that provides intermodal, truck brokerage and logistics services in North America. The company operates through two divisions, Hub (74% of first quarter FY15 revenue) and Mode (26% of first quarter FY15 revenue). Its intermodal services include arranging for the movement of customers' freight in containers and trailers over long distances. The company contracts with railroads to provide transportation for the long-haul portion of the shipment and with local trucking companies for pickup and delivery. Hub Group's intermodal services also comprise negotiating rail and drayage rates, electronically tracking shipments in transit and billing and handling claims for freight loss and damage on behalf of customers as well as truck brokerage services. The company also offers a range of transportation management services and technology solutions. Its multi-modal transportation includes small parcel, heavyweight, expedited, less-than-truckload, truckload, intermodal and railcar. Hub Group primarily serves customers in consumer products, retail, and durable goods industries.

***Universal Truckload Services***

Universal Truckload Services provides transportation and logistics solutions in the United States, Mexico, and Canada. It offers transportation services (including dry van, flatbed, heavy haul, dedicated, refrigerated, shuttle and switching operations), domestic and international freight forwarding, customs brokerage, final mile and ground expedited services and brokerage transportation services.

***Con-Way***

Con-Way, Inc. ("Con-Way") provides transportation, logistics and supply chain management services in North America and internationally. It operates through three divisions, Freight, Logistics and Truckload. Freight offers day-definite regional, inter-regional and transcontinental less-than-truckload freight services with a fleet of line-haul and pickup-and-delivery tractors and trailers. As at 31 December 2014, this division owned and operated approximately 9,500 tractors and 25,500 trailers. Logistics develops contract-logistics solutions, including managing complex distribution networks and providing supply chain engineering and consulting services, as well as multimodal freight brokerage services. The supply-chain management services offered are primarily transportation management and contract warehousing services. The division operates 78 warehouses in North America and 81 warehouses internationally. Truckload offers dry-van transportation services that include short-and long-haul and asset-based transportation services using a fleet of tractors and trailers. This division owns and operates five terminals with bulk fuel, tractor and trailer parking and owns and operates approximately 2,600 tractors and 7,800 trailers.

***Kerry Logistics***

Kerry Logistics Network Limited ("Kerry Logistics") provides logistics services in Asia and internationally. The services provided include integrated logistics (storage and value-added services), trucking and distribution services, returns management services and various ancillary services primarily in Asia. It also provides international freight forwarding services, such as air freight, ocean freight and cross-border road freight forwarding services internationally, primarily intra-Asia and between Asia and Europe. In addition, the company provides FMCG trading and distribution, food servicing and catering services to retail stores, gourmet shops, supermarkets, hotels, clubhouses, restaurants and fast food chains. Kerry Logistics also leases warehousing space in Hong Kong.

# Appendix 2

## Broker Consensus Forecasts

Toll has not publicly released earnings forecasts for the year ending 30 June 2015 or beyond. Accordingly, the prospective multiples implied by the valuation of Toll in Grant Samuel's report are based on median broker forecasts. On a group basis, the median of the brokers' forecasts is sufficiently close to the 2015 Forecast to be useful for analytical purposes, although this is not the case with the median of the brokers' forecasts for the individual business units.

Set out below is a summary of forecasts prepared by brokers that follow Toll in the Australian stockmarket:

**Toll – Broker Forecasts for the Year Ending 30 June 2015 ($ millions)**

| Broker | Date | Revenue | EBITDA[1] | EBITA[2] |
|---|---|---|---|---|
| Broker 1 | 26 February 2015 | 8,897.0 | 716.0 | 432.0 |
| Broker 2 | 19 February 2015 | 8,723.3 | 709.5 | 433.9 |
| Broker 3 | 18 February 2015 | 9,027.0 | 720.0 | 443.0 |
| Broker 4 | 18 February 2015 | 8,515.0 | 687.0 | 423.0 |
| Broker 5 | 18 February 2015 | 8,830.0 | 717.1 | 439.5 |
| Broker 6 | 18 February 2015 | 8,971.0 | 728.0 | 446.0 |
| Broker 7 | 18 February 2015 | 8,618.0 | 744.0 | 442.0 |
| Broker 8 | 18 February 2015 | 8,727.0 | 705.0 | 430.0 |
| Broker 9 | 18 February 2015 | 8,837.3 | 699.1 | 439.1 |
| Broker 10 | 18 February 2015 | 8,819.0 | 715.0 | 435.0 |
| *Minimum* | | *8,515.0* | *687.0* | *423.0* |
| *Maximum* | | *9,027.0* | *744.0* | *446.0* |
| ***Median*** | | ***8,824.5*** | ***715.5*** | ***437.1*** |
| *Average* | | *8,796.5* | *714.1* | *436.4* |

Source: Brokers' reports, Grant Samuel analysis

When reviewing this data the following should be noted:

- the forecasts presented above represent the latest available broker forecasts for Toll;
- the brokers presented are those who have published research on Toll following Toll's announcement of its results for the six months ended 31 December 2014 and the Proposal on 18 February 2015;
- Grant Samuel is aware of only four other brokers that follow Toll. These brokers have not released any research on Toll that includes earnings forecasts subsequent to Toll's announcement of its results for the six months ended 31 December 2014 and the Proposal on 18 February 2015;
- the broker forecasts are not prepared on a consistent basis, particularly in relation to the treatment of purchase price accounting ("PPA") amortisation. Some brokers show PPA amortisation separately and some do not. Given the distortion that PPA amortisation has on EBIT, Grant Samuel has valued Toll by considering multiples of EBITA and therefore PPA amortisation should be excluded from the earnings parameters (except for net profit after tax). In the table above, Grant Samuel has attempted to present the broker earnings forecasts on a common basis by adding an amount of $3 million (as an estimate of FY15 PPA amortisation) to EBIT to determine EBITA; and
- as far as is possible to identify from a review of the brokers' reports, Grant Samuel believes that the earnings forecasts do not incorporate any one-off adjustments or non-recurring items.

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1 EBITDA is earnings before net interest, tax, depreciation and amortisation and individually significant items. EBITDA is also before share of profit of associates.

2 EBITA is earnings before PPA amortisation, net interest, tax and individually significant items. PPA amortisation is purchase price accounting amortisation arising from business acquisitions. EBITA is also before share of profit of associates.

# Scheme of arrangement

Toll Holdings Limited

Scheme Shareholders

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HERBERT SMITH FREEHILLS

# Scheme of arrangement

This scheme of arrangement is made under section 411 of the *Corporations Act 2001* (Cth)

Between the parties

| | |
|---|---|
| Toll | **Toll Holdings Limited (ABN 25 006 592 089)**<br>of Level 7, 380 St Kilda Road Melbourne VIC 3004 Australia<br>(**Toll**) |
| Scheme Shareholders | Each person who is registered as the holder of Toll Shares recorded in the Toll Share Register as at the Scheme Record Date<br>(**Scheme Shareholders**) |

## 1 Definitions and interpretation

### 1.1 Definitions

The meanings of the terms used in this Scheme are set out below.

| Term | Meaning |
|---|---|
| **ASIC** | the Australian Securities and Investments Commission. |
| **ASX** | ASX Limited ABN 98 008 624 691 and, where the context requires, the financial market that it operates. |
| **Business Day** | a weekday in which trading banks are open for business in Melbourne, Victoria, Australia. |
| **CHESS** | the Clearing House Electronic Subregister System operated by ASX Settlement Pty Ltd and ASX Clear Pty Limited. |
| **Corporations Act** | the *Corporations Act 2001* (Cth). |

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| Term | Meaning |
|---|---|
| **Corporations Regulations** | the *Corporations Regulations 2001* (Cth). |
| **Court** | the Supreme Court of Victoria or such other court of competent jurisdiction under the Corporations Act agreed to in writing by Toll and Japan Post. |
| **Deed Poll** | the deed poll executed by Japan Post on 25 March 2015 under which Japan Post covenants in favour of the Scheme Shareholders to perform the obligations attributed to it under this Scheme. |
| **Effective** | when used in relation to this Scheme, the coming into effect, under subsection 411(10) of the Corporations Act, of the Court order made under paragraph 411(4)(b) of the Corporations Act in relation to this Scheme. |
| **Effective Date** | the date on which this Scheme becomes Effective. |
| **End Date** | 30 June 2015, or such other date as agreed in writing by Japan Post and Toll. |
| **Government Agency** | any foreign or Australian government or governmental, semi-governmental, administrative, fiscal or judicial body, department, commission, authority, tribunal, agency or entity, or any minister of the Crown in right of the Commonwealth of Australia or any state, or any other federal, state, provincial, local or other government, whether foreign or Australian. |
| **Implementation Date** | the fifth Business Day after the Scheme Record Date, or such other date as agreed in writing by Toll and Japan Post. |
| **Implementation Deed** | the scheme implementation deed dated 18 February 2015 between Toll and Japan Post relating to the implementation of this Scheme. |
| **Japan Post** | Japan Post Co., Ltd. of 1-3-2 Kasumigaseki, Chiyoda-ku, Tokyo 100-8798, Japan. |
| **Japan Post Group** | Japan Post and each of its Related Bodies Corporate and a reference to a "Japan Post Group Member" or "a member of the Japan Post Group" is to Japan Post or any of its Related Bodies Corporate. |

| Term | Meaning |
|---|---|
| **Listing Rules** | the official listing rules of ASX. |
| **Operating Rules** | the official operating rules of ASX. |
| **Registered Address** | in relation to a Toll Shareholder, the address shown in the Share Register as at the Scheme Record Date. |
| **Scheme** | this scheme of arrangement under Part 5.1 of the Corporations Act between Toll and the Scheme Shareholders subject to any alterations or conditions made or required by the Court under subsection 411(6) of the Corporations Act and agreed to in writing by Toll and Japan Post. |
| **Scheme Consideration** | for each Toll Share held by a Scheme Shareholder as at the Scheme Record Date, an amount of $9.04 cash, subject to the terms of this Scheme. |
| **Scheme Meeting** | the meeting of the Toll Shareholders ordered by the Court to be convened under subsection 411(1) of the Corporations Act to consider and vote on this Scheme and includes any meeting convened following any adjournment or postponement of that meeting. |
| **Scheme Record Date** | 7.00pm (Melbourne time) on the fifth Business Day after the Effective Date. |
| **Scheme Shareholder** | a holder of Toll Shares recorded in the Share Register as at the Scheme Record Date. |
| **Scheme Shares** | all Toll Shares held by the Scheme Shareholders as at the Scheme Record Date. |
| **Scheme Transfer** | a duly completed and executed proper instrument of transfer in respect of the Scheme Shares for the purposes of section 1071B of the Corporations Act, in favour of Japan Post as transferee, which may be a master transfer of all or part of the Scheme Shares. |
| **Second Court Date** | the first day on which an application made to the Court for an order under paragraph 411(4)(b) of the Corporations Act approving this Scheme is heard or, if the application is adjourned or subject to appeal for any reason, the day on which the adjourned application is heard. |

| Term | Meaning |
|---|---|
| **Share Register** | the register of members of Toll maintained by Toll or Toll Registry in accordance with the Corporations Act. |
| **Subsidiary** | has the meaning given in Division 6 of Part 1.2 of the Corporations Act. |
| **Toll** | Toll Holdings Limited (ABN 25 006 592 089). |
| **Toll Registry** | Boardroom Pty Limited ACN 003 209 836. |
| **Toll Share** | a fully paid ordinary share in the capital of Toll. |
| **Toll Shareholder** | a person who is registered as the holder of a Toll Share in the Share Register. |

## 1.2 Interpretation

In this Scheme:

(a) headings and bold type are for convenience only and do not affect the interpretation of this Scheme;

(b) the singular includes the plural and the plural includes the singular;

(c) words of any gender include all genders;

(d) other parts of speech and grammatical forms of a word or phrase defined in this Scheme have a corresponding meaning;

(e) a reference to a person includes any company, partnership, joint venture, association, corporation or other body corporate and any Government Agency as well as an individual;

(f) a reference to a clause, party, part, schedule, attachment or exhibit is a reference to a clause or part of, and a party, schedule, attachment or exhibit to, this Scheme;

(g) a reference to any legislation includes all delegated legislation made under it and amendments, consolidations, replacements or re-enactments of any of them;

(h) a reference to a document (including this Scheme) includes all amendments or supplements to, or replacements or novations of, that document;

(i) the word 'includes' in any form is not a word of limitation;

(j) a reference to '$', 'A$' or 'dollar' is to Australian currency unless denominated otherwise;

(k) a reference to any time is, unless otherwise indicated, a reference to that time in Melbourne, Australia;

(l) a term defined in or for the purposes of the Corporations Act has the same meaning when used in this Scheme;

(m) a reference to a party to a document includes that party's successors and permitted assignees;

(n) no provision of this Scheme will be construed adversely to a party because that party was responsible for the preparation of this Scheme or that provision;

(o) a reference to a body, other than a party to this Scheme (including an institute, association or authority), whether statutory or not:

(1) which ceases to exist; or

(2) whose powers or functions are transferred to another body,

is a reference to the body which replaces it or which substantially succeeds to its powers or functions.

### 1.3 Business Day

Where the day on or by which any thing is to be done is not a Business Day, that thing must be done on or by the next Business Day.

## 2 Preliminary matters

(a) Toll is a public company limited by shares, incorporated in Australia, and has been admitted to the official list of the ASX.

(b) As at the date of the Implementation Deed, there were on issue:

(1) 717,437,878 Toll Shares, which are quoted for trading on the ASX;

(2) no more than 7,305,926 performance rights, which are not quoted for trading on any stock exchange;

(3) no more than 15,902,834 performance options, which are not quoted for trading on any stock exchange;

(4) no more than 549,316 restricted rights, which are not quoted for trading on any stock exchange; and

(5) no more than 177,411 deferred equity rights, which are not quoted for trading on any stock exchange.

(c) Japan Post is an unlisted company limited by shares incorporated in Japan.

(d) If this Scheme becomes Effective:

(1) Japan Post must provide or procure the provision of the Scheme Consideration to the Scheme Shareholders in accordance with the terms of this Scheme and the Deed Poll; and

(2) all the Scheme Shares, and all the rights and entitlements attaching to them as at the Implementation Date, must be transferred to Japan Post and Toll will enter the name of Japan Post in the Share Register in respect of the Scheme Shares on the Implementation Date.

(e) Toll and Japan Post have agreed, subject to the terms and conditions set out in the Implementation Deed, to implement this Scheme.

(f) This Scheme attributes actions to Japan Post but does not itself impose an obligation on it to perform those actions. Japan Post has agreed, by executing the Deed Poll, to perform the actions attributed to it under this Scheme, including the provision or procuring the provision of the Scheme Consideration to the Scheme Shareholders.

# 3 Conditions

## 3.1 Conditions precedent

This Scheme is conditional on and will have no force or effect until, the satisfaction of each of the following conditions precedent:

(a) all the conditions in clause 3.1 of the Implementation Deed (other than the condition in the Implementation Deed relating to Court approval of this Scheme) having been satisfied or waived in accordance with the terms of the Implementation Deed by 8.00am on the Second Court Date;

(b) neither the Implementation Deed nor the Deed Poll having been terminated in accordance with their terms before 8.00am on the Second Court Date;

(c) approval of this Scheme by the Court under paragraph 411(4)(b) of the Corporations Act, including with any alterations made or required by the Court under subsection 411(6) of the Corporations Act and agreed to in writing by Japan Post and Toll;

(d) such other conditions made or required by the Court under subsection 411(6) of the Corporations Act in relation to this Scheme and agreed to by Japan Post and Toll having been satisfied or waived; and

(e) the orders of the Court made under paragraph 411(4)(b) (and, if applicable, subsection 411(6)) of the Corporations Act approving this Scheme coming into effect, pursuant to subsection 411(10) of the Corporations Act on or before the End Date (or any later date Toll and Japan Post agree in writing).

## 3.2 Certificate

(a) Toll and Japan Post will provide to the Court on the Second Court Date a certificate, or such other evidence as the Court requests, confirming (in respect of matters within their knowledge) whether or not all of the conditions precedent in clauses 3.1(a) and 3.1(b) have been satisfied or waived.

(b) The certificate referred to in clause 3.2(a) constitutes conclusive evidence that such conditions precedent were satisfied, waived or taken to be waived.

# 4 Implementation of this Scheme

## 4.1 Lodgement of Court orders with ASIC

Toll must lodge with ASIC, in accordance with subsection 411(10) of the Corporations Act, an office copy of the Court order approving this Scheme as soon as possible and in any event by 5.00pm on the first Business Day after the day on which the Court approves this Scheme.

### 4.2 Transfer of Scheme Shares

On the Implementation Date:

(a) subject to the provision of the Scheme Consideration in the manner contemplated by clause 5, the Scheme Shares, together with all rights and entitlements attaching to the Scheme Shares as at the Implementation Date, must be transferred to Japan Post, without the need for any further act by any Scheme Shareholder (other than acts performed by Toll as attorney and agent for Scheme Shareholders under clause 8.5), by:

(1) Toll delivering to Japan Post a duly completed Scheme Transfer, executed on behalf of the Scheme Shareholders by Toll, for registration; and

(2) Japan Post duly executing the Scheme Transfer, attending to the stamping of the Scheme Transfer (if required) and delivering it to Toll for registration; and

(b) immediately following receipt of the Scheme Transfer in accordance with clause 4.2(a)(2), Toll must enter, or procure the entry of, the name of Japan Post in the Share Register in respect of all the Scheme Shares transferred to Japan Post in accordance with this Scheme.

## 5 Scheme Consideration

### 5.1 Provision of Scheme Consideration

(a) Japan Post must, and Toll must use its best endeavours to procure that Japan Post does, by no later than the Business Day before the Implementation Date, deposit in cleared funds an amount equal to the aggregate amount of the Scheme Consideration payable to each Scheme Shareholder, in an Australian dollar denominated trust account operated by Toll as trustee for the Scheme Shareholders and notified to Japan Post at least 3 Business Days prior to the Implementation Date (provided that any interest on the amounts deposited (less bank fees and other charges) will be credited to Japan Post's account).

(b) On the Implementation Date, subject to funds having been deposited in accordance with clause 5.1(a), Toll must pay or procure the payment from the trust account referred to in clause 5.1(a) the Scheme Consideration to each Scheme Shareholder based on the number of Scheme Shares held by such Scheme Shareholder as set out in the Share Register on the Scheme Record Date.

(c) The obligations of Toll under clause 5.1(b) will be satisfied by Toll (in its absolute discretion):

(1) where a Scheme Shareholder has, before the Scheme Record Date, made a valid election in accordance with the requirements of the Toll Registry to receive dividend payments from Toll by electronic funds transfer to a bank account nominated by the Scheme Shareholder, paying, or procuring the payment of, the relevant amount in Australian currency by electronic means in accordance with that election; or

(2) otherwise, whether or not the Scheme Shareholder has made an election referred to in clause 5.1(c)(1), dispatching, or procuring the dispatch of, a cheque for the relevant amount in Australian currency to the Scheme Shareholder by prepaid post to their Registered Address (as at the Scheme Record Date), such cheque being drawn in the name of the Scheme Shareholder (or in the case of joint holders, in accordance with the procedures set out in clause 5.2).

(d) To the extent that, following satisfaction of Toll's obligations under clause 5.1(b), there is a surplus in the amount held by Toll as trustee for the Scheme Shareholders in the trust account referred to in that clause, that surplus shall be paid by Toll to Japan Post.

## 5.2 Joint holders

In the case of Scheme Shares held in joint names:

(a) subject to clause 5.1(c), the Scheme Consideration is payable to the joint holders and any cheque required to be sent under this Scheme will be made payable to the joint holders and sent to either, at the sole discretion of Toll, the holder whose name appears first in the Share Register as at the Scheme Record Date or to the joint holders; and

(b) any other document required to be sent under this Scheme, will be forwarded to either, at the sole discretion of Toll, the holder whose name appears first in the Share Register as at the Scheme Record Date or to the joint holders.

## 5.3 Unclaimed monies

(a) Toll may cancel a cheque issued under this clause 5 if the cheque:

(1) is returned to Toll; or

(2) has not been presented for payment within six months after the date on which the cheque was sent.

(b) During the period of one year commencing on the Implementation Date, on request in writing from a Scheme Shareholder to Toll (or the Toll Registry), Toll must reissue a cheque that was previously cancelled under this clause 5.3.

(c) The *Unclaimed Money Act* 2008 (VIC) will apply in relation to any Scheme Consideration which becomes 'unclaimed money' (as defined in section 3 of the *Unclaimed Money Act* 2008 (VIC)).

## 5.4 Orders of a court or Government Agency

If written notice is given to Toll (or the Toll Registry) of an order or direction made by a court of competent jurisdiction or by another Government Agency that:

(a) requires consideration to be provided to a third party (either through payment of a sum or the issuance of a security) in respect of Scheme Shares held by a particular Scheme Shareholder, which would otherwise be payable or required to be issued to that Scheme Shareholder by Toll in accordance with this clause 5, then Toll shall be entitled to procure that provision of that consideration is made in accordance with that order or direction; or

(b) prevents Toll from providing consideration to any particular Scheme Shareholder in accordance with clause 5, or the payment or issuance of such consideration is otherwise prohibited by applicable law, Toll shall be entitled to retain an amount, in Australian dollars, equal to the number of Scheme Shares held by that Scheme Shareholder multiplied by the Scheme Consideration until such time as provision of the consideration in accordance with this clause 5 is permitted by that order or direction or otherwise by law.

# 6 Dealings in Toll Shares

## 6.1 Determination of Scheme Shareholders

To establish the identity of the Scheme Shareholders, dealings in Toll Shares or other alterations to the Share Register will only be recognised if:

(a) in the case of dealings of the type to be effected using CHESS, the transferee is registered in the Share Register as the holder of the relevant Toll Shares on or before the Scheme Record Date; and

(b) in all other cases, registrable transfer or transmission applications in respect of those dealings, or valid requests in respect of other alterations, are received on or before the Scheme Record Date at the place where the Share Register is kept,

and Toll must not accept for registration, nor recognise for any purpose (except a transfer to Japan Post pursuant to this Scheme and any subsequent transfer by Japan Post or its successors in title), any transfer or transmission application or other request received after such times, or received prior to such times but not in registrable or actionable form, as appropriate.

## 6.2 Register

(a) Toll must register registrable transmission applications or transfers of the Scheme Shares in accordance with clause 6.1(b) before the Scheme Record Date provided that, for the avoidance of doubt, nothing in this clause 6.2(a) requires Toll to register a transfer that would result in a Toll Shareholder holding a parcel of Toll Shares that is less than a ‘marketable parcel’ (for the purposes of this clause 6.2(a) ‘marketable parcel’ has the meaning given in the Operating Rules).

(b) If this Scheme becomes Effective, a holder of Scheme Shares (and any person claiming through that holder) must not dispose of, or purport or agree to dispose of, any Scheme Shares or any interest in them on or after the Scheme Record Date otherwise than pursuant to this Scheme, and any attempt to do so will have no effect and Japan Post shall be entitled to disregard any such disposal.

(c) For the purpose of determining entitlements to the Scheme Consideration, Toll must maintain the Share Register in accordance with the provisions of this clause 6.2 until the Scheme Consideration has been paid to the Scheme Shareholders. The Share Register in this form will solely determine entitlements to the Scheme Consideration.

(d) All statements of holding for Toll Shares (other than statements of holding in favour of Japan Post) will cease to have effect after the Scheme Record Date as documents of title in respect of those shares and, as from that date, each entry current at that date on the Toll Share Register (other than entries on the Share Register in respect of Japan Post) will cease to have effect except as evidence of entitlement to the Scheme Consideration in respect of Toll Shares relating to that entry.

(e) As soon as possible on or after the Scheme Record Date, and in any event within one Business Day after the Scheme Record Date, Toll will ensure that details of the names, Registered Addresses and holdings of Toll Shares for each Scheme Shareholder as shown in the Share Register are available to Japan Post in the form Japan Post reasonably requires.

# 7 Quotation of Toll Shares

(a) Toll must apply to ASX to suspend trading on the ASX in Toll Shares with effect from the close of trading on the Effective Date.

(b) On a date after the Implementation Date to be determined by Japan Post, Toll must apply:

(1) for termination of the official quotation of Toll Shares on the ASX; and

(2) to have itself removed from the official list of the ASX.

# 8 General Scheme provisions

## 8.1 Consent to amendments to this Scheme

If the Court proposes to approve this Scheme subject to any alterations or conditions:

(a) Toll may by its counsel consent on behalf of all persons concerned to those alterations or conditions to which Japan Post has consented in writing; and

(b) each Scheme Shareholder agrees to any such alterations or conditions which counsel for Toll has consented to.

## 8.2 Scheme Shareholders' agreements and warranties

(a) Each Scheme Shareholder:

(1) agrees to the transfer of their Toll Shares together with all rights and entitlements attaching to those Toll Shares in accordance with this Scheme;

(2) agrees to the variation, cancellation or modification of the rights attached to their Toll Shares constituted by or resulting from this Scheme;

(3) agrees to, on the direction of Japan Post, destroy any share certificates relating to their Toll Shares; and

(4) acknowledges that this Scheme binds Toll and all Scheme Shareholders (including those who do not attend the Scheme Meeting or those who do not vote, or vote against this Scheme, at the Scheme Meeting).

(b) Each Scheme Shareholder is taken to have warranted to Toll and Japan Post on the Implementation Date, and appointed and authorised Toll as its attorney and agent to warrant to Japan Post on the Implementation Date, that all their Toll Shares (including any rights and entitlements attaching to those shares) which are transferred under this Scheme will, at the date of transfer, be fully paid and free from all mortgages, charges, liens, encumbrances, pledges, security interests (including any 'security interests' within the meaning of section 12 of the *Personal Property Securities Act 2009* (Cth)) and interests of third parties of any kind, whether legal or otherwise, and restrictions on transfer of any kind, and that they have full power and capacity to transfer their Toll Shares to Japan Post together with any rights and entitlements attaching to those shares. Toll undertakes that it will provide such warranty to Japan Post as agent and attorney of each Scheme Shareholder.

## 8.3 Title to and rights in Scheme Shares

(a) To the extent permitted by law, the Scheme Shares (including all rights and entitlements attaching to the Scheme Shares) transferred under this Scheme to Japan Post will, at the time of transfer of them to Japan Post, vest in Japan Post free from all mortgages, charges, liens, encumbrances, pledges, security interests (including any 'security interests' within the meaning of section 12 of the *Personal Property Securities Act 2009* (Cth)) and interests of third parties of any kind, whether legal or otherwise and free from any restrictions on transfer of any kind.

(b) Immediately upon the provision of the Scheme Consideration to each Scheme Shareholder in the manner contemplated by clause 5, Japan Post will be beneficially entitled to the Scheme Shares to be transferred to it under this Scheme pending registration by Toll of Japan Post in the Share Register as the holder of the Scheme Shares.

## 8.4 Appointment of sole proxy

Immediately upon the provision of the Scheme Consideration to each Scheme Shareholder in the manner contemplated by clause 5, and until Toll registers Japan Post as the holder of all Scheme Shares in the Share Register, each Scheme Shareholder:

(a) is deemed to have appointed Japan Post as attorney and agent (and directed Japan Post in each such capacity) to appoint any director, officer, secretary or agent nominated by Japan Post as its sole proxy and, where applicable or appropriate, corporate representative to attend shareholders' meetings, exercise the votes attaching to the Scheme Shares registered in their name and sign any shareholders' resolution;

(b) must not attend or vote at any of those meetings or sign any resolutions, whether in person, by proxy or by corporate representative (other than pursuant to clause 8.4(a));

(c) must take all other actions in the capacity of a registered holder of Scheme Shares as Japan Post reasonably directs; and

(d) acknowledges and agrees that in exercising the powers referred to in clause 8.4(a), Japan Post and any director, officer, secretary or agent nominated by Japan Post under clause 8.4(a) may act in the best interests of Japan Post as the intended registered holder of the Scheme Shares.

## 8.5 Authority given to Toll

Each Scheme Shareholder, without the need for any further act:

(a) on the Effective Date, irrevocably appoints Toll and each of its directors, officers and secretaries (jointly and each of them severally) as its attorney and agent for the purpose of enforcing the Deed Poll against Japan Post, and Toll undertakes in favour of each Scheme Shareholder that it will enforce the Deed Poll against

Japan Post on behalf of and as agent and attorney for each Scheme Shareholder; and

(b) on the Implementation Date, irrevocably appoints Toll and each of its directors, officers and secretaries (jointly and each of them severally) as its attorney and agent for the purpose of executing any document or doing or taking any other act necessary, desirable or expedient to give effect to this Scheme and the transactions contemplated by it, including (without limitation) executing the Scheme Transfer,

and Toll accepts each such appointment. Toll as attorney and agent of each Scheme Shareholder, may sub-delegate its functions, authorities or powers under this clause 8.5 to all or any of its directors, officers, secretaries or employees (jointly, severally or jointly and severally).

### 8.6 Binding effect of Scheme

This Scheme binds Toll and all of the Scheme Shareholders (including those who did not attend the Scheme Meeting to vote on this Scheme, did not vote at the Scheme Meeting, or voted against this Scheme at the Scheme Meeting) and, to the extent of any inconsistency, overrides the constitution of Toll.

## 9 General

### 9.1 Stamp duty

Japan Post will:

(a) pay all stamp duty and any related fines and penalties in respect of this Scheme and the Deed Poll, the performance of the Deed Poll and each transaction effected by or made under this Scheme and the Deed Poll; and

(b) indemnify each Scheme Shareholder against any liability arising from failure to comply with clause 9.1(a).

### 9.2 Consent

Each of the Scheme Shareholders consents to Toll doing all things necessary or incidental to the implementation of this Scheme, whether on behalf of the Scheme Shareholders, Toll or otherwise.

### 9.3 Notices

(a) If a notice, transfer, transmission application, direction or other communication referred to in this Scheme is sent by post to Toll, it will not be taken to be received in the ordinary course of post or on a date and time other than the date and time (if any) on which it is actually received at Toll's registered office or at the office of the Toll Registry.

(b) The accidental omission to give notice of the Scheme Meeting or the non-receipt of such notice by a Toll Shareholder will not, unless so ordered by the Court, invalidate the Scheme Meeting or the proceedings of the Scheme Meeting.

## 9.4 Governing law

(a) This Scheme is governed by the laws in force in Victoria, Australia.

(b) The parties irrevocably submit to the non-exclusive jurisdiction of courts exercising jurisdiction in Victoria and courts of appeal from them in respect of any proceedings arising out of or in connection with this Scheme. The parties irrevocably waive any objection to the venue of any legal process in these courts on the basis that the process has been brought in an inconvenient forum.

## 9.5 Further action

Toll must do all things and execute all documents necessary to give full effect to this Scheme and the transactions contemplated by it.

## 9.6 No liability when acting in good faith

Each Scheme Shareholder agrees that neither Toll, Japan Post nor any director, officer, secretary or employee of Toll or Japan Post, shall be liable for anything done or omitted to be done in the performance of this Scheme or the Deed Poll in good faith.

# Deed Poll

Japan Post Co., Ltd.

101 Collins Street Melbourne Vic 3000 Australia
GPO Box 128A Melbourne Vic 3001 Australia

T +61 3 9288 1234 F +61 3 9288 1567
herbertsmithfreehills.com DX 240 Melbourne

HERBERT SMITH FREEHILLS

# Deed Poll

Date ▸ 25 March 2015

## This deed poll is made

| | |
|---|---|
| By | **Japan Post Co., Ltd.**<br>of 1-3-2 Kasumigaseki, Chiyoda-ku, Tokyo 100-8798, Japan<br>(**Japan Post**) |
| in favour of | each person registered as a holder of fully paid ordinary shares in Toll Holdings Limited (**Toll**) in the Toll Share Register as at the Scheme Record Date. |
| Recitals | 1 Toll and Japan Post entered into the Implementation Deed.<br>2 In the Implementation Deed, Japan Post agreed to make this deed poll.<br>3 Japan Post is making this deed poll for the purpose of covenanting in favour of the Scheme Shareholders to perform its obligations under the Implementation Deed and the Scheme. |

This deed poll provides as follows:

# 1 Definitions and interpretation

## 1.1 Definitions

(a) The meanings of the terms used in this deed poll are set out below.

| Term | Meaning |
|---|---|
| **First Court Date** | the first day on which an application made to the Court for an order under subsection 411(1) of the Corporations Act convening the Scheme Meeting to consider the Scheme is heard or, if the application is adjourned or subject to appeal for any reason, the day on which the adjourned application is heard. |
| **Implementation Deed** | the scheme implementation deed entered into between Toll and Japan Post dated 18 February 2015. |

| Term | Meaning |
|---|---|
| **Scheme** | the scheme of arrangement under Part 5.1 of the Corporations Act between Toll and the Scheme Shareholders, the form of which is annexed to this deed poll, subject to any alterations or conditions made or required by the Court under subsection 411(6) of the Corporations Act and agreed to in writing by Japan Post and Toll. |

(b) Unless the context otherwise requires, terms defined in the Scheme have the same meaning when used in this deed poll.

### 1.2 Interpretation

Sections 1.2 and 1.3 of the Scheme apply to the interpretation of this deed poll, except that references to 'this Scheme' are to be read as references to 'this deed poll'.

### 1.3 Nature of deed poll

Japan Post acknowledges that:

(a) this deed poll may be relied on and enforced by any Scheme Shareholder in accordance with its terms even though the Scheme Shareholders are not party to it; and

(b) under the Scheme, each Scheme Shareholder irrevocably appoints Toll and each of its directors, officers and secretaries (jointly and each of them severally) as its agent and attorney to enforce this deed poll against Japan Post.

## 2 Conditions to obligations

### 2.1 Conditions

This deed poll and the obligations of Japan Post under this deed poll are subject to the Scheme becoming Effective.

### 2.2 Termination

The obligations of Japan Post under this deed poll to the Scheme Shareholders will automatically terminate and the terms of this deed poll will be of no force or effect if:

(a) the Implementation Deed is terminated in accordance with its terms; or

(b) the Scheme is not Effective on or before the End Date,

unless Japan Post and Toll otherwise agree in writing.

### 2.3 Consequences of termination

If this deed poll terminates under clause 2.2, in addition and without prejudice to any other rights, powers or remedies available to it:

(a) Japan Post is released from its obligations to further perform this deed poll except those obligations under clause 7.1; and

(b) each Scheme Shareholder retains the rights they have against Japan Post in respect of any breach of this deed poll which occurred before it was terminated.

## 3 Scheme Consideration

Subject to clause 2, Japan Post undertakes in favour of each Scheme Shareholder to:

(a) deposit, or procure the deposit of, in cleared funds, by no later than the Business Day before the Implementation Date, an amount equal to the aggregate amount of the Scheme Consideration payable to all Scheme Shareholders under the Scheme into an Australian dollar denominated trust account operated by Toll as trustee for the Scheme Shareholders and notified to Japan Post at least 3 Business Days prior to the Implementation Date, except that any interest on the amounts deposited (less bank fees and other charges) will be credited to Japan Post's account; and

(b) undertake all other actions attributed to it under the Scheme,

subject to and in accordance with the terms of the Scheme.

## 4 Warranties

Japan Post represents and warrants in favour of each Scheme Shareholder, in respect of itself, that:

(a) it is a corporation validly existing under the laws of its place of registration;

(b) it has the corporate power to enter into and perform its obligations under this deed poll and to carry out the transactions contemplated by this deed poll;

(c) it has taken all necessary corporate action to authorise its entry into this deed poll and has taken or will take all necessary corporate action to authorise the performance of this deed poll and to carry out the transactions contemplated by this deed poll;

(d) this deed poll is valid and binding on it and enforceable against it in accordance with its terms; and

(e) this deed poll does not conflict with, or result in the breach of or default under, any provision of its constitution, or any writ, order or injunction, judgment, law, rule or regulation to which it is a party or subject or by which it is bound.

## 5 Continuing obligations

This deed poll is irrevocable and, subject to clause 2, remains in full force and effect until:

(a) Japan Post has fully performed its obligations under this deed poll; or

(b) the earlier termination of this deed poll under clause 2.

# 6 Notices

## 6.1 Form of Notice

A notice or other communication in respect of this deed poll (**Notice**) must be:

(a) in writing and in English and signed by or on behalf of the sending party; and

(b) addressed to Japan Post in accordance with the details set out below (or any alternative details nominated by Japan Post by Notice).

| | Address | Addressee | Email |
|---|---|---|---|
| | 1-3-2 Kasumigaseki<br>Chiyoda-ku, Tokyo 100-8798<br>Japan | Hiroshi Shiraishi<br>Executive Manager,<br>Corporate Planning<br>Division | hiroshi.shiraishi.tz@jp-post.jp |
| Copy to: | Nishimura & Asahi,<br>Ark Mori Building, 1-12-32<br>Akasaka, Minato-ku, Tokyo<br>107-6029, Japan | Masakazu Iwakura<br>Partner | m_iwakura@plus.jurists.co.jp |
| | Clayton Utz,<br>Level 28, 71 Eagle Street<br>Brisbane, QLD 4000 | Darryl McDonough<br>Partner | dmcdonough@claytonutz.com |

## 6.2 How Notice must be given and when Notice is received

(a) A Notice must be given by one of the methods set out in the table below.

(b) A Notice is regarded as given and received at the time set out in the table below.

However, if this means the Notice would be regarded as given and received outside the period between 9.00am and 5.00pm on a Business Day (**business hours period**), then the Notice will instead be regarded as given and received at the start of the following business hours period.

| Method of giving Notice | When Notice is regarded as given and received |
|---|---|
| By hand to the nominated address | When delivered to the nominated address |
| By email to the nominated email address | When the email (including any attachment) comes to the attention of the recipient party or a person acting on its behalf. |

# 7 General

## 7.1 Stamp duty

Japan Post:

(a) will pay all stamp duty and any related fines and penalties in respect of the Scheme and this deed poll, the performance of this deed poll and each transaction effected by or made under the Scheme and this deed poll; and

(b) indemnify each Scheme Shareholder against any liability arising from failure to comply with clause 7.1(a).

## 7.2 Governing law and jurisdiction

(a) This deed poll is governed by the law in force in Victoria, Australia.

(b) Japan Post irrevocably submits to the non-exclusive jurisdiction of courts exercising jurisdiction in Victoria and courts of appeal from them in respect of any proceedings arising out of or in connection with this deed poll. Japan Post irrevocably waives any objection to the venue of any legal process in these courts on the basis that the process has been brought in an inconvenient forum.

## 7.3 Waiver

(a) Japan Post may not rely on the words or conduct of any Scheme Shareholder as a waiver of any right unless the waiver is in writing and signed by the Scheme Shareholder granting the waiver.

(b) The meanings of the terms used in this clause 7.3 are set out below.

| Term | Meaning |
|---|---|
| **conduct** | includes delay in the exercise of a right. |
| **right** | any right arising under or in connection with this deed poll and includes the right to rely on this clause. |
| **waiver** | includes an election between rights and remedies, and conduct which might otherwise give rise to an estoppel. |

## 7.4 Variation

A provision of this deed poll may not be varied unless the variation is agreed to by Japan Post and:

(a) if before the First Court Date, the variation is agreed to by Toll; or

(b) if on or after the First Court Date, the variation is agreed to by Toll and the Court indicates that the variation would not of itself preclude approval of the Scheme,

in which event Japan Post will enter into a further deed poll in favour of the Scheme Shareholders giving effect to the variation.

## 7.5 Cumulative rights

The rights, powers and remedies of Japan Post and the Scheme Shareholders under this deed poll are cumulative and do not exclude any other rights, powers or remedies provided by law independently of this deed poll.

## 7.6 Assignment

(a) The rights created by this deed poll are personal to Japan Post and each Scheme Shareholder and must not be dealt with at law or in equity without the prior written consent of Japan Post.

(b) Any purported dealing in contravention of clause 7.6(a) is invalid.

## 7.7 Further action

Japan Post must, at its own expense, do all things and execute all documents necessary to give full effect to this deed poll and the transactions contemplated by it.

HERBERT
SMITH
FREEHILLS

# Signing page

## Executed as a deed poll

Signed for
**Japan Post Co., Ltd.**
by

*sign here* ► 高橋 亨
President and CEO

*print name* Toru Takahashi

in the presence of

*sign here* ► H. Shiraishi
Witness

*print name* Hiroshi Shiraishi

HERBERT SMITH FREEHILLS

# Annexure

## Scheme

Refer to Annexure B of this Scheme Booklet

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# Notice of Meeting

**Toll Holdings Limited ABN 25 006 592 089**

Notice is hereby given, that by an order of the Supreme Court of Victoria pursuant to section 411(1) of the *Corporations Act 2001* (Cth), a meeting of shareholders of Toll Holdings Limited (Toll) will be held at Melbourne Convention Centre, Clarendon Auditorium, 1 Convention Centre Place, South Wharf, Melbourne 3006 on Wednesday, 13 May 2015 at 10.00am (AEST).

### Business of meeting

The purpose of the Scheme Meeting is to consider and, if thought fit, to agree to a Scheme of Arrangement (with or without modification) to be made between Toll and Toll ordinary shareholders.

### Resolution

The Scheme Meeting will be asked to consider, and, if thought fit, to pass the following resolution:

"That, pursuant to and in accordance with section 411 of the *Corporations Act 2001* (Cth), the Scheme of Arrangement (the terms of which are described in the Scheme Booklet of which the notice convening this meeting forms part) is agreed to (with or without modification as approved by the Supreme Court of Victoria)."

By order of the board of Toll Holdings Limited.

Bernard McInerney
Company Secretary

2 April 2015

# Explanatory notes

**Material accompanying this notice**

This notice of meeting and the Scheme Resolution should be read in conjunction with the booklet of which this notice forms part (Scheme Booklet). Terms used in this notice, unless otherwise defined, have the same meaning as set out in the Glossary in section 9 of the Scheme Booklet.

A Proxy Form also accompanies this notice.

**Voting**

The Toll Directors recommend that you vote in favour of the Scheme Resolution. They each intend to vote all Toll Shares held by them in favour of the Scheme Resolution.

**Quorum**

A quorum for a meeting of Toll Shareholders is 2 or more members present in person or by proxy and entitled to vote at the meeting (in person, by attorney, proxy or representative).

**Majorities required**

In accordance with section 411(4)(a) of the Corporations Act, for the Scheme of Arrangement to be approved by Toll Shareholders, the Scheme Resolution must be passed by:

- unless the court orders otherwise, a majority in number of holders of ordinary shares present and voting (either in person or by proxy); and
- at least 75% of the votes cast on the resolution.

**Court approval**

In accordance with section 411(4)(b) of the Corporations Act, to become effective, the Scheme of Arrangement must be approved by the order of the Court. If the Scheme Resolution set out in this notice is agreed to by the required majorities set out above and the conditions set out in the Scheme of Arrangement are satisfied or waived (where capable of waiver), Toll will apply to the Court for the necessary orders to give effect to the Scheme of Arrangement.

**Determination of entitlement to attend and vote**

For the purposes of the Scheme Meeting, Toll Shares will be taken to be held by the persons who are registered as members at 7.00pm (AEST) on Monday, 11 May 2015. Accordingly, registrable transmission applications to transfers registered after this time will be disregarded in determining entitlements to vote at the Scheme Meeting.

**How to vote**

If you are a Toll Shareholder entitled to attend and vote at the Scheme Meeting, you may vote by:

- attending the Scheme Meeting in person;
- appointing a proxy to attend on your behalf;
- appointing an attorney to vote on your behalf; or
- in the case of a corporation which is a Toll Shareholder, by appointing an authorised corporate representative to attend on its behalf.

**Voting at the Scheme Meeting will occur by poll**

All persons attending the Scheme Meeting are asked to arrive at least 30 minutes prior to the time the Scheme Meeting is to commence, so that either their shareholding may be checked against the Register, their power of attorney or appointment as corporate representative can be verified (as the case may be), and their attendance noted.

**Jointly held securities**

If the Toll Shares are jointly held, each of the joint shareholders is entitled to vote. However, if more than one shareholder votes in respect of jointly held Toll Shares, only the vote of the shareholder whose name appears first on the Register will be counted.

**Voting in person**

To vote in person at the Scheme Meeting, you must attend the Scheme Meeting to be held at Melbourne Convention Centre, Clarendon Auditorium, 1 Convention Centre Place, South Wharf, Melbourne 3006 on Wednesday, 13 May 2015. The meeting will commence at 10.00am (AEST).

A Toll Shareholder who wishes to attend and vote at the Scheme Meeting in person will be admitted to the Scheme Meeting and given a voting card on disclosure at the point of entry to the Scheme Meeting of their name and address.

**Voting by proxy**

A Toll Shareholder entitled to attend and vote at the meeting is also entitled to appoint a proxy to vote on their behalf. The Proxy Form is enclosed with this Scheme Booklet. You may appoint not more than 2 proxies to attend and act for you at the Scheme Meeting. A proxy need not be a Toll Shareholder. If two proxies are appointed, each proxy may be appointed to represent a specified number or proportion of your votes. If no such number or proportion is specified, each proxy may exercise half of your votes.

If you do not instruct your proxy on how to vote, your proxy may vote as he or she sees fit at the Scheme Meeting.

A proxy will be admitted to the Scheme Meeting and given a voting card on providing at the point of entry to the Scheme Meeting written evidence of their name and address.

The sending of a Proxy Form will not preclude a Toll Shareholder from attending in person and voting at the Scheme Meeting if the Toll Shareholder is entitled to attend and vote.

For the appointment of a proxy to be effective, the Proxy Form enclosed with this Notice of Meeting, together with any authority under which the Proxy Form was executed, or a certified copy of that authority, must be completed and:

- lodged online at www.votingonline.com.au/tollgm2015 (see below);
- deposited at the Toll Registry, Boardroom Pty Limited, located at Level 7, 207 Kent Street, Sydney NSW 2000;
- sent by post to Boardroom Pty Limited to GPO Box 3891, Sydney NSW 2001; or
- sent by facsimile to the Toll Registry on +61 2 9290 9655.

Please note that Proxy Forms must be received by the Toll Registry by no later than 10.00am (AEST) on Monday, 11 May 2015.

Toll Shareholders wishing to lodge electronic proxies online may do so by accessing the Investor Vote system on the Toll Registry's website at www.votingonline.com.au/tollgm2015 and then inputting the shareholder's secure access information to commence voting. Shareholders must lodge electronic proxies online no later than 10.00am (AEST) on Monday, 11 May 2015.

**Voting by attorney**

For the appointment of an attorney to be effective, the instrument appointing the attorney and the power of attorney under which it was executed, or a certified copy of that power, must be deposited in the manner and within the time period set out above.

An attorney will be admitted to the Scheme Meeting and given a voting card on providing at the point of entry of the Scheme Meeting written evidence of their appointment, their name and address and the identity of their appointer.

The sending of a power of attorney will not preclude a Toll Shareholder from attending in person and voting at the Scheme Meeting if the Toll Shareholder is entitled to attend and vote.

**Voting by corporate representative**

To vote at the Scheme Meeting (other than by proxy or by attorney), a corporation that is a Toll Shareholder must appoint a person (either by name or position and whether a Toll Shareholder or not) to act as its representative. The appointment must comply with section 250D of the Corporations Act.

An authorised corporate representative will be admitted to the Scheme Meeting and given a voting card on providing at the point of entry to the Scheme Meeting written evidence of their appointment including any authority under which it is signed, their name and address and the identity of their appointer.

# Corporate Directory

**Toll Holdings Limited**
Level 7, 380 St Kilda Road
Melbourne, Victoria 3004
Australia

**Financial Adviser**
Lazard Pty Ltd
Level 33, 101 Collins Street
Melbourne, Victoria 3000
Australia
Telephone: +61 3 9657 8400
Fax: +61 3 9657 8411

**Legal Adviser**
Herbert Smith Freehills
Level 42, 101 Collins Street
Melbourne, Victoria 3000
Australia
Telephone: +61 3 9288 1234
Fax: +61 3 9288 1567

**Share Registry**
Boardroom Pty Limited
Level 7, 207 Kent Street
Sydney, New South Wales 2000
Australia
Telephone: 1800 222 722 (within Australia) or +61 2 9290 9699 (outside Australia)
Fax: + 61 2 9290 9655
Email: toll@boardroomlimited.com.au

**Shareholder Information Line**
1800 222 722 (within Australia)
+61 2 9290 9699 (outside Australia)

www.tollgroup.com

TOLL

**All Correspondence to:**

**By Mail** Boardroom Pty Limited
GPO Box 3891
Sydney NSW 2001 Australia

Level 7, 207 Kent Street,
Sydney NSW 2000 Australia

**By Fax:** +61 2 9290 9655

**Online:** www.boardroomlimited.com.au

**By Phone:** (within Australia) 1800 222 722
(outside Australia) +61 2 9290 9699

# YOUR VOTE IS IMPORTANT

For your vote to be effective it must be recorded **before 10:00am AEST on Monday 11 May 2015.**

## TO VOTE ONLINE

**STEP 1: VISIT** www.votingonline.com.au/tollgm2015

**STEP 2: Enter your holding/investment type:**

**STEP 3: Enter your Reference Number:**

**STEP 4: Enter your VAC:**

**PLEASE NOTE:** For security reasons it is important you keep the above information confidential.

## BY SMARTPHONE

Scan QR Code using smartphone
QR Reader App

## TO VOTE BY COMPLETING THE SCHEME MEETING PROXY FORM

### STEP 1 APPOINTMENT OF PROXY

Indicate who you want to appoint as your Proxy.

If you wish to appoint the Chair of the Meeting as your proxy, mark the box. If you wish to appoint someone other than the Chair of the Meeting as your proxy please write the full name of that individual or body corporate. If you leave this section blank, or your named proxy does not attend the Scheme Meeting, the Chair of the Meeting will be your proxy. A proxy need not be a security holder of the company. Do not write the name of the issuer company or the registered securityholder in the space.

**Appointment of a Second Proxy**

You are entitled to appoint up to two proxies to attend the Scheme Meeting and vote. If you wish to appoint a second proxy, an additional Scheme Meeting Proxy Form may be obtained by contacting the Toll Holdings Limited Share Registry or you may copy this form.

To appoint a second proxy you must:

(a) complete two Scheme Meeting Proxy Forms. On each Scheme Meeting Proxy Form state the percentage of your voting rights or the number of securities applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded.

(b) return both forms together in the same envelope.

### STEP 2 VOTING DIRECTIONS TO YOUR PROXY

To direct your proxy how to vote, mark one of the boxes opposite the item of business. All your securities will be voted in accordance with such a direction unless you indicate only a portion of securities are to be voted on the item by inserting the percentage or number that you wish to vote in the appropriate box. If you do not mark any of the boxes on the item, your proxy may vote as he or she chooses. If you mark more than one box on the item for all your securities your vote will be invalid.

**Proxy which is a Body Corporate**

Where a body corporate is appointed as your proxy, the representative of that body corporate attending the meeting must have provided an "Appointment of Corporate Representative" prior to admission. An Appointment of Corporate Representative form can be obtained from the Toll Holdings Limited Share Registry.

### STEP 3 SIGN THE FORM

The form **must** be signed as follows:

**Individual:** This form is to be signed by the securityholder.

**Joint Holding**: where the holding is in more than one name, all the securityholders should sign.

**Power of Attorney:** to sign under a Power of Attorney, you must have already lodged it with the registry. Alternatively, attach a certified photocopy of the Power of Attorney to this form when you return it.

**Companies:** this form must be signed by a Director jointly with either another Director or a Company Secretary. Where the company has a Sole Director who is also the Sole Company Secretary, this form should be signed by that person. If the company (pursuant to section 204A of the Corporations Act) does not have a company secretary, a sole director can sign alone. **Please indicate the office held by signing in the appropriate place.**

### STEP 4 LODGEMENT

Scheme Meeting proxy forms (and any Power of Attorney under which it is signed) must be received no later than 48 hours before the commencement of the meeting, therefore by **10:00am AEST on Monday 11 May 2015.** Any Scheme Meeting Proxy Form received after that time will not be valid for the scheduled Scheme Meeting.

**Proxy forms may be lodged using the enclosed Reply Paid Envelope or:**

**Online** www.votingonline.com.au/tollgm2015

**By Fax** + 61 2 9290 9655

**By Mail** Boardroom Pty Limited
GPO Box 3891,
Sydney NSW 2001 Australia

**In Person** Level 7, 207 Kent Street,
Sydney NSW 2000 Australia

### Attending the Meeting

If you wish to attend the meeting please bring this form with you to assist registration.

## Toll Holdings Limited

ACN 006 592 089

☐ **Your Address**

This is your address as it appears on the company's share register. If this is incorrect, please mark the box with an "X" and make the correction in the space to the left. Securityholders sponsored by a broker should advise their broker of any changes. **Please note, you cannot change ownership of your securities using this form.**

# SCHEME MEETING PROXY FORM

## STEP 1 APPOINT A PROXY

I/We being a member/s of **Toll Holdings Limited** (Company) and entitled to attend and vote hereby appoint:

☐ the **Chair of the Meeting (mark box)**

**OR** if you are **NOT** appointing the Chair of the Meeting as your proxy, please write the name of the person or body corporate (excluding the registered shareholder) you are appointing as your proxy below

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chair of the Meeting as my/our proxy at the Scheme Meeting of the Company to be held at the **Melbourne Convention Centre, Clarendon Auditorium, 1 Convention Centre Place, South Wharf, Melbourne 3006 on Wednesday, 13 May, 2015 at 10:00am AEST** and at any adjournment of that meeting, to act on my/our behalf and to vote in accordance with the following directions or if no directions have been given, as the proxy sees fit.

The Chair of the Meeting intends to vote undirected proxies in favour of the item of business.

## STEP 2 VOTING DIRECTIONS

* If you mark the Abstain box for the item, you are directing your proxy not to vote on your behalf on the poll and your vote will not be counted in calculating the required majority.

| | | For | Against | Abstain* |
|---|---|---|---|---|
| Resolution 1 | "That, pursuant to and in accordance with section 411 of the Corporations Act 2001, the Scheme of Arrangement (the terms of which are described in the Scheme Booklet of which the notice convening this meeting forms part) is agreed to (with or without modification as approved by the Supreme Court of Victoria)." | ☐ | ☐ | ☐ |

## STEP 3 SIGNATURE OF SHAREHOLDERS

This form must be signed to enable your directions to be implemented.

| Individual or Securityholder 1 | Securityholder 2 | Securityholder 3 |
|---|---|---|
| | | |
| Sole Director and Sole Company Secretary | Director | Director / Company Secretary / Sole Director (no Company Secretary) |

Contact Name…………………………………………....   Contact Daytime Telephone……………………..............................   Date / / 2015