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Toll Holdings Limited
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The Manager
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Company Announcement Office
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Sydney NSW 2000

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Dear Sir

2013 AGM – CHAIRMAN AND MANAGING DIRECTOR ADDRESSES

Please find attached for immediate release to the market the Chairman and Managing Director Addresses for the 2013 Annual General Meeting.

Yours faithfully
TOLL HOLDINGS LIMITED

Bernard McInerney
Company Secretary

Encl.

2013 Annual General Meeting – Chairman and Managing Director's addresses

Chairman's address

I'll start today's proceedings by giving you an overview of our operational performance this year. I'll then update you on some of the activities and initiatives that the Board has been focussing on.

Firstly, let me say I am pleased with our progress in the past year. Revenues of $8.7 billion and a three per cent increase in underlying net profit is a credible result given the challenging economic conditions we are experiencing.

Once again, the strength of our Australian businesses and our focus on getting more value out of our existing businesses, coupled with our ability to grow organically into targeted markets has helped us to achieve good shareholder returns.

The very weak trading conditions faced by Toll Global Forwarding continued in the second half of the year. So, as we announced in June, we wrote down the carrying value of the business by $215 million. Brian will explain later how the business is responding to the challenges confronting the global forwarding sector.

Despite the challenging market conditions, the company generated strong cash flows. Our confidence in the sustainability of these cash flows was reflected in the increase of our total dividends for the year by 2 cents to 27 cents per share.

Importantly, we have also seen an improvement in our Return on Invested Capital.

At last year's meeting we spoke about some of the cultural change occurring at Toll and I can honestly say that we are really starting to see our businesses behaving in a different way and working more as one organisation. There are many examples and I know Brian will be taking you through some of these in his address, but for me The Toll Way, our new set of values and beliefs that we launched at last year's AGM, is really setting us up to be a sound, ethical, high performing organisation.

We have also been very impressed with the way the management has built on Toll's safety focus. You might have read in our various publications or seen in today's foyer display that safety is a key priority. As one of our core values you would expect it to be important, but I don't think that really does justice to quite how central the safety of our people is to our business, and how a focus on safety drives a whole range of activities that benefit the business in the broader sense.

As you walk around the business you see the posters for our "*Think safe. Act safe. Be safe*" campaign that say, "*Everyone has the right to go home safely*". We believe in these words and we're doing all we can to ensure it's true for everyone at Toll.

We have again seen some important developments this year with our approach to the environment. The first is our inaugural environment report which is available in the foyer.

During the reporting period we focused on energy efficiency, driver training and the use of renewable fuels such as biodiesels and compressed natural gas. In September, we also commenced our electric truck trial, the first of its kind to be run commercially in Australia.

As usual the Board has taken an active interest in the business and has visited a number of sites during the year. This year we have been to see our operations in various parts of Australia as well as New Zealand where we saw the clean-up and redevelopment efforts in Christchurch following the 2011 earthquake. Our business there has played a significant role in giving back to the city and its people.

In terms of diversity, this year we launched our first Reconciliation Action Plan or rap which outlines our commitment to the indigenous people of Australia. This is an exciting step in our move towards reconciliation and the Board supports these endeavours. Again, should you wish to read our rap, these are available in the foyer.

In line with our Equal Opportunities and Diversity Policy, we made progress in redressing the gender balance within our workforce. Today a quarter of our workforce is female and women now occupy 13% of our senior leadership roles.

This is also an ongoing issue at Board level, and we are keen to ensure that any future appointments to the Board consider applications from a range of sources. We do however find that there are not as many female applicants available for Board or senior management appointments as we would like to see, and we recognise the role we need to play to develop our female leaders and managers to enter these positions later in their careers.

As you may have read in September this year we announced that Ken Ryan has joined our Board. Ken has a strong background with Qantas. He has the respect of his peers after more than two decades in the industry, holding various management roles in both Australia and Asia. He also has a broad range of experience that will bring a unique outlook to Toll.

At the same time, we announced that Paul Little will not be coming back onto the Board. Mr Little has indicated that he is busy with other business and Board interests, and he wants to concentrate on these projects. He will however be continuing in his role representing Toll on our Singapore Government Business Board.

As I outlined at last year’s AGM, losing Paul from the Board does create the need to bolster the Board’s logistics skills and experience.

Along with our aim to be a more gender representative Board, logistics expertise will be a key attribute we will be looking for when we search for new candidates. Like all good businesses, we are managing the succession plans for the Board and have done some work this year to ensure we have the right skill balance on our Board both now and in the future.

This is largely why we have sought to raise our aggregate Non-Executive Director Board remuneration fee cap. As you will recall, we have been very conservative with our remuneration fees in the past few years paying a flat rate to Non-Executive Directors in FY12 and FY13. However we are asking for your support in raising the cap in Non-Executive Director remuneration to enable us to manage a smooth succession process over the coming years. This will allow us to bring on new Board members before retiring ones leave, giving us a reasonable handover period.

I must stress, this is not an increase in cap to permit a large recruitment drive or significant fee increase. We intend to use it to manage the succession plans for our Board which may see an increase in Non-Executive Director numbers on the Board as director's transition.

Your chair of the Remuneration Committee, Harry Boon, will address the meeting prior to seeking shareholder approval of the Remuneration Report and will at that time be on hand to answer any questions you may have regarding this proposed increase in the cap.

I would like to thank my fellow Directors for their work this year, and of course to Brian, his management team and all Toll's employees for their excellent contribution.

Thank you for your attention. I now have pleasure of passing you over to your Managing Director, Brian Kruger.

Managing Director's Address

Thanks Ray and good morning ladies and gentlemen. Thank you for joining us today.

I've now been in my role for a little over 18 months and I'm feeling like we have made steady progress in our key areas of focus, including safety, driving more value from our existing businesses and in making sure we have a single culture and set of values that our people use to drive their actions and decisions.

I'll talk some more about each of these areas later on, but before then I'd like to review some of the highlights for each of our operating divisions for the past year.

Firstly, let's look at Toll Global Resources, which delivered a good result given the downturn in the mining sector and the completion of the Australian Defence Force contract in East Timor in February.

Toll Energy built on last year's strong result, with growth coming from the work we are doing on Barrow Island for the Gorgon project as well as new contracts supporting the upstream component of LNG projects in Queensland.

The downturn in the mining sector did have a significant impact on our Mining Services business, particularly in the second half. We are now focussed on making sure we adjust our cost base to mitigate the impact of the downturn.
Toll Remote Logistics has done an excellent job in winning new work across a number of markets to help offset the completion of the Australian Defence Force contract in East Timor.

Our marine businesses in both Australia and Asia delivered improved results due to new contracts and restructuring initiatives that reduced operating costs and resulted in a number of loss making vessels being sold.

Finally, we completed the redevelopment of the TOPS facility in Singapore and have started to see the expected ramp up in earnings from that business. This is an amazing facility and a credit to everyone involved in the redevelopment.

We were actually quite pleased with Toll Global Logistics' result given the very challenging markets faced by many of its businesses.

After adjusting for the sell down of the automotive distribution business, EBITA was actually up 9% in the remaining businesses.

In Australia, Contract Logistics and Customised Solutions did a great job in offsetting volume weakness from existing customers by winning a number of new contracts.

The remaining part of our Australian automotive business, which is primarily involved in warehousing and parts distribution, also won a number of new customer contracts and reduced costs in existing contracts. However, our Prixcar joint venture was affected by a reduction in finished vehicle distribution volumes.

Toll Global Logistics' Asian operations delivered an improved result, despite lower revenue as they continued the focus on cost reductions and exiting unprofitable contracts.

In Toll Global Forwarding, we announced a change of leadership following the retirement of Hugh Cushing after nearly 40 years of service. Hugh has been replaced by Paul Coutts, who is a very experienced and talented executive. Paul has hit the ground running and has a very clear path mapped out for Toll Global Forwarding.

As most of you would be aware, market conditions remained challenging for global forwarders over the last 12 months, driven by a combination of excess shipping capacity and weak end-market demand.

We saw both our ocean and air freight volumes decline year on year, with ocean volumes affected by some of our larger customers moving more freight direct with the shipping companies and air volumes affected by some customers switching a proportion of their volume to the cheaper ocean freight option, negatively impacting our gross profit margins.

So, despite an improved performance from our supply chain businesses in the US and Australia and good progress on our cost reduction program, we saw EBITA reduce to $6 million.

The ongoing weak market conditions saw us reduce growth and margin assumptions used in the year end impairment testing process, resulting in a decision to write down the value of our investment in Toll Global Forwarding by $215 million.

At the same time as announcing the write-down, we announced the launch of *Project Forward* to accelerate our cost reduction program. We also said that we would not be undertaking further acquisitions in this Division until we see an improvement in results. We're targeting cost savings of $15-20 million this financial year, and we're well on track to achieving this target.

So, all in all, it was another tough year for Toll Global Forwarding, but we remain committed to our strategy for this business as we believe it can, and will add value to the Group over the medium to long term.

While we saw margins and returns decline slightly in Toll Global Express, I think our businesses responded very well to the challenging market conditions that occurred during the year.

Our express road freight business, Toll IPEC, managed to grow its revenue despite down-trading from discretionary retail customers and was also able to manage cost challenges arising from the fact that some of our major depots are nearing capacity.

Toll Priority, our express air freight business, and Toll Fast, our courier business, both had small declines in EBITA. This reflected unfavourable changes in both customer and product mix, particularly as customers remained focussed on managing their spending on premium express freight services as they sought to manage their own costs.

In Japan, we managed a small improvement in earnings by reducing operating and overhead costs more than enough to offset the decline in volumes. We announced last year that we were undertaking a strategic review of our Japanese business. We concluded that while we would look to sell some minor parts of the business, the best strategy for our shareholders at this point in time is to continue with the rest of the operations.

I mentioned earlier that Toll IPEC is bumping up against capacity constraints at a couple of its major depots.

This is a recent picture of the very exciting new development we have underway at Eastern Creek in Sydney.

The total investment at the site is about $170 million, with Toll's share of that spend being about $40 million.

This new facility will be able to handle about 35,000 parcels per hour compared with around 12,000 parcels per hour at our current major Sydney site, and it will enable consolidation of four existing sites, significantly improving both productivity and service. This facility will also provide us capability to continue to grow our online retail logistics business in a very cost efficient way.

Toll Domestic Forwarding grew earnings and margins despite overall lower revenue. The two key contributors to this result were the sale of the loss-making Refrigerated business and continued growth in volumes for the Tasmanian shipping business.

Our intermodal business did have a difficult year with aggressive competition affecting margins and customer down-trading affecting volumes. We are working hard at mitigating the impact by adjusting our cost base to deal with these lower volumes.

On the positive side our Tasmanian business delivered strong results driven by both new contract wins and improved operational costs. The benefits from the acquisition of Linfox's Tasmania business late in the year will also help partially offset the impact of the costs associated with the dry-docking of one of our two Tasmanian vessels in fiscal year 2014.

We've also successfully commenced and completed a number of terminal developments within this division during the year which will deliver ongoing cost improvements as well as increased capacity and efficiency.

In Toll Specialised and Domestic Freight we had an expectation of recent earnings growth momentum continuing – and continue it did.
Recognising that both Toll Express and Toll NQX have exposure to the mining sector, particularly in Queensland, they really did deliver exceptional results.

Both businesses are great examples of the benefits of reinvesting in our very strong domestic businesses and we saw the payoff from earlier investment in fleet and technology. We do expect the benefits of these investments to continue to flow in 2014 and to help offset the ongoing softness in mining related volumes.

Our Toll Liquids business also produced a really strong result, again showing the benefits of new customer wins and investments in fleet upgrades.

Finally, this is a picture of the new depot being constructed for Toll NQX at Berrinba in Queensland. We expect to be up and running around March next year and again will get benefits in terms of both costs and productivity as well as improving service levels for our customers.

I hope these photos give you a sense of the investments we're making in our existing businesses to provide cost and service level improvements in the short term, as well as to position us really well to maintain our industry leading positions when domestic economic conditions improve.

So that's a quick recap of the performance of each of the Divisions over the last year. I'd now like to spend a few minutes talking about a few group wide initiatives we've been working on and some of the areas you can expect to see us developing over the coming 12 months.

One of the achievements over the last six months that was critical for our domestic Australian businesses was the completion of our Enterprise Bargaining Agreement with the Transport Workers' Union. This agreement covers almost 10,000 members of our Australian workforce for the next four years. While these negotiations are always tough, we were pleased we were able to reach agreement without industrial action.

We now have an agreement that will see us maintaining industry leading terms and conditions for our people, but will also encourage the union to bring others in our industry up to comparable terms.

As I said many times during the negotiation, I am happy to have our people amongst the best paid in the industry because it means we can attract the best talent, but the gap to the competition needs to be manageable so we can still compete and win business. Our people recognised this and I am pleased to say that last week, well over 90% of them voted in favour of the new agreement.

The issue of safety in our industry has had a lot of press recently, highlighting one of the reasons why safety is at the forefront of everything we do. As I mentioned to you at last year's AGM, creating a safety first culture at Toll is one of my main goals. With the launch of our global health and safety strategy, *Think safe. Act safe. Be safe.* at the beginning of this year, we have continued to see improvement in our business' approach to safety.

Safety has always been important for Toll, but different parts of the business had been more advanced than others. With our single, consistent strategy, we're all working with the same tools, the same training, and the same understanding and expectations of what a safe workplace looks like.

To launch this new common approach to safety, we ran a global stop for safety in February. Every team in each of our 1,200 locations was asked to stop for 30 minutes and conduct a meeting on safety. Each site played a video that demonstrates why safety is so important to everyone at Toll. I'd now like share this video with you.

(Play video)

I think you will agree, that's quite a moving piece and does a good job in helping us all remember why safety is so important. The response we have had to the video has been phenomenal and I regularly get emails from our employees and customers saying how much they appreciate us putting such a spotlight on safety.

I am also delighted to tell you that today we have the winners of our first ever Group health and safety awards in the audience, including the star of that video, Athol Gamble. We're actually holding a dinner here in Melbourne tonight to formally recognise the award winners.

I don't want to give too much away about the winners, but I would encourage you to read our website in the next few days to hear more about them and their achievements.

The response to these awards and the calibre of the entries is testament to the safety culture we are developing. However, we recognise we've still got work to do to achieve our goal of having everyone going home safely and our efforts at continuing to improve our safety performance will continue this year.

Part of our safety awareness efforts will also be more visible to all of you over coming months. We recently made a decision to get more involved in community road safety awareness. As part of this, we will be officially announcing a partnership with the Amy Gillett Foundation in the coming weeks. This will see us support their aim to protect cyclists on the roads through education and awareness of their *A Metre Matters* campaign. By being involved in this campaign we hope to get important road safety messages out to the general public and help improve safety on our roads.

As I mentioned earlier, we have remained very focussed on extracting more value from our existing businesses, rather than growing primarily through acquisition. We think this is the right time in Toll's evolution to have this change in direction.

Two of the key ways we are doing this are our One Toll initiative and a greater emphasis on organic growth. I spoke last year about One Toll and how it's driving a culture of more teamwork and collaboration across our businesses.

This has really gained momentum and in the last year, our cross selling efforts delivered nearly $100 million in incremental sales revenue and our group purchasing activities delivered around $10 million of benefits. So, while we're still in the early days of a significant cultural change, it's already delivering significantly to our bottom line.

In terms of organic growth, I thought I'd give you a quick update on a few of the opportunities we've been pursuing.

Firstly, with our online retail logistics business, Toll Consumer Delivery, we've had a number of recent new customer wins, one of the most important being with GraysOnline. To attract such a well-known B2C etailer is extremely important to Toll Consumer Delivery, and is a great testament to the capability we have built to service this rapidly progressing sector.

We have also progressed the rollout of our Nparcel network arrangements with newsagents acting as an alternate pick-up point and we now have around 650 collection points across the country.

Our cash logistics business, Toll Secure, continues to gain share with the successful implementation of our contract with Westpac. The solution we have developed here is using exciting new technology and is attracting a lot of interest from potential customers in this market.

Our Contract Logistics business has also entered into the heavy haulage market with work in transporting wind farm turbines, another growing market sector.

Toll Global Resources continues to see growth opportunities in the oil and gas sector and, as some of you may have seen, is undertaking work to assist the Australian Government with the challenge of providing the infrastructure for the accommodation needs of asylum seekers.

This Division has also been working on developing mobile camp units for the resource sector and other remote operations. This innovative solution provides a complete integrated mobile camp service that is easily relocatable. It provides a faster, more economic solution than traditional remote camps. We believe it will suit a number of opportunities, particularly in resources and disaster relief and, while only in its infancy, its attracting significant interest in the market.

So, as you can see, while we have wound back on acquisitions, and economic conditions have generally been challenging, we still have exciting growth opportunities to pursue.

Finally, I would like to make a few comments about how we're tracking so far in the new financial year and how we see the current business outlook.
While it is clear that we are yet to see a measureable improvement in the general economic environment we are generally tracking where we expected to be at this time of the year.

That being said, different sectors of the economy are far from consistent in their performance. In particular, our businesses that are exposed to the mining sector are seeing some pressure from both lower volumes and an increased focus on costs by their customers. Ongoing softness in discretionary retail is also keeping pressure on a number of our businesses.

We have also had a number of significant contract completions over the past six months or so that need to be replaced and overall, most of the markets we are operating in remain highly competitive.

The next few months are critical to the full year result as they include the key Christmas period, but given the good progress we are making on productivity and cost reductions we currently expect underlying earnings before interest and tax for fiscal 2014 to be ahead of the prior year.

Toll is highly leveraged to any improvement in economic activity, and as you can see from last year's results our diversity gives us strength during periods of weakness in any particular market or geographic segment.

Our focus on return on investment is ensuring we have the appropriate disciplines for challenging conditions, while also positioning us well for the future.

So, in wrapping up, there is no doubt we have some challenges in some of the markets we're operating in. But, we also have some fantastic opportunities, just a few of which I have mentioned today.

You can rest assured that the Board and our management team are very aligned with our focus on extracting more value from our existing businesses, while at the same time, positioning ourselves ahead of our competition for any improvement in economic activity in Australia and key global markets.

Importantly, we’re also all aligned with our belief that the work we’re doing on our culture and values is critical to our long term success.

We know that in today’s world, doing good is good business.

Again, thank you for your attention today. I’ll now hand back to Ray.