

Appendix 3B

New issue announcement, application for quotation of additional securities and agreement

Information or documents not available now must be given to ASX as soon as available. Information and documents given to ASX become ASX's property and may be made public.

Introduced 1/7/96. Origin: Appendix 5. Amended 1/7/98, 1/9/99, 1/7/2000, 30/9/2001, 11/3/2002, 1/1/2003, 24/10/2005.

Toll Holdings Limited

ABN

25 006 592 089

We (the entity) give ASX the following information.

Part 1 - All issues

You must complete the relevant sections (attach sheets if there is not enough space).

- | | |
|---|--|
| <p>1 +Class of +securities issued or to be issued</p> | <p>1. Unquoted Performance Options and Performance Rights to acquire ordinary shares.</p> <p>2. Unquoted Restricted Rights to acquire ordinary shares.</p> |
| <p>2 Number of +securities issued or to be issued (if known) or maximum number which may be issued</p> | <p>1. <u>TOLAA</u> Performance Rights & Options:
Total of 1,513,017 Rights & Options comprising:</p> <p>Allocation of 1,226,974 Performance Options to expire on 24 September 2019.</p> <p>Allocation of 286,043 Performance Rights to expire on 24 September 2019.</p> <p>2. <u>TOLAC</u> Restricted Rights:
Allocation of total of 177,411 Restricted Rights to expire on 24 September 2019.</p> <p>3. <u>TOLAD</u> Restricted Rights:
Allocation of 38,024 Restricted Rights to expire on 27 May 2019.</p> <p>4. <u>TOLAI</u> Restricted Rights:
Allocation of total of 48,632 Restricted Rights to expire on 27 May 2019.</p> |

+ See chapter 19 for defined terms.

<p>3 Principal terms of the +securities (eg, if options, exercise price and expiry date; if partly paid +securities, the amount outstanding and due dates for payment; if +convertible securities, the conversion price and dates for conversion)</p>	<p><u>Performance Rights & Options</u> Please refer to the attached Annexure for Performance Hurdle conditions.</p> <p>Performance Options may be exercised on vesting and have an exercise price of AUD\$5.70. Each vested Performance Option entitles the holder to one fully paid ordinary share.</p> <p>Performance Rights may be exercised on vesting and have a zero exercise price. Each vested Performance Right entitles the holder to one fully paid ordinary share.</p> <p><u>Restricted Rights</u> Time based Restricted Rights: TOLAC: 177,411 will vest on 1 July 2015 TOLAD: 38,024 will vest on 1 April 2016 TOLAI: 48,632 will vest on 1 July 2016</p> <p>Restricted Rights may be exercised on vesting and have a zero exercise price. Each vested Restricted Right entitles the holder to one fully paid ordinary share.</p>
<p>4 Do the +securities rank equally in all respects from the date of allotment with an existing +class of quoted +securities?</p> <p>If the additional securities do not rank equally, please state:</p> <ul style="list-style-type: none"> • the date from which they do • the extent to which they participate for the next dividend, (in the case of a trust, distribution) or interest payment • the extent to which they do not rank equally, other than in relation to the next dividend, distribution or interest payment 	<p>Shares will be allocated on vesting and exercise of the Restricted Rights, the Performance Options or the Performance Rights. Shares allocated will rank equally with other fully paid ordinary shares.</p>
<p>5 Issue price or consideration</p>	<p>No consideration is payable for the issue of the Restricted Rights, the Performance Options or the Performance Rights</p>
<p>6 Purpose of the issue (If issued as consideration for the acquisition of assets, clearly identify those assets)</p>	<p>Issue of Restricted Rights, Performance Options and Performance Rights are pursuant to the terms of the Company's Senior Executive Option and Rights Plan.</p>

7	Dates of entering +securities into uncertificated holdings or despatch of certificates	23 October 2014
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8	Number and +class of all +securities quoted on ASX (including the securities in clause 2 if applicable)	Number	+Class
		717,318,622	Ordinary (TOL)
9	Number and +class of all +securities not quoted on ASX (including the securities in clause 2 if applicable)	Number	+Class
		4,111,382	TOLAH
		187,290	TOLAJ
		184,747	TOLAL
		56,462	TOLAF
		119,256	TOLAG
		237,087	TOLAW
		2,476,691	TOLAO
		11,614	TOLAQ
		2,051,102	TOLAS
		878	TOLAU
		42,635	TOLAM
		4,526,345	TOLAN
		87,379	TOLAB
		6,342,379	TOLAE
		1,513,017	TOLAA
		177,411	TOLAC
		38,024	TOLAD
		48,632	TOLAI

10	Dividend policy (in the case of a trust, distribution policy) on the increased capital (interests)	Shares allocated on vesting and exercise of the Restricted Rights, the Performance Options or the Performance Rights will rank equally with other fully paid ordinary shares.
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Part 2 - Bonus issue or pro rata issue

N/A

11	Is security holder approval required?	
12	Is the issue renounceable or non-renounceable?	
13	Ratio in which the +securities will be offered	
14	+Class of +securities to which the offer relates	

+ See chapter 19 for defined terms.

15	+Record date to determine entitlements	
16	Will holdings on different registers (or subregisters) be aggregated for calculating entitlements?	
17	Policy for deciding entitlements in relation to fractions	
18	Names of countries in which the entity has +security holders who will not be sent new issue documents Note: Security holders must be told how their entitlements are to be dealt with. Cross reference: rule 7.7.	
19	Closing date for receipt of acceptances or renunciations	
20	Names of any underwriters	
21	Amount of any underwriting fee or commission	
22	Names of any brokers to the issue	
23	Fee or commission payable to the broker to the issue	
24	Amount of any handling fee payable to brokers who lodge acceptances or renunciations on behalf of +security holders	
25	If the issue is contingent on +security holders' approval, the date of the meeting	
26	Date entitlement and acceptance form and prospectus or Product Disclosure Statement will be sent to persons entitled	

27	If the entity has issued options, and the terms entitle option holders to participate on exercise, the date on which notices will be sent to option holders	
28	Date rights trading will begin (if applicable)	
29	Date rights trading will end (if applicable)	
30	How do +security holders sell their entitlements <i>in full</i> through a broker?	
31	How do +security holders sell <i>part</i> of their entitlements through a broker and accept for the balance?	
32	How do +security holders dispose of their entitlements (except by sale through a broker)?	
33	+Despatch date	

Part 3 - Quotation of securities

N/A

You need only complete this section if you are applying for quotation of securities

34 Type of securities
(tick one)

(a) ☒ Securities described in Part 1

(b) ☐ All other securities

Example: restricted securities at the end of the escrowed period, partly paid securities that become fully paid, employee incentive share securities when restriction ends, securities issued on expiry or conversion of convertible securities

Entities that have ticked box 34(a)

Additional securities forming a new class of securities

N/A

Tick to indicate you are providing the information or documents

+ See chapter 19 for defined terms.

- 35 ☐ If the +securities are +equity securities, the names of the 20 largest holders of the additional +securities, and the number and percentage of additional +securities held by those holders
- 36 ☐ If the +securities are +equity securities, a distribution schedule of the additional +securities setting out the number of holders in the categories
- 1 - 1,000
1,001 - 5,000
5,001 - 10,000
10,001 - 100,000
100,001 and over
- 37 ☐ A copy of any trust deed for the additional +securities

Entities that have ticked box 34(b) N/A

- 38 Number of securities for which +quotation is sought
- 39 Class of +securities for which quotation is sought
- 40 Do the +securities rank equally in all respects from the date of allotment with an existing +class of quoted +securities?
- If the additional securities do not rank equally, please state:
- the date from which they do
 - the extent to which they participate for the next dividend, (in the case of a trust, distribution) or interest payment
 - the extent to which they do not rank equally, other than in relation to the next dividend, distribution or interest payment
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- 41 Reason for request for quotation now
- Example: In the case of restricted securities, end of restriction period
- (if issued upon conversion of another security, clearly identify that other security)
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- | | Number | +Class |
|---|--------|--------|
| 42 Number and +class of all +securities quoted on ASX (<i>including</i> the securities in clause 38) | | |

Quotation agreement

1 +Quotation of our additional +securities is in ASX's absolute discretion. ASX
may quote the +securities on any conditions it decides.

2 We warrant the following to ASX.

- The issue of the +securities to be quoted complies with the law and is not for an illegal purpose.
- There is no reason why those +securities should not be granted +quotation.
- An offer of the +securities for sale within 12 months after their issue will not require disclosure under section 707(3) or section 1012C(6) of the Corporations Act.

Note: An entity may need to obtain appropriate warranties from subscribers for the securities in order to be able to give this warranty

- Section 724 or section 1016E of the Corporations Act does not apply to any applications received by us in relation to any +securities to be quoted and that no-one has any right to return any +securities to be quoted under sections 737, 738 or 1016F of the Corporations Act at the time that we request that the +securities be quoted.
- If we are a trust, we warrant that no person has the right to return the +securities to be quoted under section 1019B of the Corporations Act at the time that we request that the +securities be quoted.

3 We will indemnify ASX to the fullest extent permitted by law in respect of any claim, action or expense arising from or connected with any breach of the warranties in this agreement.

4 We give ASX the information and documents required by this form. If any information or document not available now, will give it to ASX before +quotation of the +securities begins. We acknowledge that ASX is relying on the information and documents. We warrant that they are (will be) true and complete.

Sign here:



Date: 23 October 2014

Company secretary

Print name:

Bernard McInerney

+ See chapter 19 for defined terms.

ANNEXURE to Toll Holdings Limited Appendix 3B

23 October 2014

Section 3 of Appendix 3B:

Performance Conditions

The Options and/or Rights are subject to Performance Conditions which are based on the following performance hurdles:

- Half are subject to a relative Total Shareholder Return (TSR) hurdle - Tranche 1 Options and/or Rights; and
- Half are subject to a relevant Return on Capital (ROC) growth hurdle – Tranche 2 Options and/or Rights.

The performance hurdles are measured over the relevant Performance Period.

Further details of the Performance Conditions are set out below.

(a) Tranche 1 - Options and/or Rights - Relative TSR

The Performance Condition for Tranche 1 Options and/or Rights is based on Toll's Total Shareholder Return (**TSR**) performance relative to entities within the S&P / ASX 100 comparator group (**Comparator Group**) for the Performance Period.

The Performance Period for Tranche 1 Options and/or Rights is the period beginning 1 July 2014 and ending 30 June 2017.

The Comparator Group consists of the top 100 companies listed on the ASX by market capitalisation. If any of the Comparator Group entities cease to exist as entities, they are excluded from the TSR calculation. Any entities entering into the ASX100 after 1 July 2014 will not be taken into account and will be excluded from the TSR calculation.

TSR is an external (market-based) measure providing alignment with shareholder wealth creation and market expectations. It is a measure of the return that a shareholder receives through dividends (and any other distributions) together with capital gains over a specific period. TSR is calculated on the basis that all dividends and distributions are reinvested in the applicable company's shares.

The TSR hurdle measures Toll's TSR and the TSR for each of the Comparator Group entities at the beginning of the Performance Period (on 1 July 2014) and at the end of the Performance Period (on 30 June 2017). Each of these measurements is an average TSR over the preceding 20 trading days, in order to avoid the impact of short-term share fluctuations.

The change in Toll's TSR between the two test dates is then compared to the change in TSR for each of the entities within the Comparator Group over the same test dates. Toll's ranking compared to other entities within the Comparator Group will determine the number of Options and/or Rights which may be exercised and which lapse (as described below).

There is **NO retesting of Tranche 1 Options and/or Rights** which do not become exercisable on testing of the TSR-based Performance Condition.

Table 1: Relative TSR Performance Condition

The percentage of Tranche 1 Options and/or Rights which may be exercised, if any, will be determined by the Board by reference to the percentile ranking achieved by Toll over the relevant Performance Period compared to the Comparator Group as follows:

Relative TSR ranking against the comparator group	Percentage (%) of Tranche 1 Options and/or Rights subject to the Relative TSR measure that vest
< 50 th percentile	0%
50 th percentile	50%
> 50 th percentile but < 75 th percentile	*Straight line vesting between 50% and 100%
≥ 75 th percentile	100%

* The number of Tranche 1 Options and/or Rights that become exercisable will be determined on a sliding scale straight-line basis between the 50th and 75th percentile of TSR performance for the Performance Period. For example, achieving 65th percentile performance would result in 80% of the total number of Options and/or Rights becoming exercisable. The number of Options and/or Rights that can be exercised will be rounded up to the nearest whole number of Options and/or Rights.

Any Tranche 1 Options and/or Rights which do not become exercisable on testing will lapse.

Tranche 1 Options and/or Rights which are not exercised by 5pm (AEST) on 23 September 2019 lapse.

(b) Tranche 2 - Options and/or Rights – ROC growth

The Performance Condition for Tranche 2 Options and/or Rights is based on the cumulative compound growth in Toll's relevant Return on Capital from the original performance period start date to the test date (**ROC growth**).

The Performance Period for Tranche 2 Options and/or Rights is the period beginning 1 July 2014 and ending 30 June 2017.

Achievement of the ROC growth hurdle will be determined by the Board based on the following:

Measure	Definition
Group NOPAT (Net Operating Profit After Tax)	Group Revenue; less Expenses; **excluding ISIs (Individual Significant Items) e.g. Impairment expense and profit/loss on business disposals; excluding interest; including tax on an operating basis
Over	
CE (Capital Employed)	Monthly average shareholders' equity plus net debt <i>NB when the budget is prepared only 2 points are available (forecast and budget) and no budget is made for ISIs</i>
**Board discretion would exist for appropriate treatment of ISIs in the calculation	

+ See chapter 19 for defined terms.

Table 2: ROC growth Performance Condition

The number of Tranche 2 Options and/or Rights which become exercisable, if any, will be determined by the Board by reference to the ROC growth for the Performance Period as follows:

Relevant ROC over the Performance Period*	Percentage (%) of Tranche 2 Options and/or Rights** subject to the relevant ROC measure that vest (subject to Board approval)
< 5.5% per annum pa growth	0%
5.5% pa growth	50%
> 5.5% pa growth but < 7.5% pa growth	Progressive pro rata vesting from 50% to 100%
≥ 7.5% pa growth	100%

*Per annum growth is determined on a 'cumulative' basis over the Performance Period. For example, in order for 50% of Options and/or Rights to vest, a 5.5% growth in ROC does not have to be achieved in each year of the Performance Period, however, total ROC growth at the end of the Performance Period must cumulatively reach 5.5% per annum.

**The number of Tranche 2 Options and/or Rights that become exercisable will be determined on a sliding scale straight-line basis from 5.5% pa growth to 7.5% pa growth. For example, 6.5% growth would result in 75% of the total number of Options and/or Rights becoming exercisable. The number of Options and/or Rights that can be exercised will be rounded up to the nearest whole number of Options and/or Rights.

There is **NO retesting of Tranche 2 Options and/or Rights** which do not become exercisable on testing of the ROC growth Performance Condition. Any Tranche 2 Options and/or Rights which do not become exercisable on testing will lapse.

Tranche 2 Options and/or Rights which are not exercised by 5pm (AEST) on 23 September 2019 lapse.

Sign here:



Date 23 October 2014

Print name:

Company secretary
Bernard McNerney