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Toll Holdings Limited
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The Manager
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Dear Sir

2014 AGM – CHAIRMAN AND MANAGING DIRECTOR ADDRESSES

Please find attached for immediate release to the market the Chairman and Managing Director Addresses for the 2014 Annual General Meeting.

Yours faithfully
TOLL HOLDINGS LIMITED



Bernard McInerney
Company Secretary

Encl.





2014 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.

Toll faced many challenges in the 2014 financial year, but I’m pleased to say that our hard-working employees across the world were able to meet them.

In terms of our financial results, encouragingly, we made good progress on productivity improvements and cost reductions. Restructuring our operations helped to simplify our business and position us to serve our customers better. Brian will touch on this in his address.

We continued to invest in the business, boosting our network capacity and increasing our operational leverage.

Our strong cash position allowed us to increase dividends for shareholders.

Over the past couple of years we have spoken about the cultural change occurring at Toll and I can honestly say that we are now seeing our businesses behaving in a different way and working more as one organisation.

The Toll Way, our set of values and beliefs that guide us, continues to set us up as a sound, ethical, high performing organisation.

As the Asia Pacific region’s leading provider of freight and logistics services we are committed to operating safely. Safety is at the forefront of everything we do and creating a safety-first culture at Toll continues to be a priority.

The Board’s Occupational Health & Safety and Environment Committee continued its focus on safety in the workplace and on protecting the environment in which the businesses operate.

I am impressed with the concerted effort to improve safety standards across the Group, simplify safe work procedures and instructions and improve the quality and shared learning from incident investigations. As a result we have seen a significant cultural shift within our workforce and a shared understanding that safety is our number one priority.

In Australia, our Indigenous engagement program demonstrates our commitment to improve opportunities for Aboriginal and Torres Strait Islander people and create long term sustainable relationships with a number of Indigenous communities. We continue our work to create an environment that welcomes people of all backgrounds and embraces diversity. We are doing this with a long-term focus in line with our capacity to deliver quality outcomes in the current business climate.

Last year we completed the implementation of our 2013 Reconciliation Action Plan. We also launched our 2014 to 2016 RAP. This new plan will see further development of our commitment, including ensuring we continue to provide training and employment opportunities for Aboriginal and Torres Strait Islander people.

Women continue to be under-represented in operational roles. Helping to attract and develop women into these traditionally male-dominated roles across our industry is a challenge, but it remains a continuing focus for the Board.



There were fewer women in our senior management ranks, down from 13 per cent in 2013 to 11 per cent in 2014 a net reduction of seven women. At the same time the number of men in senior ranks reduced by double this amount.

Our ability to provide two female candidates for every senior management vacancy improved. We had at least two female candidates for 55 per cent of our senior management roles and at least one candidate for 80 per cent of our senior management vacancies.

Toll is focused on reducing its environmental footprint while providing superior service and value-for-money to our customers. We look to implement initiatives where it makes sense to do so.

We continued to strengthen business systems across the Group to help manage risks from key environmental factors such as emissions, energy use and conformance to environmental regulations. This work delivered improved environmental performance, reduced our exposure to risk, and delivered better operating and cost efficiencies across the Group.

You can see from the agenda paper that I am standing for election again this year but I can advise you today that this will be my last term on the Toll board. A major priority for me will be to find a replacement as Chairman and I will be looking both at existing directors as well as externally to ensure we get the best possible candidate.

Consideration of Board renewal is an ongoing process for my colleagues and me. Barry Cusack advised the AGM last year that he would not seek another term. So there are a number of vacancies to prepare for over the next couple of years.

You should have confidence that while Toll will be losing some valued experience we are determined to bring forward high calibre people with great value to offer the company and shareholders.

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 been working this year to ensure we have the right skill balance on our Board into the future.

The Board will continue to work with the senior executive team to drive business improvements, including cost reductions and investments in productivity-enhancing projects.

This, combined with our disciplined financial management, will position the business well for any improvement in the external economic environment and has us well placed to generate improved shareholder returns.

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

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



Managing Director's Address

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

I've now been in my role for a little over two and a half years and I believe we have made steady progress in terms of improving productivity, reducing costs and driving cultural change through our One Toll program. I am also really excited about the investments we've been making in new facilities, new equipment, technology and our people.

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

Overall, we were able to deliver an improved financial result despite the continuation of challenging economic conditions in most of our key markets.

Our major project aimed at improving the performance of the Global Forwarding division, Project Forward, resulted in more than 20 million dollars of savings being delivered during the year.

Through a combination of other restructuring and productivity programs, and benefits realised through capital expenditure and improved purchasing, we also delivered another 80 million dollars in cost savings across the Group. So, a number of difficult decisions and a lot of hard work has allowed us to deliver an improved result over the prior year.

As well as our focus on cost reductions, our continued investment in upgrading our market leading network businesses will not only improve productivity in the short term, but ensure we are well positioned to capitalise on any improvement in trading conditions.

I will take you through some examples of our investments and our restructuring a bit later on, but now looking at each of our operating divisions.

Firstly, Toll Global Resources saw lower revenue and earnings in financial year 2014. This was due mostly to the impact of the completion of work for the Australian Defence Force in East Timor in the prior year and lower earnings from our Australian and Asian marine businesses, being only partly offset by new contract wins.

Toll Energy was affected by the winding down of construction-related work on Australia's large-scale LNG projects, but countered this by winning new production-related work with the likes of Chevron, Santos and ConocoPhillips.

Toll Mining Services produced improved results through new fleet investment and improved operating cost performance.

High occupancy rates at the Toll Offshore Petroleum Services supply base in Singapore contributed to a sharp increase in results, since the completion of the base's redevelopment last year.

Toll Remote Logistics was not able to completely offset the end of its East Timor contract with the Australian Defence Force; however it continues to win work in other places, in particular with the Australian, New Zealand and US defence forces.

Next on to Toll Global Logistics, which also faced difficult market conditions for a number of its businesses.



The two Australian operations, Contract Logistics and Customised Solutions, both won enough new customer work to offset some contract losses as well as customer down-trading.

The Singapore Government Business Group also delivered higher revenue and earnings, primarily as a result of new contracts in the healthcare sector in Singapore. We were also pleased to announce in August that a major contract with the Singapore Government was extended for at least another two years.

Our contract logistics businesses in other parts of Asia delivered slightly improved results, driven by better performances in India and in China. This was partly offset by a lower result in Thailand, with our major customers' volumes being adversely affected by the political situation in that country.

Looking at Toll Global Forwarding.

Conditions remained challenging, so it was critical that we delivered on the cost savings initiatives for this division.

Gross profit from ocean freight was flat, despite higher volumes, while air freight was down significantly as the trend of more customers using ocean freight in preference to the more expensive air freight continued.

Over-capacity in the ocean freight sector saw freight rates and gross profit per container fall, which meant the improvement in volumes was offset by lower margins.

Our US supply chain business saw lower volumes from a number of its major customers, but we do expect a turnaround in financial year 2015 following some significant recent contract wins.

While gross profit was down, as I mentioned earlier the significant cost reductions achieved through Project Forward meant we were still able to deliver an improved result.

There are more costs to take out for this division, but it will be critical for us to deliver gross profit growth in financial year 2015 to continue the recovery in earnings and return on capital.

Moving on to our Toll Global Express division.

In the domestic operations of this division we saw a continuation of flat volumes and a trend to lower average consignment weights, particularly in our Toll IPEC and Toll Fast businesses. Those lower consignment weights affected our productivity levels and therefore our margins.

The key drivers of the lower consignment weights has been the increase in business-to-consumer volumes, as well as the impact of general customer down-trading. Moving a larger number of consignments for no more overall weight obviously has an impact on productivity and margins. In fact, we estimate that the change in average consignment size reduced margins in Toll Global Express' domestic business by about half a per cent, so it was a material driver of the overall lower margins in the division.

So what are we doing about it?

We're taking action to address these cost challenges as well as providing capacity to efficiently grow the business, particularly in the business-to-consumer market. The best example of this is the building of two major new express parcel facilities in Sydney and Melbourne that will allow us to handle significantly higher consignment numbers more efficiently. I will share a bit more on this later.



Our air-based express business, Toll Priority, delivered an improved result as it saw higher volumes from existing bank customers, as well as the benefit of some significant cost and productivity programs.

In Japan, we saw a positive result driven mainly by productivity improvements. However, we did see volumes slow in the last quarter, primarily due to the increase in Japan's consumption tax which was introduced on the first of April 2014. We also continued the restructuring of this business, with the sale of KSU Logistics for 20 million dollars.

Moving on to the Toll Domestic Forwarding division.

Toll New Zealand delivered an improved result due to market share gains, particularly in the parcels business, as well as some significant property cost savings and line-haul efficiency improvements.

Toll Tasmania delivered a better result, driven by the benefit of the acquisition of Linfox's Tasmanian business.

The additional volumes from this acquisition also benefited our Bass Strait shipping business, although this was partly offset by some costs associated with the scheduled major maintenance of our two vessels.

The Toll Intermodal business unit lost a major retail contract early in the financial year. This was the catalyst for us making some major changes to our Queensland operations, including the selling of some properties, which significantly reduced Toll Intermodal's capital intensity.

Lastly, our Toll Specialised & Domestic Freight division had a difficult year due to lower volumes from its customers whose work relies on mining sector activity.

We did see some benefits from investment in fleet and equipment in both Toll Express and Toll NQX and we are expecting benefits from recent investments in depot upgrades and IT to flow in financial year 2015. Both businesses were successful in extending a number of large contracts with key customers that will support future earnings.

Toll Liquids delivered improved earnings as a result of new contract wins and is well progressed in implementing the major new contract with Shell that it won during the year. With that contract and other opportunities in the liquids distribution market, we're expecting good growth from this business over coming years.

Toll Transitions' earnings were down slightly due to a lower number of Australian Defence Force relocations, but the business was still a strong contributor to the division's earnings.

So, that's a quick run through of the key drivers of each division's operating results. Hopefully you can see that despite fairly challenging conditions across most of our key markets, we have taken – and we'll continue to take – action to improve the Group's financial performance.

You can find more detailed results information in our Annual Report, which is available both online and in the foyer.

As most of you will know, safety is one of our core values at Toll and we aim to make safety the most important priority for all of our employees and contractors. This focus is absolutely critical given the unique safety challenges that come along with an organisation of our size and complexity.



The need to never stop working on improving safety was reinforced for all of us following the tragic fatality of one of our people in Port Melbourne in May this year. Seeing the impact on Anthony's family, friends and work colleagues was the only reminder any of us needed as to why safety is so important.

While Toll deals in all areas of the supply chain, there's no question that one of the most dangerous areas we operate in is on our roads. The road safety topic has seen a lot of attention recently, with some very high profile incidents.

Fatigue, speed and vehicle maintenance are all contributing factors in many road accidents. We have numerous programs around the Group to continuously improve how we manage each of these issues.

By way of example, we've built improved driver rest areas to ensure our drivers are getting quality rest, we've introduced in-cab cameras that will trigger an alarm if the driver's eyes show he's falling asleep and we've invested in driver training simulators that can teach our drivers how to respond safely in emergency situations.

Our Group-wide fleet safety networks continue to ensure all the great innovations from our people are effectively shared around the Group and tonight we are celebrating our second annual Group Health and Safety Awards. These awards are great recognition for the people who are leading the way on safety in Toll businesses around the world.

Working with the community to raise awareness of road safety is another important piece in the Toll safety journey. A good example of this is our partnership with one of Australia's leading road safety advocacy groups, The Amy Gillett Foundation. This partnership is a great demonstration of our commitment to working with all road users, including cyclists, to share the road safely.

We believe that as one of Australia's largest road users, we not only have to try to lead by example, but we also have a role to play in helping all road users understand the importance of safely sharing the road.

As we announced in May this year, we undertook some significant restructuring across the organisation which we expect will deliver an additional 40 to 50 million dollars of benefits in financial year 2015.

This restructuring included reducing our divisional reporting structure from six divisions to five, and changed reporting lines for a number of business units to better align contract logistics and network-based businesses. The changes will make it easier for our customers to do business with us, reduce crossover of service offerings between divisions, increase best practice sharing and collaboration across business units and reduce complexity and costs.

The new structure is a logical outcome and supports the progress we have made in our One Toll program. We need to ensure that we are best placed to build on the key competitive advantages in our domestic network businesses, while also ensuring we are aligned with our customer needs in our contract logistics businesses. While cost reductions are not the key driver of these changes, we do expect to see meaningful benefits from this restructure, together with other cost saving programs.

We have strong businesses across the Group, but it is critical that in the current challenging market we continue to reduce complexity and costs, improve our productivity and build on our strengths.

As I mentioned in my introduction, we're making a number of investments in our existing businesses to provide cost and service improvements in the short term, as well as setting us up to take best advantage of any improvements in economic conditions.



Infrastructure is critical to our business and it is vital we keep investing in this core element of the Toll Group to sustain our future growth. And this is exactly what we've been doing.

Our 170 million dollar Bungaribee facility in western Sydney is now operational as of the first week of this month. This depot has a parcel sorting capacity of 35,000 parcels an hour – that's more than three times the previous capacity.

We have also begun construction of a similar facility at Tullamarine in Melbourne. At completion, these two depots will be the largest freight sorting facilities in Australia and provide numerous benefits in terms of improving safety, customer service, fleet productivity, parcel-sorting speed and accuracy, as well as energy and other cost efficiencies.

These facilities are designed to meet the needs of the growing express freight market as well as emerging consumer delivery requirements, both now and over the next 20 years.

Given the growth we're seeing in online retail logistics, it is important we continue to improve our already-extensive national network to make it second to none.

In May this year our Toll NQX Karawatha site opened in Queensland. This 86 million dollar facility is the largest pallet and oversize freight depot we operate anywhere in the world.

The depot enables us to load multiple outbound services simultaneously. This has a significant impact on productivity levels while delivering an improved service to our customers.

This year we also invested over 30 million dollars in our Gap Ridge facility. This transport hub in Karratha, in Western Australia, includes warehouses, workshops, offices, driver exchanges, as well as transport and logistics support.

The aim is for the site to act as a hub for the majority of Toll Group's business services in the area.

We also opened our Toll Tasmania Brighton depot in June of this year. The 24 million dollar investment has established our facility as the most modern and efficient transport terminal in Tasmania.

The site, which is just outside Hobart, handles general and refrigerated freight, as well as warehouse and distribution services, and container storage for both international and domestic shipping.

In exciting news, I can announce for the first time today that we are planning to progress with the development of a five level, ramp-up warehouse at a prime location in Singapore.

This facility, which will be known as Toll City, will form an integral part of Toll's wider Asian strategy to develop and attract high-margin accounts in the retail, consumer, and healthcare sectors.

Toll City will provide approximately 100,000 square metres of contemporary, state-of-the-art logistics capacity to markets in Singapore and the immediate region to support Toll Global Logistics' long term strategy.

Whether on the road, the sea or in the air, Toll's fleet can be found across the globe. Ensuring that our fleet is efficient, safe and environmentally friendly requires strategic investment.



This month saw us unveil the safest and most technologically-advanced fuel tankers in Australia. Our high-tech BA Triple tankers, which can haul up to 90 thousand litres in a single trip, incorporate world's best practice in safety systems including in-vehicle monitoring systems, seeing-eye technology, outward-facing cameras that capture details of on-road incidents, real-time satellite tracking, electronic braking systems and anti-roll technology.

The new tankers will transport crude oil from Mereenie, in the Northern Territory, to Port Bonython in South Australia, for leading oil and gas producer Santos.

We were also proud to introduce our Super B-Doubles to Singapore which, in fact, saw us become the first and only company to be given authority by the Singaporean government to operate these larger vehicles. We trained our Singaporean drivers using the Australian-based state-of-the-art driver simulators which I mentioned earlier.

All of this should give you a sense of our ongoing investment in facilities and in fleet and equipment technology.

We've also been investing in our information technology - using technology better is core to our success. Our investment in consolidating our previous 76 websites, each representing a different part of the business, to a single site that represents the whole Group, makes us more customer-friendly and obviously reduces complexity.

Another important technology project we have been undertaking will enable us to deliver a common online freight tracking platform for our customers. This single system will provide a seamless, global e-commerce experience for Toll customers regardless of the business unit they are interacting with. This project is a major investment in the future and will significantly improve the experience of our customers when dealing with Toll.

Of course, as well as investing in all of our physical assets, it's critical that we continue to invest in the development of our people and we have really lifted our focus on training our people to be the best they can be.

By way of example, our Leadership at Toll program supports our leader development and enhances their leadership skills in building effective teams and employee engagement.

In the past year we have introduced a new Toll Group Frontline leader program to support our frontline managers and supervisors to build capability in coaching and managing team performance.

In addition, we have continued to develop our managers in safety leadership. Over the past two years we have had over 2,700 managers across Toll complete our tailored Safety Leadership program, and we have continued to develop safety awareness through ongoing skills education and training.

Developing our sales capability has also been high on our people agenda. We have focused on strengthening our teams through the development of key account management skills and negotiation skills to build and strengthen our sales teams' performance.

So hopefully that gives you a sense that, as well as driving short term improvements through cost reductions and productivity improvements, we've not lost sight of the need to be investing across all elements of our business to set us up for long term success.

Finally, in closing I would like to make a few comments about how we have been tracking so far in the new financial year and how we see the current business outlook.



It is fair to say that it has been a tough start to the year, with the first quarter weaker than we had expected. We have seen down trading in a number of sectors, but particularly in Government and Defence, mining and, to a lesser degree, the energy sector.

A number of other market sectors have also continued to be challenging with the general macro volatility keeping pressure on both business and consumer confidence, which has had a flow on effect on our activity levels.

While still early in the year, and with a softer start than we would have liked, at this stage we continue to expect underlying earnings for financial year 2015 to be ahead of financial year 2014, but we will have to work hard to achieve that given the lack of growth in the external environment. The next few months leading up to Christmas will be critical for our short term earnings outlook.

On a more positive note, we have continued to make good progress in the areas under our control, with a number of initiatives that will deliver sustainable benefits to the Group being well progressed. So it is much easier to look at the medium and longer term with confidence. We will be talking more about strategic activities across Toll at our Investor day to be held next week, on Thursday 30 October. This will be broadcast live on our web site if you are interested.

Again, I thank you for your attention this afternoon and I'll now hand back to Ray.