



**Toll Holdings Limited**  
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The Manager  
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Dear Sir

**2007 AGM – CHAIRMAN AND MANAGING DIRECTOR SPEECHES**

Please find attached for immediate release to the market the speeches by the Company's Chairman and the Managing Director at the Company's Annual General Meeting scheduled for 11am on 25 October 2007.

Yours faithfully  
**TOLL HOLDINGS LIMITED**

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

Encl.

**Toll Holdings Limited**  
**Annual General Meeting 2007**  
**Held at 11:00am – Thursday 25 October 2007**  
**Sofitel Hotel, 25 Collins Street,**  
**Melbourne**

**CHAIRMAN'S ADDRESS**

**2007 PERFORMANCE**

I am pleased to address you at my first AGM as Chairman of the company.

The 2007 financial year was a watershed year for Toll.

Following the successful 2006 acquisitions of SembCorp Logistics and Patrick Corporation, the integration of these businesses proceeded ahead of plan. In December 2006, the company launched a proposal to demerge its rail and port assets into a separate listed entity, I am pleased to report that the restructure, which was formally approved by shareholders in May 2007, has proven to be well executed and delivered excellent value to our shareholders.

Notwithstanding the distraction of the restructure, the core businesses of the company achieved excellent performance, with strong organic growth, improvement in margins and a higher return on capital.

The company is now well positioned to accelerate its growth, to capture the benefit of the Asian influence in global logistics.

Performance in 2007 represented another record with total reported revenues of \$9.95 billion and overall earnings of \$408m, excluding a one-off gain on restructure, of \$871 million.

For those businesses which have remained in our company following the restructure, earnings before interest, tax and acquisition amortisation was \$734 million, an increase of 35% on a like for like basis over the previous year. Revenue from continuing businesses was \$7.5 billion for the year.

Underlying organic growth at the revenue and EBIT margin levels remained very strong, which demonstrates the ability of the company to maintain focus on business operations and deliver performance, whilst at the same time executing major value enhancing transactions.

Earnings per share fully diluted, on a pre-acquisition amortisation and one-off items basis, was 79.9 cents, an increase of 20% over the prior year. Total fully franked dividends for the year excluding a 5 cents per ordinary share special dividend and ignoring dividends paid associated with the restructure, was 27 cents, representing a 22% increase on last year. The company expects to maintain a dividend payout ratio going forward, consistent with prior years.

On behalf of all shareholders, I express our thanks to all employees and management who have again delivered outstanding results and positioned the company for further superior returns into the future.

## **RESTRUCTURE**

Toll appreciates that the tax consequences for shareholders as a result of the recent restructure are complex. We have recently been advised by the Australian Taxation Office that a Class Ruling is to be issued shortly and it is anticipated that the Class Ruling will confirm the tax consequences outlined in the Restructure Scheme Booklet.

A general guide on the taxation implications for individual Toll shareholders as a result of the restructure has been prepared by Toll and is available on the Toll website [www.toll.com.au](http://www.toll.com.au) under 2007 media releases. In addition, we have also made available on the web site a general tax calculator guide to assist individual Toll shareholders in determining the indicative CGT cost base allocation of Toll and Asciano shares arising from the restructure. The information provided by Toll is not intended to be personal tax advice and we strongly recommend that you seek your own specialist tax advice as to the taxation implications of the Restructure.

## **RESULTS**

I would like to take this opportunity to remind shareholders of the exceptional results delivered over the past 10 years by the executive team we are fortunate to have at Toll.

Over this period, the company has delivered an earnings per share compound annual growth rate of 45.6%. If you invested \$10,000 in the company 10 years ago, that investment would now be valued at over \$480,000. Further, over the 2 years since the launch of the Patrick's acquisition, Toll's market capitalisation (inclusive of the demerged Asciano business) has increased significantly and total shareholder return has been approximately 70% during that time. By any measure, the efforts of management should be applauded.

## REMUNERATION

The calibre and performance of our managers along with the profile of Toll, constantly exposes the company to domestic and international logistics groups approaching our people. Accordingly in order to secure and retain those people considered critical to our operations and future performance, the Board constantly reviews the adequacy of executive remuneration, terms and conditions. Consistent with this approach, at the time of the restructure the Board took steps to ensure that it secured service contracts with the company key executives. The material terms of these contracts were outlined in the EGM Explanatory Memorandum with the possible termination payments approved by shareholders at the May 2007 general meeting. The Board is satisfied with the terms of these contracts which safeguard the company both, in terms of termination notice periods and subsequent non compete restraint periods. In addition, independent external advice was sought to ensure that corporate governance and executive remuneration market considerations were taken into account by the Board in establishing these contracts.

Further, as a consequence of the restructure and as detailed in the restructure Scheme Book, Directors determined not to proceed with the issue of the 2006 executive options to executive directors and management under the Senior Executive Option Plan. As such the option grants approved for executive directors by shareholders at the 2006 Annual General Meeting did not proceed. In lieu of issuing options, the Board subject to the restructure proceeding, determined to pay a deferred compensation payment in June 2008 based on an independent

valuation of the forgone options taking into account appropriate performance hurdles.

The amount of deferred compensation payments payable to key executive, have been disclosed in the remuneration report within the annual report.

Following the implementation of the restructure, the Board now intends to revert to its previously advised policy of issuing options on an annual basis, with appropriately based performance hurdles. The Board continues to ensure that its remuneration practices are appropriate to maintain the services of its key executives and to ensure they are appropriately rewarded for outstanding performance.

Independent specialist remuneration advice is regularly taken to assist the Board in this regard.

## **BOARD COMPOSITION**

Since June 2007, the company has appointed two additional independent non-executive directors to the Board.

Mr Mark Smith joined the Board on 1 July 2007. Mark is the current CEO of Cadbury Schweppes Australia and New Zealand and brings with him experience at a global level in the FMCG sector including its attendant supply chain management operations.

Mr Barry Cusack joined the Board on 1 October 2007. Barry has extensive experience in the resource sector, including a long term career with Rio Tinto.

The Board is delighted to have the benefit of Mark and Barry's insights and vast experience, particularly in key industry sectors for the company and they have already proven to be major assets to the Toll Group.

Both Mark and Barry, who along with Harry Boon and Neil Chatfield offer themselves for re-election at today's meeting are fully supported by the Board.

On 14 September, 2007 Mr John Moule retired as Chairman of the company. John was a director for over 10 years, with the last 5 years being as Chairman. John has played a decisive role in the company's development and performance over the past 10 years and we wish him well in retirement.

## **CORPORATE GOVERNANCE**

The company aims to maintain the highest standards of corporate governance and continuously reviews its policies and practices to ensure this is achieved.

Sound policies are in place in terms of dealing with regulatory issues including those associated with undertakings provided to the ACCC arising from the recent restructure of the company.

In the case of our policy on independence of the company auditors, the Board, through the audit committee, carefully reviews all material non-audit assignments conducted by the auditors. The appointment of the auditors in respect of non-audit assignments is governed by our independence policy designed to ensure that no work is undertaken which will require subsequent audit by the auditors in fulfilling their

statutory obligations. In addition, where material, the assignments are generally subject to separate tenders.

As expected, given the complex nature of corporate and tax requirements in relation to the restructure, the amount paid to the auditors for non-audit services during 2007 was higher than in previous years. The Board, however, is satisfied that the level of non-audit fees is appropriate given the work required to be undertaken, and that all assignments undertaken by the auditors met the criteria of our policy on audit independence.

## **OUTLOOK**

Since the end of the 2007 financial year the company has initiated a number of value creating transactions including the takeover of Sembawang Kimtrans in Singapore and the takeover of minority interests in Toll New Zealand. Both of these transactions have been successfully executed and Mr Little will elaborate on these and other initiatives in his address.

In terms of current trading, I am pleased to report that earnings to date in the 2008 financial year are, taking into account the restructure, well ahead of this time last year and the company is performing in line with expectations. The outlook for the full year and beyond remain very positive, and the company will continue to aggressively pursue its growth strategy, which we believe will enable shareholders to enjoy ongoing superior returns.

## **MANAGING DIRECTOR'S ADDRESS**

Prior to presenting my address to the meeting, I would like to take this opportunity to show a short DVD outlining the breadth and extent of Toll as a major participant in the logistics market.

Whilst the company enjoyed many highlights during the 2007 financial year, strong financial results stood out as the key feature for the period.

Organic revenue growth in excess of twice GDP continued to surpass the company's internal benchmark.

Also underpinning ongoing improvement to the core business, was our ability to further grow EBIT margins. Australia for example, lifted its underlying EBIT margin from 6.5% to 7.1%.

Meanwhile cashflow generation remained very strong, with an operating cashflow of 1.56 billion dollars reflecting strong earnings and sound working capital management.

Gearing (net debt / net debt and equity) reduced to 16%, generating significant capacity to fund future growth including M&A activity.

Debt levels following our June 15 restructure, fell to 513 million dollars including 142 million dollars within Virgin Blue and 249 million dollars in respect of Reset Preference Shares.

During the year shareholder returns increased 20% with EPS (fully diluted) and pre-amortisation increasing 13.2 cents to 79.9 cents.

## **TOLL AUSTRALIA**

Consistent strong volumes and margin increases were achieved across all Toll Australia businesses.

Revenue for the year was 4.21 billion dollars, with an EBIT increase of 18.3% to 297 million dollars.

Toll Resources continued to demonstrate strong organic growth, particularly in Western Australia and Queensland. The food, beverage and retail sectors remained solid with the company maintaining a leadership position in these markets. Revenue from new contracts signed with Coles, Woolworths, Cadbury and Colorado will exceed \$120m per annum.

Automotive continued to perform well and win market share. Increased opportunities from imports and supporting Toll's domestic customers in managing Asian based sourcing will, generate exciting growth opportunities.

The time sensitive operations of Toll Priority, Toll IPEC and Toll Fast performed particularly well, benefiting from increased revenues and investment in improved infrastructure. Ongoing upgrades of properties and technology are expected to underpin further growth in earnings from these businesses.

Since year end, Toll Priority has launched its new dedicated air freighter operation, and when coupled with the Virgin Blue agreement to manage the belly space of its passenger fleet, this collectively provides the company with a comprehensive air freight network throughout Australia.

Toll Priority results for the 2007 financial year included the write-off of establishment costs to date in relation to the air freight network.

In addition, Toll Dnata, a Joint Venture with Emirates relating to airport ground handling operations, will provide further opportunities to grow our Australian and Regional aviation logistics presence.

Our Toll Express and Toll Tasmanian operations further improved, benefiting from increased revenues including new contract wins.

The Queensland based operations of NQX and QRX also traded strongly, expanding margins as activity around the resource sector remained high.

PDL Toll, the Group's specialist defence logistics business, traded well above forecast, with additional revenues and continued growth in defence logistics activities, including East Timor and Dili.

Toll's International forwarding operations have undergone restructuring, to ensure the business adequately supports the anticipated scale of our future international supply chain opportunities.

## **TOLL NEW ZEALAND**

Toll New Zealand results improved in the second half, although full year earnings were down compared to the prior year.

Notwithstanding a flat economic environment, progress in the last six months has been solid, with improvements in revenue and the benefit of cost saving initiatives impacting positively on results.

Significant new contracts with Laminex, Kmart and Dominion Breweries were signed during the year.

During the last few months, the company has had a positive ongoing dialogue with the New Zealand Crown, to ensure the sustained viability of rail. This dialogue is aimed at achieving an in principal agreement by calendar year end.

The future of rail in NZ will depend on the Crown's ability and willingness to work with the private sector, to create improved infrastructure, and rolling stock upgrades. These initiatives will support rail taking a greater share of the growing freight task.

On 29 June, 2007, Toll commenced a takeover offer for the 16% minority interests in Toll New Zealand.

The takeover has now been completed at a cost of approximately 99 million New Zealand dollars, and will now enable the integration of other Toll businesses, and at the same time provide a more efficient structure from which to pursue future growth.

## **TOLL ASIA**

The Toll Asia result includes the consolidation of SembCorp Logistics for the full year and ongoing Toll operations in Malaysia, Thailand, Vietnam and China.

For the year to June, Toll Asia posted an EBIT of 60 million dollars, compared to 56 million dollars in the prior year.

Our Singapore Offshore Petroleum Service business (SOPS) grew strongly on the previous year, with revenue and EBIT margins benefiting from the global growth in the oil and gas sector.

The Government Business Group, which predominantly provides logistics services to the Singapore Armed Forces, performed in line with expectations.

Other Singapore based operations continued to perform well.

Results in India improved considerably, with low yielding revenue exited in the first half.

India's economy continues its strong growth with 9.4% GDP. Toll remains well positioned to participate in this growth and we are currently assessing strategic sites to increase the breadth of our national network coverage.

In addition we are actively seeking acquisition and partnership opportunities, particularly in the auto-logistics and global forwarding sectors.

Earnings from our Japanese associate, Footwork Express were lower, however operational improvements are expected to improve results going forward.

In the short to medium term, exciting growth is expected in the key countries of China, India, Thailand, Malaysia, Singapore and Vietnam.

This growth will give strategic support to Toll's international supply chain model, aimed at facilitating direct sourcing solutions for major Australian customers.

In June 2007, Toll secured a minority position in the leading Hong Kong based freight forwarder Cargo Services. This group has a key focus on air and sea movements into and out of China and Hong Kong.

Our investment in Cargo Services, which provides international supply chain services to major Australian retailers like Woolworths, also now provides Toll with access to greater capability and an extensive network throughout China.

During June this year, Toll launched a takeover offer for Sembawang Kimtrans, a Singapore based operator in the marine and mining logistics sector.

The successful 240 million Singapore dollar takeover, will provide the Group with additional expertise and scale in the growing marine and resource sector within the region. The integration of Sembawang Kimtrans into the Toll Asia is already well under way.

## **VIRGIN BLUE**

Strong passenger support numbers coupled with excellent operations and a number of major initiatives contributed to a record result for Virgin Blue.

Total revenue for the year was 2.169 billion dollars with an EBIT, 84% over the prior year of 324 million dollars.

Virgin Blue benefited from solid load factors and improved yields across its network. Sound progress was made in building its business and government customer base, with initiatives such as new Lounges, including Canberra, Velocity membership and frequent flyer program and in flight TV, all contributing.

We remain very excited by the introduction of the new Embraer fleet of aircraft, which commenced delivery in September 2007. The Embraer jets will provide much needed additional capacity on both current routes and enable network expansion, as well as improved utilisation of the Boeing 737 fleet.

## **ENVIRONMENT AND COMMUNITY**

Toll takes its role in the community seriously. As well as continuing and expanding our highly successful First and Second Step programs for heroin addiction and those in the prison system, an increased focus on environmental issues will see the launch of our “green logistics” strategy early next calendar year.

This “green logistics” strategy will include a process to more closely engage with customers, to encourage a greater use of more fuel efficient rail and sea services over longer linehaul routes.

In addition, a greater focus is being placed on achieving reduced emissions through enhanced supply chain efficiency.

Toll is also working with vehicle manufacturers in the US and Japan, who are developing new vehicle technologies to promote the use of alternative fuels such as Bio Diesel.

In addition we have established a web-based information system, called GEMS to more accurately measure our carbon footprint, and to determine the impact and effectiveness of abatement initiatives.

## **INDUSTRY DYNAMICS**

The Transport and Logistics sector remains the subject of ongoing consolidation on a regional and global scale.

The drive for additional integrated capability, scale and reach will ensure consolidation continues to be a feature of the industry. In addition, as international supply chain management opportunities become more China centric, logistics providers need to focus greater attention on an Asian presence and capabilities.

On the domestic front, ongoing issues with critical transport infrastructure are reducing Australia's opportunity to fully benefit from growing trade flows.

Toll is a major user of both rail and port infrastructure and the company will where appropriate, participate directly in order to support its customers.

Toll will also closely monitor the proposed corporate restructure of Queensland Rail (QR) and the company believes that we can greatly assist QR in developing and optimizing its freight operations, particularly in Queensland.

## **ACQUISITIONS AND GROWTH**

Following the restructure, the Company has established a strong financial and operational platform from which to pursue value accretive acquisitions.

During calendar year 2007, Toll has been very active with acquisitions and restructuring the group, aimed at enhancing our overall service capability and operational scale.

As previously reported, Toll has acquired a small equity position in Brambles, as part of its vision to integrate and track pallets along the supply chain, an outcome we believe our customers will increasingly require.

Whilst we aren't in a position to publicly articulate our strategy today in relation to Brambles and CHEP, Toll remains very interested in the significant value creation and optimisation strategy generated by integrating pallets into the supply chain.

In relation to Virgin Blue, the company continues to conduct an ongoing review into the long term future of its investment. The company maintains its position at present, to further derive value from its investment by assisting Virgin Blue in major initiatives including the Trans Pacific route project. Toll remains of the view however, that its shareholders will achieve greater value if the majority of this investment is redeployed into other assets, more closely aligned with our Asian focus.

A number of options are currently being evaluated to maximize the value of Virgin Blue, which we believe is currently not reflected in its share price performance.

Over the past two years, high levels of M&A activity within Toll have generated the need to eliminate numerous redundant entities. The company will continue to prioritise further corporate integration to reduce unnecessary administration costs.

In addition there are a number of new accounting standards which the group will be required to adopt over the next couple of years. The affect of these standards is currently being assessed, however based on present indications there will be no material impact to reported earnings.

## **ECONOMIC CONDITIONS**

The past year, has seen a strong economic environment in Australia, led by growth in the resources sector, and solid consumer demand. The company believes that Australian economic conditions will remain robust into the future and will continue to support ongoing growth throughout all operations.

Whilst economic conditions have remained favorable, there has not been any new significant pressure on the company's cost structure, with fuel and labour being well controlled.

In New Zealand, economic conditions appeared to improve slightly over the last six months, but can still best be described as flat. The company is maintaining its focus on cost control and innovation to drive earnings growth.

Across Asia, economic conditions have generally stayed strong, with increased international trade flows supporting growth in the logistics sector.

The company expects little change in overall economic conditions in the broader region in which we operate. Although debt and equity markets have tightened somewhat, we do not detect any slowdown in activity across the Group.

The strength of the Australian Dollar is not expected to materially impact the operations of the company and its customer base. Whilst the foreign currency translation of offshore reported earnings may be negatively impacted by the higher Australian currency, this is not likely to be material.

In addition, the group has a policy of matching foreign assets with liabilities in the local currency, thus reducing the impact of currency fluctuations.

## **OUTLOOK**

We envisage a continuation of solid organic growth throughout our Australian operations.

The rollout of our cross border supply chain model is proceeding well with the technology platform now established. We continue to have significant customer interest and enquiry in this end to end solution

Over the past 12 months our structure in Asia has been re-designed to focus on the aggressive growth strategy being pursued in the region.

Exciting M&A opportunities have been identified in Australia, New Zealand and Asia. Toll will continue to exercise discipline in its approach to assessing these opportunities.

In conclusion, the company will continue to benefit from the overall momentum being experienced throughout all operational regions.

In looking at the start to the 2008 financial year, revenue and earnings are in line with expectations and our outlook remains very positive.