



Toll Holdings Limited
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30 October 2008

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

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Dear Sir

**2008 ANNUAL GENERAL MEETING – CHAIRMAN AND MANAGING DIRECTOR
SPEECHES**

Please find attached for immediate release to the market the speeches by the Company's Chairman and Managing Director at the Annual General Meeting scheduled for 11am AEST on 30 October 2008.

Yours faithfully
TOLL HOLDINGS LIMITED


Bernard McInerney
Company Secretary

Encl.

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TOLL HOLDINGS LTD - ANNUAL GENERAL MEETING
30 OCTOBER 2008

CHAIRMAN'S ADDRESS

I would now like to present my report to shareholders.

I am pleased to stand before shareholders today in the knowledge that, notwithstanding the current turmoil in global markets, your company is well positioned to deliver long-term sustainable returns.

The 2008 financial year was another very productive one for the group. The combination of strong underlying operational performance and structural change has provided the company with a unique opportunity to become a true force within the Asian region.

Management has again demonstrated an ability to deliver cashflows and a balance sheet capable of supporting sustained growth. The underlying results for the year reflect the endeavours and depth of management talent and on behalf of all shareholders, I congratulate Paul Little and his management team on their stewardship of the business in challenging times. There are over 25,000 people working for Toll around the world and I would like to thank them for a job well done.

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Results

The company reported profit after tax of \$258 million in respect of continuing businesses for the year to 30 June, 2008. This was achieved on revenues of \$5.6 billion with organic revenue growth supported by a number of strategic acquisitions.

Reported EBIT from continuing operations, before one-off items grew 18% to \$429 million compared to \$365 million in the prior year. The EBIT margin in Australia continued to benefit from a blend of diversified customer base, improved productivity and sound cost controls. Throughout the business, cash flows remained strong, driven by earnings and tight working capital management.

The company has low gearing of only 24% following the settlement of the New Zealand rail and ferry asset sale, and an interest cover exceeding ten times.

The strength of the company's balance sheet has supported ongoing growth in terms of capital expenditure and acquisitions, and will enable us to continue to exploit growth opportunities.

The company undertook two major transactions at year end.

With our investment in Virgin Blue, we completed the special "*in specie*" dividend to shareholders in August and for accounting purposes de-recognised the investment at 30 June, 2008. In addition, we have concluded the disposal of our investment in the New Zealand rail and ferry operations to the New Zealand Crown.

The impact of the transactions relating to discontinuing businesses and net one-off items, accounted for a loss of \$952 million. This loss mainly reflected the non-cash write down of the Virgin Blue investment to its 30 June, 2008 market value which was partially offset by the gain on sale of the New Zealand rail and ferry operations.

The Virgin Blue distribution was treated as a demerger dividend for income tax purposes. As a consequence shareholders are not required to include the dividend in their taxable income and no franking credits are applicable.

On receipt of the Virgin Blue shares, shareholders need to apportion the existing cost base of their Toll shares over both their Virgin Blue and Toll shares. To assist shareholders through this process, the company has posted on its web-site useful information including a tax guide and a cost base calculator to help shareholders determine the basis of allocation. Should any shareholder have difficulty in accessing these documents on our web site, please do not hesitate to contact our Company Secretary who will arrange for a copy to be forwarded.

Shareholders who subsequently sell the Virgin Blue shares, either by use of the sale facility established by the company or otherwise, will need to calculate their capital gain or loss as the case maybe, by reference to the apportioned cost base of the Virgin Blue shares.

The company recommends that shareholders seek their own specialist tax advice should they be in any doubt as to the income tax consequences of the “*in specie*” dividend.

Corporate Governance

The company has implemented sound Corporate Governance practices, including ensuring that all regulatory issues are well managed.

With the undertakings provided to the ACCC in respect of the separation of Toll and Asciano, the company has established a detailed control regime to monitor compliance with these undertakings. These processes are regularly reviewed and monitored and are subject to regular review by independent auditors.

As in the past the company monitors all material non-audit related work undertaken by our auditors. Any appointment of KPMG for non-audit assignments must meet our auditor’s independence policy. In addition, where material and appropriate, non-audit work is subject to tender submissions from other professional firms.

The number and complexity of offshore acquisitions and major structural changes, for example the Virgin Blue “*in specie*” distribution, require specialist advice. The Board is satisfied that the work undertaken by KPMG does not impact their independence as the company’s Statutory Auditor, and that the level of fees incurred is appropriate.

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Management

The company has actively grown its offshore operations in line with its strategic plan. As these operations have developed, key management are appointed to drive performance and to ensure that the required financial and operational disciplines are in place.

Combined with regular reviews of internal controls and reporting, the overseas activities are well managed and capable of delivering in line with expectations. The Toll Global Forwarding business is now managed by Hugh Cushing based in Hong Kong, and Toll Asia is managed by Wayne Hunt from Singapore.

We will continue to develop our people within the Asian region and ensure that regular secondments are made.

The company maintains active succession and executive development processes and this supports our ability to resource and manage complex logistics tasks both with Australia and New Zealand, and across a wide range of Asian countries.

Shareholders will by now be aware that our long-term Executive Director and Chief Financial Officer Neil Chatfield has resigned from the company in order to pursue private interests and focus on his non-executive director roles. The company is pleased that Neil will continue with Toll until March next year providing a smooth transition of the CFO role.

Mal Grimmond has been appointed Acting Chief Financial Officer. Mal is a long-term executive of the company having held very senior finance roles in the group, including Chief Financial Officer of Pacific National and has more recently been Chief Information Officer for the Toll Group.

As this will be the last opportunity for shareholders in general meeting to acknowledge Neil's contribution to the Company over the past 11 years, we ask that you join with us in thanking Neil for his valued contribution and wish him every success in the future.

Remuneration

The Board continues to focus on ensuring that the company can attract and retain the best people in the industry.

The Group's remuneration strategy is pivotal to achieving its objective of being a market leader in the industry in which it operates and where it competes for a limited number of highly skilled proven executives.

Significant work has been performed by the Remuneration Committee and executives in the past year to ensure the Group's remuneration practices encourage high performance as well as ensuring alignment with typical market practices. As Toll Group moves into Asia, we look to replicate these principals across these employees to ensure consistency across all jurisdictions.

The Group's remuneration structure for executives includes a combination of fixed remuneration, short term incentives and long term incentives.

Short term incentives are directly linked to the achievement of the Group's annual objectives, in the areas of earnings, return on assets, debtors and safety. The linkage between pay and performance was exemplified during the last financial year, with the CEO achieving only 49% of his STI as a consequence of the company not meeting all STI requirements.

Currently long term incentives are provided through the issue of share options or equivalent units to executives. The Board has established an appropriate hurdle consistent with the aim of delivering increased shareholder wealth. The current hurdle measures the cumulative growth in fully diluted earnings per share. This hurdle is clearly focussed on the company's performance and not subject to equity market volatility.

The Board regularly seeks independent external advice to ensure remuneration policies are consistent with retaining key personnel and recognise current best practice. The Board has shown its commitment to outstanding HR practices through the appointment of a new HR Director, Lesley Staples, during the year. She brings extensive experience across both Australia and the Asian region.

The Board will continually review the company's remuneration policies to take into account external views as well as Toll's evolving business model in order to maintain its leading market position.

Outlook

Although global economic conditions are likely to remain challenging, the company has a strong balance sheet and cost structure which position it well against any major downturn. Importantly though, our financial and operational capability positions us well to continue to take advantage of growth opportunities as they arise.

Trading since 30 June, 2008 has been in line with plan and is tracking well ahead of last year.

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long-term increased shareholder wealth. This hurdle clearly focuses executives on the company's underlying performance and is not subject to equity market volatility.

The Board regularly seeks independent external advice to ensure remuneration policies are firstly, consistent with retaining key personnel, and secondly, recognise current best practice.

The Board will continue to review the company's remuneration policies and will carefully consider shareholder sentiments while maintaining the Company's leading market position.

Outlook

Although global economic conditions are likely to remain challenging, the company has a strong balance sheet and cost structure which position it well against any major downturn. Importantly though, our financial and operational capability positions us well to continue to take advantage of growth opportunities as they arise.

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TOLL HOLDINGS LTD – ANNUAL GENERAL MEETING
30 OCTOBER 2008

MANAGING DIRECTOR'S ADDRESS

The 2008 financial year was another year of outstanding progress towards the company's vision of being the premier integrated logistics group in the Asian region. In addition we have made important structural changes to the company to ensure our balance sheet remains in excellent shape and that we are well positioned should any significant economic downturn occur, and at the same time, take advantage of opportunities as presented.

Key highlights for the year include a very strong result by Toll Australia, achieving record margins along with continuing sound organic revenue growth, plus executing a number of strategic acquisitions.

In addition, momentum is continuing to build in our Toll Asia contract logistics business, enjoying both sound organic revenue and earnings growth.

A major highlight for the company was the formation of the Toll Global Forwarding (TGF) division, incorporating the Hong Kong based BALtrans acquisition in March 2008 and the integration of the existing Toll and Patrick international operations. In addition, the

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acquisition of the Gluck business in Australia, establishes TGF with annual revenues now exceeding A\$1 billion.

At year end we completed two major structural transactions.

Firstly, the sale of our New Zealand rail and ferry operations back to the New Zealand Government, which has allowed us to focus on driving growth into our core transport and logistics operations, TranzLink.

Secondly, the special *in specie* dividend of Virgin Blue shares to our shareholders was completed in August 08. This has minimised the company's exposure to the volatile passenger aviation sector, but maintained our important air freight relationship with Virgin Blue.

Following these two transactions Toll had net debt, excluding Reset Preference Shares, of only \$400 million and an interest cover exceeding ten times. Such a strong balance sheet and excellent cashflow generating operations, uniquely position the company to further invest in value creating capital expenditure and acquisitions.

Importantly, as global debt and equity markets become more challenging, asset valuations and competition for assets in our sector are reducing. Such conditions will provide the company with many exciting opportunities.

Financials

On a like for like basis, after eliminating discontinued operations, each of the company's divisions performed strongly producing group results of:

- a 15% increase in revenue to \$5.6 billion
- an 18% increase in EBIT to \$429 million and
- a 24% increase in NPAT to \$258 million

Based on these results, fully diluted earnings per share pre amortisation grew 20% to 42.7 cents

The strength of these results reflects the market leading position of the company, the efficiency of our operational and technological service offering, and sound financial discipline around cost control and capital management.

A major attribute of the company is cashflow generation from each of the businesses. This has allowed the group to continually invest in upgraded fleet and facilities to further improve productivity and reduce costs.

In the year to 30 June 2008, the company invested \$380 million in net capital expenditure, including strategic property purchases designed to support further growth.

Importantly, the discretionary nature of capital expenditure opportunities, provides the company with an ability to conserve cash

should the need arise, or to direct cash towards opportunistic acquisitions and growth avenues.

Also during the year, the company executed several exciting acquisitions at a total cost of over \$800 million, again demonstrating our ability to fund growth through internally generated cash and a strong balance sheet.

The company has a rigorous process of reviewing asset values for impairment and this applies also to all recently acquired assets and businesses. Importantly, the Board is not aware of any cause for concern with the provisional carrying values attributed to the Baltrans acquisition. All impairments are accounted for immediately as they arise.

No major impairment of assets has arisen since 30 June 2008, which is likely to have a material impact on the company.

Since 30 June 2008, the company has successfully negotiated an extension to its Singapore based financing facilities, which will provide ongoing efficient funding to support Asian based growth.

On 18 September, the company advised Preference shareholders that their Reset Preference Shares will be converted into ordinary shares as at 11 November 2008. The final conversion multiple is to be determined in accordance with the original terms of the offer and will be advised to the ASX as early in November as possible.

This conversion will increase equity in the company and further strengthen the group's balance sheet.

The company has no short term re-financing risks, and holds adequate cash facilities and committed medium to long term debt facilities to support its strategic growth ambitions.

Dividends

In respect of the 2008 financial year and excluding the special *in specie* Virgin Blue dividend, the company declared a fully franked ordinary dividend of 25 cents per share or a total of \$162 million. Shareholders who maintained their interest in Asciano following its demerger from Toll, would have also received cash distributions from Asciano during the year.

Over a number of years the company has maintained a relatively low dividend payout ratio, designed to retain funds within the company in order to support the funding of our growth strategy.

This strategy has enabled the company to outperform the broader market over the long term, and deliver strong returns to shareholders. The company believes that such a dividend policy will continue to serve shareholders well.

Turning to the performance of each division:

Toll Australia and New Zealand

Revenue and earnings for Australia were records for the division.

Driven by excellent organic revenue growth of 7.5%, total revenue grew to \$4.42 billion. Revenue growth was also supported by a number of acquisitions made during the period.

EBIT for the Australian business again grew strongly, increasing by over 18% to \$347 million.

The overall EBIT margin of 7.84% was another great result and reflected a continuation of the margin expansion witnessed over a number of years.

The strength of our operations in Australia is clear evidence of customer support for our integrated logistics model, as well as a reflection of our investment in new fleet, technology and upgraded infrastructure capacity.

Cost management and increased efficiencies are key elements in supporting our customers in driving down supply chain costs, and at the same time enabling us to continue growing market share.

During the year our Express and Time Sensitive freight operations performed very well, growing revenue and earnings, and investing in further capacity to support ongoing volume growth.

Toll Priority, our air express operation, traded strongly as it continued to strengthen its network, both in Australia and more recently into the Asian region, with the acquisition of the SkyNet business.

Another important milestone was the establishment of Toll Priority's comprehensive air linehaul network. The network, including dedicated air freighters, chartered aircraft and the belly space of the Virgin Blue fleet, has brought much needed capacity and efficiency to the Australian air freight industry.

Whilst building this network has involved additional cost, over time the strength of the network will deliver increased returns, as well as provide further leverage into the development of our Asian operations.

Toll IPEC, Australia's premier road parcel express operation also performed very well. Increased technology and fleet investment improved capacity and generated increased operational efficiency.

The ability of our express operations to effectively integrate with warehousing distribution and international forwarding activities, is a key point of differentiation compared to other high profile express operators.

The further refinement of these integrated solutions, incorporating the very latest technology, has enabled the company to provide highly efficient and cost effective solutions to customers and subsequently further grow market share.

In Queensland, NQX produced a strong result, benefiting from increased national trade flow, as well as high levels of activity in the Queensland resources sector.

On the other hand QRX, the company's Queensland based rail forwarder, experienced a difficult year with flooding and derailments causing disruption to rail linehaul.

Across industry segments, food, beverage and retail produced solid volumes, whilst resources continued to generate many opportunities.

The domestic Automotive sector operated in a challenging environment. The structural shift towards more imported vehicles has been evident for some time, and Toll has responded positively by supporting customers in their Asian based sourcing arrangements, as well as gaining market share in the movements of imported vehicles around Australia.

Since year end, Toll Automotive has restructured to establish a dedicated Asian Automotive base, to leverage off our relationships within the region and to pursue further growth opportunities.

PDL Toll, the company's specialised defence logistics operator, performed very well and continued to strengthen its capabilities in aviation and marine services.

PDL Toll further developed its relationship with Australian Defence, as well as the peacekeeping activities of the United Nations. The recent opening of an office in Washington USA, will further enhance our already strong relationship with the United States defence forces.

In New Zealand, the sale of the rail and ferry operations was completed at year end.

The core operations of road and rail forwarding, together with warehousing and distribution, performed well notwithstanding the flat economic conditions.

New Zealand revenue for the year was NZ\$255 million increasing from NZ\$234 million previously, while EBIT grew from NZ\$7.3 million to NZ\$9.4 million.

The improved results were due to increased efficiencies in rail linehaul and warehousing, as well as increased technology investment. The acquisition effective 30 June of United Carriers, a Northland based operator, will further improve our network and generate additional growth and opportunities. Continued expansion of our NZ express and international forwarding activities is forecast to generate enhanced growth during the next two to three years.

[Toll Asia](#)

The company's Asian based contract logistics activities continued to flourish during the year.

Supported by a management restructure including the appointment of a new Toll Asia CEO, the business continues to aggressively pursue business development opportunities and acquisition based growth.

Total revenue for the year was S\$777 million compared to S\$563 million in the prior year. Whilst the full takeover of the Sembawang Kimtrans business boosted revenues, underlying revenue grew a very healthy 12.5%, reflecting the increased emphasis on business development and customer management.

Toll Asia's EBIT including our share of associates, increased 12% for the year from S\$73 million to S\$82 million, again highlighting a focus on increased efficiencies and investing for growth.

Revenue grew consistently across most Asian operations, with China, Vietnam, Malaysia and Thailand all showing solid growth, and new and existing customers providing higher revenues.

The Singapore Government defence logistics operations traded well and saw increased opportunities to further this important relationship, as well as leverage the capability to create additional Government and Defence growth.

The offshore marine and mining logistics business was strengthened with the integration of the Sembawang Kimtrans operations. This is a key industry segment for the company, and one in which we are uniquely placed to increase our participation.

The recently announced extension of the offshore petroleum base in Singapore, supported by a long term lease and some S\$400 million of capital over the next five years, will be a showpiece in the region and establish the company as the premier provider to the oil and gas sector.

The company is also pursuing new opportunities in the mining sector, supporting our major mining customers with innovative marine related services.

In Japan, our 38% associate Footwork Express experienced challenging economic conditions and high levels of competition. In addition a one-off income tax adjustment impacted earnings.

A detailed review is underway to optimise the value of the company's investment in Footwork Express. The business has an excellent network throughout Japan and would benefit from greater involvement by Toll management.

Toll Global Forwarding (TGF)

In the next 12 months we expect the Toll Global Forwarding network to provide significant additional value to Toll Asia, both through specific customer relationships and the ability to combine services to create tailored solutions for those customers looking to reduce international supply chain costs.

Toll Global Forwarding was formed during the year to broaden and consolidate the group's international forwarding activities within the region.

The BALtrans acquisition not only enhanced our Australian bound forwarding operations, but gave us an exposure to the world's largest trade lanes, particularly within Asia.

In the year to June, 2008 TGF reported revenues of A\$358 million, with an EBIT of A\$10.9 million. These results reflected only 4 months trading for BALtrans and 1 month for Gluck.

The consolidation and integration of business into TGF has proceeded very well, and a highly capable and experienced management team has been established.

Pleasingly, results in the period to June 2008 show a solid improvement compared to the corresponding period, with this trend continuing into the new financial year.

TGF is currently rolling out an enhanced technology platform, which will enable the company to provide cross border supply chain solutions to customers. This technology will facilitate the integration of origin and destination land based logistics and international sea and air freight forwarding.

TGF is very well placed with an exciting pipeline of new customers, and has already secured a number of important accounts out of Asia into Australia including:

- Apparel Group
- GMC
- Danks
- Safcol

Each of these new contracts can provide additional volume to the Toll Australia network, and secure further customer efficiencies.

With the acquisition of associate, Cargo Services, late in the 2007 financial year, the Group has strong air and sea forwarding capability and will continue to add scale and enhance its network over the next 12 months.

Acquisitions

During the year the company made a number of important acquisitions in Australia and Asia. In all we spent approximately \$800 million on strategic acquisitions during the year.

These included:

- Victoria Express – regional Victoria
- Westrans – Northern Territory
- Couriers Australia – WA courier
- SkyNet – Australia and New Zealand air express
- Extra Transport – wharf cartage
- Establishment of the Toll Dnata Joint Venture – air services
- Sembawang Kimtrans – marine logistics
- BALtrans – global forwarding
- Gluck – global forwarding
- United Carriers – regional carrier
- Stream (minority interests) – contract printing

These acquisitions were all aimed at increasing the scale and depth of networks and expanding reach, as well as further developing capability.

As previously mentioned, the current state of debt and equity markets will undoubtedly provide significant opportunity for the company to make value accretive acquisitions and further expand its footprint. Whilst we are mindful of prevailing economic conditions in some of the countries in which we operate, we are continuing to critically evaluate a number of opportunities.

We believe that our strategic direction will continue to deliver positive results through any economic softness, and at the same time position the company to perform very well as the strong economic cycle returns.

As outlined by the Chairman, the company has established good disciplines and controls across the business, including our offshore operations.

As an aggressively growing company, our ongoing process involves a streamlining of the corporate structure, with continued rationalisation of obsolete entities and the integration of corporate activities. During the reported year, the Company acquired an additional 88 entities and disposed of, liquidated or commenced liquidation of 104 entities. This ongoing process is expected to deliver further administrative savings over time.

Environment

Toll's environmental management strategy has been reviewed during the year to give greater focus to the following key objectives:

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- 1) An enhanced focus on operational efficiency has confirmed significant fuel savings can be achieved in this area. Empty running in particular has been targeted. Modern fleet design embracing ADR and European minimum specifications will also assist in minimising emissions.
 - 2) Offering customers a choice of modes
 - Air to road
 - Road to rail
 - Rail to sea.

Provide cost effective options for customers by shifting their volume to a more fuel efficient alternative.
 - 3) An increase in investment and management focus on testing alternative fuels. Early indications suggest that CNG and LNG may provide significant cost and emissions benefits.
 - 4) A continued focus on developing energy efficient designs for our vast network of depots and offices.

And finally

- 5) To enhance government lobbying both directly to the Australian Government and indirectly via key transport and logistics associations, to improve understanding of the real limitations and opportunities we face in responding to the cost impact of proposed emissions taxes.

As a matter of policy, our company has a clear preference to reduce emissions, rather than acquire and trade carbon credits.

Industry Dynamics

Softening economic conditions both regionally and globally will generate further industry consolidation.

Reduced valuations and distressed competitors will present M&A opportunities for companies such as Toll, boasting strong balance sheets and adequate debt capacity.

Toll however will employ stringent disciplines to ensure that only high value propositions with ongoing strategic benefits will be seriously considered.

A tightening economy will also generate opportunities from customers wishing to streamline their national and international supply chains to speed deliveries and reduce costs.

Whilst fuel costs are expected to remain high and volatile for the transport and logistics industry, Toll has a very well established fuel surcharge mechanism in place to manage this exposure. However, we are also well placed to offer customers cheaper modal alternatives with lower fuel exposure.

When and if customers' inventory levels are reduced as economies slow, greater emphasis will be placed on speed to market and supply chain efficiency. Toll has positioned its business to capitalise on these market dynamics.

Economic Conditions

Whilst the 2008 financial year generally saw solid economic growth in the major regions in which the company operates, global conditions have deteriorated since year end.

The Australian economy has to date remained resilient, supported by strong employment and robust consumer demand.

The global financial crisis is clearly impacting on the world's short term economic outlook and we also expect this to have some impact on the key Australian and Asian economies going forward. The company is however very well placed to manage any impact through the combination of sustained operational efficiency and our strong financial position.

The volatility of fuel prices, together with currency fluctuations present a challenging climate for our industry and our customers. We believe that Toll, and the industry generally, manage these variables well and we are continuing to work with our customers to minimise their impact.

In respect of the volatility of currencies, the company maintains a policy of matching foreign assets and liabilities in local currencies. Although the softening of the Australian dollar has the impact of increasing reported offshore earnings, this is not expected to be material given the majority of earnings remain Australian based.

With the uncertain economic conditions facing economies around the world, we believe the trend to outsourcing of supply chain activities

may accelerate and our customer base will bring forward opportunities to reduce costs through international sourcing and partnering with major suppliers. Toll is uniquely placed to assist customers in these endeavours.

Outlook

Although the global outlook remains uncertain, our company is in an excellent position to further consolidate its premier market position to deliver superior shareholder returns over the long term.

We are executing initiatives inside the company in terms of network expansion and cost efficiencies to further cement the company as a supplier of choice in its chosen markets.

Relating to our financial position, we have moved decisively to establish a balance sheet capable of managing any downturn in trading, but at the same time provide an ability to be opportunistic in terms of acquisition and growth.

In respect of current trading since 30 June, this has been in line with plan and well ahead of last year. We are cautiously optimistic in relation to the full year result, which we expect to be another year of strong earnings and cashflow generation.

I can assure shareholders that the company aims to be even stronger in the region as we emerge from the current economic cycle.

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