Transpacific Industries Group Ltd Annual General Meeting

Wednesday 29 October 2014, 10.30am Brisbane time

Chairman's and CEO's Addresses

Chairman's Address

Transpacific has been transformed during the 2014 financial year. Our balance sheet has been significantly strengthened and the company has made considerable progress on building a solid foundation for long term growth.

I will go into further detail about the achievements made during 2014 and the platform those achievements have given us for future growth shortly, but I also want to give you, our shareholders, the strong message that we, as a Board and management team, realise that there is still a lot to be done. Yes, we have tackled our debt and the major balance sheet issues and we now have a clear strategy in place under a strong and experienced management team, but in our view, we are simply at the start of the journey.

Before going any further this morning, I want to reiterate to you that your Board takes very seriously the issue of safety for both Transpacific staff and the communities we serve. We have worked closely with management to prioritise safety over the period and I'll come to some statistical measures of our performance shortly. However, our safety performance was overshadowed by the terrible accident in Adelaide on 18 August this year. As you may have heard, one of our heavy duty trucks collided with a number of cars. Two people died with others suffering serious injuries, including the driver of our truck. Our thoughts and prayers continue to go out to the victims and their loved ones, families and friends.

The Board fully endorsed Management's prompt and voluntary decision to ground Transpacific's entire national fleet. The decision showed again how seriously the company takes its safety responsibilities. Between 19 August when the decision was made, and 3 September when all waste collection services returned to normal, the whole heavy duty vehicle fleet underwent roadworthy checks and our driver training systems were independently audited. On behalf of the Board, I'd like to thank all those who worked tirelessly day and night for an extended period to ensure safety remained our focus and services were resumed as quickly as practicable to all our customers.

Transpacific is still actively evaluating the financial impacts of the fleet grounding and will make an announcement once we are in a position to do so.

On top of last year's 47% reduction in the Total Recordable Injury Frequency Rate (TRIFR), this year saw our TRIFR reduce a further 33%. Notably, our Energy, Minerals and Remediation team in Whyalla, South Australia, achieved a safety record of five years without a lost time injury. Whilst more work lies ahead in this space, these pleasing results show Transpacific's commitment to create a zero harm work environment. This increase in the overall safety performance is trending in the right direction.

So now to the year in review:

Excluding the Landfill provisions, about which I'll comment later, and other significant items underlying net profit after income tax attributable to ordinary equity holders was $92.0 million, a 35% increase over the previous corresponding period.

With the sale of our New Zealand business for $885 million in June this year, the sale of Commercial Vehicles business for $219 million in August this year and the disposal of a number of other non-core businesses during the year, over $1,136 million was realised to help us tackle the company's debt.

From a net debt position of $977.5 million last year, the company had a net cash position of $136.7 million at 30 June this year. This has transformed the Transpacific balance sheet and its debt ratios. The transformation allowed us to redeem the $250 million in Step-up Preference Securities on 30th of September this year. It also gave the Board the confidence to return to paying dividends to shareholders, which resulted in a 1.5 cents per share fully franked dividend paid earlier this month. Our intention is to pay a regular dividend of 50 to 75% of underlying net profit after tax.

The enhanced credit profile that was achieved during the year allowed the company to finalise a new $400 million syndicated debt facility, which has the added benefit of increasing our weighted average debt maturity at 1 July 2014 from 1.9 years to 4.3 years.

While all of this gives us a platform from which to build the future growth of the Company, we can only achieve that growth if we have the right executive team to plan, lead and implement the appropriate supporting strategies. When we hired Bob Boucher as our CEO just on a year ago now, we gave Bob (himself a long term veteran of the US Waste Management industry) a clear mandate to renew Transpacific's leadership team, drive operational efficiencies and transform the balance sheet. I have already commented on the balance sheet and it is pleasing to note that in the past 11 months significant progress has also been made on the other matters.

In March this year, Bob secured from the US the services of the new Cleanaway Managing Director Jack Perko; who also has more than two decades of waste industry and operational experience, and who is driving efficiencies across the Cleanaway division. Changes have also been made in the CFO, General Counsel and Company Secretary and Head HR roles and we now also have a senior executive on the management team responsible for driving process improvements throughout the Company – all these new executives have deep public company/large company experience. Along with Transpacific Industrials Managing Director Tony Roderick - who has an acute understanding of Transpacific and the domestic industrials market - this new leadership team at the top of the company, led by Bob, is driving the operational and financial improvements in Transpacific's performance necessary for us to take advantage of the opportunities we see before the Company. The improved balance sheet we now have is a first step in this journey.

As a direct result of finally having experienced senior managers with extensive waste industry experience, and, through them, access to experienced experts with deep industry knowledge, this year we also addressed the significant matter of long-term provisioning for landfill remediation by allocating additional funding for rectification at a number of company owned landfill sites. It is important to note that these provisions, totalling $269 million on a pre-tax basis, were not forced upon us by regulators such as the EPA but instituted by the Company to address historical operational issues at a number of sites to ensure that all landfills meet best practice standards following their respective closure and ongoing monitoring commitments over the next 30-50 years.

With a transformed balance sheet and a reinvigorated and better qualified senior management team, we have the confidence to assess a number of potential opportunities aimed at further strengthening your company and maintaining its leading position in the Australian waste management industry. Bob will talk more on these matters in his address which follows shortly.

Earlier this year Transpacific released its first Sustainability Report, providing our stakeholders with information about our sustainability initiatives, activities and efforts.

To bring publication of the Sustainability Report in line with the release of the Annual Report earlier this month we released our second Sustainability Report. This report outlines the framework used to navigate the major challenges and opportunities we face across the business. Our sustainability values are broadly defined as a focus on strong shareholder returns, connecting with the communities in which we operate, minimising our impacts on the environment and building a safe and engaging workplace culture.

An excellent example of our sustainability efforts are the numerous ways in which we connect with the community. Transpacific serves a large number of urban and remote Australian communities and the importance of being a responsible corporate citizen cannot be underestimated. During the period, the company engaged proactively and built stronger relationships with many local communities. There were many highlights during the year such as the opening of a Community Information Centre at our New Chum landfill in southeast Queensland, where we have been showcasing our operations, hosting community meetings and providing dedicated community education programs and the school education programs we conduct in New South Wales and Queensland where over 25,000 students participated. For further examples and statistics, shareholders can obtain a copy of the Sustainability Report from the Transpacific website.

During the year, Warburg Pincus' nominee director Jeff Goldfaden left the Board following the sale by Warburg Pincus of their shareholding in November 2013. It would be remiss of me not to acknowledge the important stabilising influence brought to Transpacific by Jeff and Warburg Pincus in its time as our major shareholder. Jeff provided valued input to your Board's deliberations and I would like to thank him for his contribution.

In May this year Philippe Etienne became a director. He brings a wealth of experience in developing and implementing business-defining strategies and complements the diverse skills base of the Board and I welcome him to our ranks.

Finally, I thank the management team and all the company's employees for their efforts during the past year. There has been considerable, positive progress since the 2013 Annual General Meeting but the journey of performance improvement for Transpacific has only just begun. The Board is confident we now have the leadership to drive forward on that journey with the ultimate aim of delivering improved returns to you our shareholders.

I would like now to hand proceedings to our CEO, Bob Boucher who will run through the important highlights of the past financial year.

Martin Hudson

Chairman

CEO’s Address

Good morning ladies and gentlemen

Thank you Martin for your kind words and the Board’s support in driving the company’s transformation.

To our valued shareholders here today, after 11 months’ with the company, this is my first opportunity to address you as Transpacific’s CEO and it really is an honour to be with you.

Martin has already outlined my experience in the US with listed companies in the waste management industry, and I can tell you my first impression is the waste management industry here in Australia is very similar to the US. It is a landfill based disposal market, with large numbers of commercial and industrial customers and the municipals collection business.

These similarities have allowed me to hit the ground running during my first year in the role, and it’s made it a lot easier for me to assess the areas of the business where Transpacific is yet to achieve its potential.

It is clear to me that best practice has not been achieved across the company. We have work to do in the areas of operational efficiencies and post collections, sales and business processes so I’ve tasked our teams to place more emphasis on revenue growth, a better landfill position and best practice processes across the entire company. These foundation opportunities are our priority and we now have strategies in place under our rejuvenated leadership team to focus on these areas. I am confident that shareholders and customers alike will begin to see benefits flow through from these strategies over the next 2 years.

2014 has also given me a deeper understanding of the markets we operate within, the drivers of growth, and the needs of both our customers and our team. This brings me to the important issue of safety for our team, customers and the communities we operate in.

I want to deal with the tragic accident in Adelaide this August that took two lives and caused serious injuries to others, including our driver.

The day after the accident on 19 August, I voluntarily made the decision to ground the company’s nationwide heavy vehicle fleet and received the full support of our Board in implementing that decision. It was not taken lightly, but it was done so that we could assure our team, customers, the communities we serve and you, our shareholders, that our trucks were safe. The gradual resumption of waste management services commenced on 21 August and all waste collection services returned to normal on 3 September.

During this period, over 2000 heavy duty vehicles underwent safety inspections by qualified personnel and independent consultants. Only when the vehicles were deemed to be roadworthy in accordance with relevant regulations were they allowed to recommence operation.

We have reviewed our policies and procedures in relation to maintenance and road safety and are implementing improvements in the key areas of asset management, fleet maintenance and driver safety.

I want to thank our team for the way they responded to this crisis and worked tirelessly to get the fleet checked and back into operation, serving customers as quickly as possible. The best of our team really shined through. I would also like to thank our customers and the local communities we serve for their patience and understanding during the grounding. It was a tough but necessary decision to make, and they backed our decision. We were also very grateful for the way our industry peers and local councils stepped up and helped with priority collections during the grounding.

Our business runs on manpower, machinery and heavy vehicles in environments that can be hazardous. Managing the risks involved in this combination in order to safeguard our team and the communities in which we operate has to be our highest priority.

We have made improvements in the last few years. Our Total Recordable Injury Frequency Rate fell from 15.5 to 10.4 in 2014. While we made progress through other statistical indicators, there is considerable work underway to ensure safety behaviours and processes continue to improve and become second nature.

Turning now to our financial and operational results for 2014, I am pleased to report that Transpacific delivered an underlying net profit after tax of $92.0 million, an increase of 35% on last year.

Digging deeper into the result reveals the tough conditions we faced and the operational challenge we have on our hands. Underlying EBIT of $214.9 million was down 5.1% due principally to difficult trading conditions in the Australian manufacturing and industrial sectors.

Cleanaway reported a 1.4% decline in revenues and a 2.3% decline in EBITDA compared to the previous year. Front lift collection volumes in the Commercial & Industrial business were down more than 1%, reflecting a continued loss of market share.

Municipal revenues dropped 1% as the business focused on higher margin contracts. In 2014, 20 contracts were won or renewed at improved margins and the contract pipeline remains strong.

Post collection revenues were down 7.6%, with volumes down 10% due to a more competitive market in NSW and delays in cell construction impacting Queensland and Victorian landfill volumes.

The Industrials business experienced difficult market conditions as the manufacturing and industrial sectors slowed; Australian manufacturing capacity declined; mining sector demand remained subdued; and increases in capacity in the market.

The Technical Services business - which collects, processes and recycles all forms of liquid waste - experienced volume declines, notably in the high-margin hazardous liquids market. The Energy, Minerals and Remediation business received a slight boost in shut down work however, emergency response work was again low.

Our Hydrocarbons business was hampered by an increase in competition in the market and an adverse sales mix of used oil.

The asset sales and debt reduction referred to earlier by the Chairman will allow us to focus on the Australian waste management market. The financial flexibility we now have allows us to invest in our Cleanaway and Industrials businesses to achieve higher levels of shareholder returns.

We are implementing a core business strategy that focusses on a few foundational drivers to our business.

Firstly, growing our revenues, particularly in Cleanaway's Commercial & Industrials sector where we have lost market share and not maximised revenue opportunities for the past several years. To drive this growth, we have developed a new sales and marketing program targeting increased route density and price optimisation. Phase one of the first pilot sales project has been successfully completed and the program will be rolled out across several major metropolitan markets over the next 12 months.

Secondly, growing our landfill presence. Many of our current landfill assets, particularly on the east coast of Australia, are not well positioned to achieve profitable long-term growth and several are reaching the end of their useful lives. In addition to remediation actions to achieve best practice standards at all our landfill sites our prioritisation in the short to medium term will be to consider landfill acquisitions or joint ventures and on a longer term basis on green field development and privatisation opportunities. We will focus heavily on our internalisation rate (meaning that we will increase the amount of waste we collect being disposed into our own landfills). At present, our internalisation rate sits at 10-12%, well below global best practice standards. The lifting of this rate will result in higher margins and cash flow.

Thirdly, we will strategically acquire "tuck-in" acquisitions. These small acquisitions, targeting organisations near our current route infrastructure, will improve our route efficiencies and increase our margins.

Finally, productivity gains need to be made to ensure best practice is implemented across all our businesses, improving both fleet and labour utilisation and reducing our back office costs. Two areas we will specifically target are route optimisation and improved fleet management software.

These four strategic objectives will be implemented over the next two years and will drive our growth over the medium to longer term.

To execute these four major objectives and achieve our goal of long term, profitable growth, I have renewed the executive leadership team. During the year, Mr Jack Perko was appointed as Managing Director of Cleanaway; Ms Trish Unwin as Executive General Manager People, Environment and Reputation; Mr Mark Crawford as Executive General Manager Enterprise Operations; and Mr Dan Last as General Counsel and Company Secretary. Together with Managing Director of Industrials Mr Tony Roderick and this month's appointment of new Chief Financial Officer Brendan Gill - I am confident we have the right team in place to implement our strategies.

When we released the FY14 results in mid-August, we commented that trading conditions were difficult, particularly as the strength of the Australian dollar, numerous announced closures of manufacturing capacity and weakness in the mining sector was impacting business activity across these important sectors of the Australian economy. These difficult trading conditions have continued into the current financial year and we expect them to remain so for the balance of the year.

Based upon our current assessments and excluding the potential impact of the grounding of the fleet we continue to expect that our Cleanaway business will show a modest increase in earnings but the Industrials division will continue to face challenges.

Finally, I would like to thank all the team and the Board for their efforts and support during this past year. I am looking forward to reporting on our successes this year to you, the shareholders of Transpacific.

I will now hand back to Martin for the formal resolutions.

Bob Boucher

Chief Executive Officer