30 August 2017

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**ASX Limited**
Exchange Centre
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Dear Sir / Madam

**APPENDIX 4E**

**FINAL RESULTS FOR THE YEAR ENDED 30 JUNE 2017**

Tox Free Solutions Limited (**Toxfree**) is pleased to present an Appendix 4E containing details of Toxfree's audited financial results for the year ended 30 June 2017.

Yours faithfully

**TOX FREE SOLUTIONS LIMITED**

**DAVID MCARTHUR**
Company Secretary

**APPENDIX 4E – FINAL REPORT**
**Results for announcement to the market (1)**

**For the year ended 30 June 2017**
**Previous corresponding period: year ended 30 June 2016**

| | | | | **$'000** |
|---|---|---|---|---|
| **Total Revenue** from ordinary activities | up | **26%** | to | **496,115** |
| **Profit** from ordinary activities after tax for the year | down | **5%** | to | **12,387** |
| **Profit** for the year attributable to members | down | **2%** | to | **12,376** |
| **Total comprehensive income** for the year attributable to members | up | **2%** | to | **13,032** |

**Dividends**
It is proposed to pay a fully franked final 2017 dividend of 5 cents per share on 6th October 2017, with a record date of 14th September 2017.

| | **30 June 2017 cents** | 30 June 2016 Cents |
|---|---|---|
| **Net tangible assets per security** | **17.13** | 66.84 |

| | **30 June 2017 cents** | 30 June 2016 Cents |
|---|---|---|
| **Basic Earnings per share** | **7.10** | 9.23 |
| **Diluted earnings per share** | **7.07** | 9.22 |

**Entities over which control has been gained or lost during the period:**
Active Industrial Solutions Pty Ltd: 1 August 2016; control gained.
Daniels Health Pty Ltd and Daniels Manufacturing Australia Pty Ltd: 1 December 2016; control gained.

**Audit status:**
**(1)** This report is based on audited accounts.
An explanation of the results is included in the 2017 Annual Report.

# Results for Financial Year 2017

- **Revenue up 26% to $496.1M**
- **Underlying EBITDA up 14% to $82.8M***
- **Underlying net profit after tax pre-amortisation up 14% to $28.6M***
- **Underlying net profit after tax up 4% to $24.1M***
- **Statutory net profit after tax pre-amortisation up 12% to $16.8M**
- **Strong cash conversion – 91% of EBITDA***
- **Full year dividend increased by 6% to 9.5 cents per share**

The Directors of Tox Free Solutions Ltd ("Toxfree", the "Company" or "Group") (ASX: TOX) are pleased to announce the Company's financial results and achievements for the year ended 30 June 2017.

The key highlights of the financial year were:

**Safety**

- Reduction in Total Recordable Injury Frequency Rate (TRIFR) of 70% since 2013
- Group TRIFR of 6.7
- Leading safety indicators continue to strengthen
- Implemented Toxfree's safety systems into the Worth business and commenced integration of Daniels.
- Strong indigenous commitment to our reconciliation action plan with further development of our indigenous joint venture businesses in the Pilbara employing 32% indigenous workforce
- Winner of the Diversity and Inclusion Award in the Australian Human Resources Award 2016

**Financial**

| Group results | Statutory IFRS result 2017 $'000 | Exclusion Adjustments $,000 | Underlying Non IFRS result FY17 $'000 | Underlying Non IFRS result FY16 $'000 | % Change from FY16 |
|---|---|---|---|---|---|
| Revenue - Services | 496,115 | - | 496,115 | 393,380 | 26% |
| EBITDA | 68,734 | 14,069* | 82,803 | 72,875 | 14% |
| Amortisation | (4,438) | - | (4,438) | (1,914) | 132% |
| Depreciation | (36,878) | - | (36,878) | (31,594) | 17% |
| EBIT | 27,418 | 14,069* | 41,487 | 39,367 | 5% |
| Finance expenses | (7,246) | - | (7,246) | (6,154) | 18% |
| Profit before tax | 20,172 | 14,069* | 34,241 | 33,213 | 3% |
| Income tax expense | (7,785) | (2,322)* | (10,107) | (9,957) | 2% |
| Profit after tax pre-amortisation | 16,825 | 11,747* | 28,572 | 25,170 | 14% |
| Profit after tax | 12,387 | 11,747* | 24,134 | 23,256 | 4% |

| Group results (cont.) | Statutory IFRS result 2017 $'000 | Exclusion Adjustments $,000 | Underlying Non IFRS result FY17 $'000 | Underlying Non IFRS result FY16 $'000 | % Change from FY16 |
|---|---|---|---|---|---|
| Profit attributable to Toxfree Owners | 12,376 | - | 12,376 | 12,608 | (2)% |
| Non-controlling interest in profit | 11 | - | 11 | 446 | (98)% |
| Earnings per share (cents) ordinary holders | 7.1 | 6.7* | 13.8 | 16.7 | (17)% |
| Shares on issue at reporting date ('000) | 194,100 | - | 194,100 | 143,920 | 35% |
| Weighted average number of shares ('000) | 174,415 | - | 174,415 | 136,573 | 28% |
| Dividend (cents per share) | 9.5 | - | 9.5 | 9.0 | 6% |
| Gross cash conversion as a % of EBITDA | 110% | - | 91% | 102% | (1,100)bps |

*(*Non-IFRS Financial Information - Normalised for non-operational adjustments – refer to page 3 for further detail)*

- Revenue up 26% on FY16 to $496m
- Net profit after tax pre-amortisation (NPATA)* up 14% on FY16 to $28.6m
- Strong cash flow with full year cash conversion rate of 91% of EBITDA*.
- Full year dividend of 9.5 cents per share an increase of 6% on FY16.
- Disciplined capital expenditure, improved debtor collections and strong cash flow resulted in net debt to equity of 41%.
- Acquisition of Daniels Health – Australia's largest provider of health care waste management services
- Maintained successful track record of contract wins - awarded new contracts totaling over $100m
- Investment in new best practice technologies to improve productivity and environmental sustainability
- Daniels has performed well since acquisition achieving $13.8M EBITDA
- Contribution from Daniels, Worth Recycling and growth of east coast operations counters the decline in resource sector construction related activities in the Pilbara, Central Queensland and Surat Basin regions.

**Non-IFRS Financial Information: Statutory EBITDA reconciliation to Underlying EBITDA:**

| | FY17<br>$'000 | FY16<br>$'000 |
|---|---|---|
| **Statutory EBITDA** | **68,734** | **59,705** |
| Pre-tax exclusion adjustments: | | |
| Acquisition, integration and rebranding costs | 8,465 | 4,728 |
| Impairment losses – Port Hedland | - | 2,639 |
| Asset write-offs and make good – vacated sites | 1,994 | 1,019 |
| Redundancy and restructuring costs | 3,080 | 4,425 |
| Site closure costs | 530 | 1,426 |
| Reduction in contingent consideration | - | (1,067) |
| **Total Underlying adjustments relating to EBITDA** | **14,069** | **13,170** |
| **Underlying EBITDA** | **82,803** | **72,875** |
| | | |
| **Total Underlying Adjustments relating to Income Tax** | **(2,322)** | **(2,968)** |

For Statutory purposes, the above costs are allocated to the following segments; Technical and Environmental $420k (2016: $4,964k); Waste Services $4,549 (2016: $3,231k); Industrial Services $631k (2016: $132k) and Corporate $8,469 (2016: $4,843).

**Managing Directors Review**

Financial year 2017 was another successful year for Toxfree (the Company). Highlights included Toxfree's entry into the health sector through the acquisition of Daniels Health Australia (Daniels), growth in the Company's east coast businesses driven by momentum in infrastructure development and implementation of new waste treatment technologies to further improve business performance.

On the West Coast of Australia there was a further decline in activity from the resource sector however this was offset by growth from east coast operations and 7-month contribution from Daniels.

The Company delivered sound financial results. Revenue increased by 26% to $496.1m, underlying Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA)* increased by 14% to $82.8m and underlying Net Profit after Tax before Amortisation (NPATA)* increased by 14% to $28.6m*. Amortisation for FY17, post the acquisition of Daniels, increased to $4.4m and will increase again in FY18 to $5.0m. The amortisation of intangibles is a non-cash accounting adjustment. Underlying Net Profit After Tax* was $24.1m an increase of 4% on FY16.

The Group's debtor days sales outstanding (DSO), excluding work in progress, was 51 days at the end of the period and associated gross cash flows from operations of $75.3m were 91% of EBITDA*. Because of the Daniels acquisition, Toxfree's total borrowings increased to $191m at year end with a net debt to equity ratio of 41%.

Net capital investment in plant and equipment was $36m (FY16: $32m) which included the completion of Hazpack, BluBox, the Toxfree Fuel project in NSW and the upgrade of the Daniels Silverwater facility.

The Board has announced the payment of a final dividend of 5 cents (FY16: 4.5 cents) per ordinary share, which will be fully franked based on tax paid of 30%. The 5 cents per share dividend represents a payout ratio of 65% of underlying NPATA* and 76% of underlying NPAT*.

The Board decided to increase the final dividend per share in consideration of the Company's strong cash flow, capital expenditure requirements and in acknowledgment that the timing of the Daniels settlement meant the Company had a larger issue of shares with only seven months trading from Daniels. The dividend record date is 14 September 2017 and the payment date is expected to be 6 October 2017.

The dividend reinvestment plan (DRP) will be in operation for this dividend. Under the DRP, Toxfree shares will be issued or transferred at the average of the daily volume weighted average price (VWAP) of all shares sold on ASX over the period from 18 August 2017 to 14 September 2017. No discount will be applied to shares issued or transferred under the DRP.

**Operations**

Health Services

| **Results** | **FY17 $'000** | **FY16 $'000** | **% Change** |
|---|---|---|---|
| Revenue | 50,809 | NA | NA |
| EBITDA * | 13,814 | NA | NA |
| EBITDA Margin (%) | 27% | NA | NA |
| Amortisation | 1,542 | NA | NA |
| Depreciation | 2,296 | NA | NA |
| EBIT * | 9,976 | NA | NA |
| EBIT Margin (%) | 20% | NA | NA |

- FY17 trading has been strong producing $13.8m of EBITDA in the first 7 months of ownership
- Synergies are tracking well – good progress on use of Toxfree fuel and expansion of Total Waste Management services to Daniels customers – Sydney and Melbourne planned for FY18. Toxfree is the only service provider able to offer TWM nationally and treat all waste in house from the health sector
- Completed engineering works on incinerator upgrade in NSW, to improve performance and allow for an expansion of wastes processed
- Excellent cultural fit with a merger of two compatible cultures combined with a strong management team
- Successful separation of Daniels Health Australia from Daniels International
- Health services advisory board has been established with the founding vendor to provide ongoing strategic advice
- Overhead reductions as part of the separation from Daniels International have been achieved
- Significant upgrade to the Laverton incinerator planned for FY18 to further realise synergies and use of Toxfree fuel

Technical and Environmental Services

| Results | Statutory IFRS result 2017 $'000 | Exclusion Adjustments $,000 | Underlying Non IFRS result FY17 $'000 | Underlying Non IFRS result FY16 $'000 | % Change From FY16 |
|---|---|---|---|---|---|
| Revenue | 125,781 | - | 125,781 | 67,826 | 85% |
| EBITDA | 29,857 | 420* | 30,277 | 21,245 | 43% |
| EBITDA margins (%) | 24% | - | 24% | 31% | (700)bps |
| Amortisation | 1,165 | - | 1,165 | 678 | 72% |
| Depreciation | 9.097 | - | 9,097 | 6,009 | 51% |
| EBIT | 19,595 | 420* | 20,015 | 14,558 | 37% |
| EBIT margins (%) | 16% | - | 16% | 21% | (500)bps |

*(*Non-IFRS Financial Information - Normalised for non-operational adjustments – refer page 3 for further detail)*

- Nine month additional contribution from Worth Recycling achieving an additional $7.6M EBITDA* on FY16.
- Margins impacted by changes in business mix with a full year contribution from Worth Recycling which operate at typically lower margins than the TES underlying business (pre Worth)
- After a strong start to the first quarter of FY17 the lack of rainfall in NSW in the last quarter of the calendar year reduced Worth liquid waste volumes resulting in Worth earnings being lower than expected – The second half trading returned to normal with momentum in infrastructure sector and return to normal rainfall
- Commissioned new technologies including Hazpak for hazardous waste de-packaging, BluBox e-waste recycling and "Toxshield" hazardous waste handling to improve productivity, reduce cost and improve employee safety
- Strong pipeline of remediation projects driven by east cost infrastructure and property development
- Award of NSW EPA Household Hazardous Waste contract and implementation of NSW EPA Community Recycling Centres across all of NSW
- Successful remediation project completed on behalf of the WA Dept. of Premier and Cabinet for the cleanup of fire effected properties in Yarloop WA

Industrial Services

| Results | Statutory IFRS result 2017 $'000 | Exclusion Adjustments $,000 | Underlying Non IFRS result FY17 $'000 | Underlying Non IFRS result FY16 $'000 | % Change from FY16 |
|---|---|---|---|---|---|
| Revenue | 147,275 | - | 147,275 | 93,482 | 58% |
| EBITDA | 25,578 | 631* | 26,209 | 16,834 | 56% |
| EBITDA margins (%) | 17% | - | 18% | 18% | 0bps |
| Amortisation | 628 | - | 628 | - | 100% |
| Depreciation | 9,243 | - | 9,243 | 7,818 | 18% |
| EBIT | 15,707 | 631* | 16,338 | 9,016 | 81% |
| EBIT margins (%) | 11% | - | 11% | 10% | 100bps |

*(*Non-IFRS Financial Information - Normalised for non-operational adjustments – refer page 3 for further detail)*

- Civil infrastructure sector in Victoria and NSW continued to drive strong utilization and earnings
- Awarded 5 year contract with GLNG for upstream production operations in the Surat Basin Queensland.
- Wheatstone LNG project in Onslow, WA continued to perform well.
- Contracts to producing assets in alumina and iron ore continued to perform strongly
- Completed our first year at BHP Billiton Olympic Dam for both industrial services and waste management without lost time injury and meeting our financial expectations
- Awarded long term contract through our indigenous joint venture to provide industrial services to FMG's operations
- Large tender pipeline in FY18.

Waste Services

| Results | Statutory IFRS result 2017 $'000 | Exclusion Adjustments $,000 | Underlying Non IFRS result FY17 $'000 | Underlying Non IFRS result FY16 $'000 | % Change from FY16 |
|---|---|---|---|---|---|
| Revenue | 172,249 | - | 172,249 | 232,072 | (26)% |
| EBITDA | 34,083 | 4,549* | 38,632 | 59,221 | (35)% |
| EBITDA margins (%) | 20% | - | 22% | 26% | (400)bps |
| Amortisation | 1,103 | - | 1,103 | 1,236 | (11)% |
| Depreciation | 14,336 | - | 14,336 | 16,070 | (11)% |
| EBIT | 18,644 | 4,549* | 23,193 | 41,915 | (45)% |
| EBIT margins (%) | 11% | - | 13% | 18% | (500)bps |

*(*Non-IFRS Financial Information - Normalised for non-operational adjustments – refer page 3 for further detail)*

- Revenue and earnings declined due to the reduction in volumes of construction related wastes from the oil and gas sector in WA.
- Awarded a 5 year total waste management contract with Inpex Australia for the Ichthys upstream and downstream LNG operations
- Increased volumes of Commercial and Industrial Waste but margins were impacted in south east Queensland in a competitive market.
- Kimberley and Darwin region have performed strongly. Positive outlook for the region with the commencement of Inpex and Shell Prelude later this year.

**Corporate**

| Corporate | Statutory IFRS result 2017 $'000 | Exclusion Adjustments $,000 | Underlying Non IFRS result FY17 $'000 | Underlying Non IFRS result FY16 $'000 | % Change From FY16 |
|---|---|---|---|---|---|
| Revenue – Services | 496,115 | - | 496,115 | 393,380 | 26% |
| Finance costs | (7,246) | - | (7,246) | (6,154) | (18)% |
| Unallocated EBITDA | (34,598) | 8,469* | (26,129) | (24,425) | 7% |
| EBITDA to revenue | 7% | - | 5.3% | 6.2% | (900)bps |
| Depreciation – corporate | (1,906) | - | (1,906) | (1,697) | 12% |
| EBIT | 36,504 | 8,469* | (28,035) | (26,122) | 7% |
| EBIT to revenue | 7% | - | 5.7% | 6.6% | (900)bps |

*(*Non-IFRS Financial Information - Normalised for non-operational adjustments – refer page 3 for further detail)*

- Strong cash conversion - 91% of EBITDA*.
- Increased dividend of 9.5 cents per share reflects the strong balance sheet position of the Company.
- Implementation of time and attendance, optical scanning software and in vehicle monitoring systems (IVMS) to further improve efficiencies in FY18.
- FY17 net Capital expenditure of plant and equipment of $36M (excludes acquisitions).
- New banking facilities established to support growth strategy.

**Outlook**

The fundamentals of Toxfree's business remain sound and we believe we have significant opportunity ahead of us. Our established platform will enable us to execute our clear strategy, delivering future growth and maximising shareholder value.

In the short term our focus remains on the integration of Daniels and the realisation of synergies between the two organisations. There is significant synergy upside still to be realised as we progress the expansion of the two incinerators' capability and use of Toxfree fuel. We have also commenced the expansion of total waste management (TWM) services in the Sydney and Melbourne markets for our existing health and industrial customers. These two markets are the largest in Australia and Toxfree is confident in our ability to capture market share through our unique service offering and management of all waste types produced from our target customers within these areas.  We also expect strong underlying growth in the health sector.  The Health Services division is becoming the strongest, most defensive and highest returning business within the group and we expect this momentum to continue in years to come.

Within the resources sector the majority of construction activity has now finished.  By the end of the calendar year the business is expected to reach an inflection point in which declining revenues from this sector will have abated.  This marks the end of Toxfree's transition from the construction cycle to production and we look forward to more stable market conditions.  Over the last five years Toxfree has strategically diversified the business into a broader range of market sectors, reducing the cyclicality of revenue which we have endured over recent years.

The Company has recently been successful in the award of several large production contracts within the resource sector.  Services will progressively increase for recently awarded contracts for FMG's industrial services, Inpex's Ichthys project based in Darwin and waste services for Ruska Brothers for the Shell Prelude contract to name a few.

FY18 earnings growth is expected from a full-year contribution from Daniels, realisation of synergies, expansion of TWM services, new contracts commencing and organic growth of the existing business within the civil infrastructure, regulated and industrial sectors.  This will largely offset the decline in earnings from contracts and resource construction activity that has contributed to FY17 earnings but will not continue into FY18.  Recognising this, the Company is forecasting FY18 growth in underlying EBITDA of up to 4%.

Our business development pipeline remains strong and the Company is confident in its ability to continue to win market share across Australia.

We would like to thank our customers and shareholders for their continued support throughout the financial year.

Yours sincerely

**STEVE GOSTLOW**
Managing Director

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