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TRANSPACIFIC TO ACQUIRE LANDFILL ASSET IN MELBOURNE

Transpacific Industries Group Ltd (ASX: TPI) has today agreed to acquire the Melbourne Western Landfill, including existing licences and permits, from Boral Ltd. The site is the largest in the Melbourne area and a key asset for TPI well into the future.

ACQUISITION HIGHLIGHTS

- Completely aligns with a key component of TPI's growth strategy
- A key infrastructure asset in Cleanaway's largest market providing a strong platform to expand Cleanaway's growth
- Will replace the current TPI Melbourne sites which are expected to close in FY16
- Significant internalisation benefits underpinned by existing waste volumes, organic growth opportunities and tuck-in acquisitions
- TPI will add additional value via operating efficiencies and volumes
- Strong alignment between TPI and Boral for long term shareholder value and potential for evaluating future opportunities
- Earnings per share accretive

The Melbourne Western Landfill operates in airspace created by Boral's quarrying activities at the site, which will continue to operate separately. Boral and TPI have entered into agreements based on an upfront cash payment and annual payments from TPI to Boral over the long term which will align both companies' interests.

Under the agreements, TPI will make the following payments to Boral:

- \$165 million total consideration paid at completion which includes \$15 million for site preparation work; and
- Fixed and volume based royalty payments amounting to approximately \$15 million per annum initially.

The \$165 million total consideration represents 9.3 times standalone FY15 EBITDA on a pro forma basis (including the fixed and volume based royalty payments). Incorporating the benefits TPI will generate from this acquisition and the protection of earnings following the closure of the current Melbourne landfill operations of TPI in FY16, the effective EBITDA multiple for this acquisition will improve significantly by FY17.

The acquisition will help deliver on an integral component of the overall TPI growth strategy by increasing internalisation rates (collected waste delivered to its own sites rather than to third parties) for TPI's Melbourne operations, which will drive enhanced cash flow and higher returns. TPI's current rate of internalisation in the Melbourne metropolitan area is approximately 25%. Through this acquisition, TPI's internalisation is forecast to increase to approximately 65% in Melbourne by FY17.

Transpacific CEO Robert Boucher said: "For Transpacific, this transaction with Boral is about achieving our goal of increasing our returns by processing more of the waste we collect at our own sites.

"The progress we have made over the past twelve months to strengthen the financial position and durability of the company, which in turn allows us to invest in strategically critical assets, is what this transaction truly reflects.

"The benefits TPI and its customers and shareholders will attain from this acquisition cannot be understated. We have secured our long term position in our largest market. Both cash flow and returns will increase and the impact from the closure of our current Melbourne sites in FY16 is now mitigated.

"We are delighted to have secured both a strategic site, and a great ongoing partner in Boral, where Mike Kane, his team and the TPI team have struck up a great working relationship in recent months. We've structured the deal so that there are ongoing benefits for both Transpacific and Boral shareholders as we deliver on our plans.

"For Boral, landfill is not a core business, whereas Transpacific needs strategic landfill capacity in order to increase our internalisation rates. This partnership will also allow us the potential to evaluate future landfill opportunities with Boral in other Australian states, so this is a true win/win situation for both sets of shareholders.

"The current permitted airspace capacity of the Melbourne Western Landfill is for a 7 to 10 year period, with expansion potential out to over 50 years, subject to regulatory approval. We've aligned our interests in the structure of this deal so that both sides are incentivised to achieve a longer life span for the site.

"These sites are becoming scarce and valuable assets. By using current sites better with new technology and management techniques, we can expand the life of existing sites and alleviate the pressure on governments to develop new sites with all the associated community issues that raises. In this regard, the Melbourne Western Landfill is a truly strategic asset for us."

The arrangements with Boral also include customary terms for a transaction of this kind, including conditions precedent such as approval of TPI's bank syndicate, ACCC clearance, and a provision which may require TPI to divest its interests in the Melbourne Western Landfill in limited circumstances where there is a change in control of TPI.

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