

27 October 2016

FOR RELEASE TO MARKET

## 2016 ANNUAL GENERAL MEETING ADDRESSES

### CHAIRMAN'S ADDRESS

This is my first address to shareholders as Chairman of Cleanaway Waste Management Limited and it is a privilege and an honour to assume the role after the retirement of Martin Hudson last month.

It is pleasing to report that against a backdrop of difficult trading conditions across a number of the markets that your Company operates in we posted significant improvements in our financial results for the 2016 financial year compared to last year.

Net profit after tax attributable to ordinary shareholders was \$44.8 million compared to a loss of \$23.6 million in 2015. This result was achieved on a growth in revenues of 5.1% to \$1.455 billion. Increases in revenues were achieved by our Solids Collection and Post Collection businesses however the Liquids and industrial Services business saw a reduction in revenues during the year as oil prices declined and industrial and resources activity was quite stagnant.

Included in our profit results this year was \$18.5 million in significant items which were mainly attributable to the restructuring and rebranding costs incurred during the year.

Excluding these items, the underlying earnings of the Company improved significantly. Net profit after tax increased 38.5% with a commensurate increase in earnings per share of 37.9%.

Total dividends declared for 2016 were 1.7 cents, fully franked and represents an increase of 13.3% on the dividends declared last year. The full year dividend payout ratio of 43% is slightly below the Board's target range of 50% to 75% of underlying earnings per share. We expect that as our cash flows continue to improve our dividend payments will also improve.

Our balance sheet remains very strong with net debt at \$311.1 million representing a net debt to EBITDA ratio of 1.11 times. Based on our current ratio, we have capacity available to us to grow the business.

I would now like to make a few comments on the Cleanaway's strategies. When Vik Bansal was appointed to the role of Chief Executive in August last year, he presented to the Board a comprehensive review of the business and a series of strategies he intended to put into place. These same strategies were presented by Vik to the annual general meeting last year as part of his address to shareholders.

The Board and the management team have worked together closely to implement these strategies and we have started to see the benefits of these flow through to our 2016 results. While we are all pleased with the progress made so far, there is still more work to do on

achieving the operational performance we know this business is capable of. I can assure shareholders that this work will continue in the years to come.

Shareholders should be aware that our commitment to safety, both at Board and management level, is unwavering. Safety of our employees, customers and the communities that we serve is non-negotiable.

While we have been successful in improving our safety performance, with our total recordable injury frequency rate declining by almost 12%, the nature of our business means that our employees are often working with heavy equipment and hazardous materials, in high risk environments. Further initiatives continue to be implemented within the Company to ensure the focus on safety remains a priority and Goal Zero becomes a reality.

Cleanaway operates in an industry where growth is driven by the growth in population and local authorities, businesses and individuals becoming increasingly committed to higher environmental standards. This is the driver of our mission to make a sustainable future possible.

We work closely with all our customers to incorporate a wide range of waste management strategies. There are many examples of sustainability within your Company which utilise the waste stream for the benefit of the environment and include:

- Generating electricity from our landfills, where over 145 kilowatt hours of renewable energy has been generated, enough to power 30,000 homes
- Recycling approximately 230,000 tonnes of paper and cardboard, 11,000 tonnes of plastics and 22,000 tonnes of metals a year
- The implementation of the Paintback scheme, a world first initiative that reduces the amount of waste paint that goes to landfill. This initiative aims to collect more than 45,000 tonnes of waste paint over the next five years. This paint will be processed at our facilities and converted into recycled materials
- Our recently announced partnership with Clean Up Australia where we have signed a multi-year national partnership with them and where we are now officially part of a program that has made such a massive contribution to the way Australians think about their environment.

Another area is working closely with the communities in which we operate. In 2016 alone, we ran over 60 community information sessions and engaged over 38,000 students in various school education projects on the importance of recycling.

I would like to take this opportunity to thank Martin Hudson for his work as Chairman of Cleanaway during the past three and a half years and the work he did in leading the renewal of the Board and management team. On behalf of the Board we wish Martin all the best for the future.

I would also like to thank my fellow Board members for their efforts and commitments over this past year.

In closing, without our dedicated employees, this Company would not operate and I would like to take this opportunity to thank all of them for their positive contributions.

## **CHIEF EXECUTIVE OFFICER'S ADDRESS**

Cleanaway is the largest waste management company in Australia. A company with a strong brand, good market share, an extensive footprint of prized assets across the country and an integrated waste management offering supported by a team of very good people throughout the organisation.

You may recall that at the Annual General Meeting last year I laid out detailed plans to improve the overall performance of the Company. This has also been articulated in some detail in our Annual Report.

The plan outlined a range of initiatives, including going back to basics and agreeing on our purpose for existence or Our Mission, Our Vision and reinforcing how we operate through Our Five Values.

We clearly articulated how and where we create value for our customers and shareholders, and introduced our value operating model, followed by aligning our systems and organization structure. We addressed the confusion in the market by moving to one brand – CLEANAWAY. We ensured that everything we do is done through our Five PILLARS of strategic initiatives, that is:

- Customers for Growth,
- Continuous Improvement for Cost,
- Capital for Cash,
- Clarity for Alignment and
- Competitive Advantage for Excellence.

It was, and still is, critical that we build a company that is fit for purpose and well positioned for long term future growth.

We continue to refine and all of the above will continue to be a work in progress.

Meanwhile, I am pleased to report that during the last financial year we started to see the benefits of our initiatives through our reported results.

I must highlight though, that whilst our results were somewhat pleasing, we still have a lot of work to do to further improve and sustain the operational performance of the Company.

This will continue at pace in FY17 and beyond.

Turning now to our FY16 results. As you are aware, during the past financial year we changed our external reporting.

We now report the revenues, EBITDA and EBIT via three businesses –Solids Collections, Solids Post Collections and Liquids & Industrial Services. This change has provided increased transparency to the investor community and allows for greater clarity when valuing the Company.

## Solids – Collections

### Solids – Collections

*Cleanaway has the largest solid waste services fleet and widest network across Australia*



Largest network of collections vehicles operating from more than 100 depots in Australia



Servicing 90+ municipal councils across the country

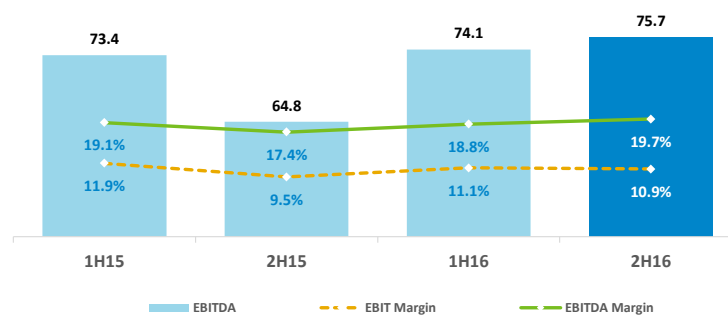


New 75,000 tonnes per annum resource recovery centre opened in Brisbane

Our Solids Collections business has the largest services fleet and widest network across Australia. Our network of collection vehicles operate from more than 100 depots across the country, servicing over 90 municipal councils and over 100,000 commercial and industrial customers. We also provide resource recovery facilities in each state of Australia.

### Solids – Collections Underlying Results

\$ million	FY16			FY15			Comparison % changes		
	Total	2H16	1H16	Total	2H15	1H15	FY16 v FY15	2H16 v 1H16	2H16 v 2H15
Net external revenue	778.1	384.9	393.2	755.8	372.0	383.8	3.0%	(2.1)%	3.5%
EBITDA	149.8	75.7	74.1	138.2	64.8	73.4	8.4%	2.2%	16.8%
EBITDA Margin	19.3%	19.7%	18.8%	18.3%	17.4%	19.1%			
EBIT	85.7	42.1	43.6	81.0	35.5	45.5	5.8%	(3.4)%	18.6%
EBIT Margin	11.0%	10.9%	11.1%	10.7%	9.5%	11.9%			



Solids Collections revenues improved 3% compared to the previous year and reported a 3.5% improvement in the second half of the year when compared to the previous corresponding period.

I am pleased to report that FY16 was the first time in a number of years that we grew our top line organically.

Our Growth initiatives are starting to show traction with revenue and volume growth across most collection categories compared to last year.

These initiatives included the establishment of Telesales and Save Desk functions with early indications of improving customer churn rates. New business gained is exceeding churn rates for the first time in a number of years.

Profitability also improved, with an 8.4% increase in EBITDA to \$149.8 million and margin improving to 19.3% compared to 18.3% last year.

Our profitability improvements have been driven by a number of revenue and cost initiatives implemented in the past year and these will continue in the year ahead.

## Solids - Post Collections

### **Solids – Post Collections**

*Cleanaway has one of the strongest post collections asset bases in Australia*



Growing network of transfer stations across the country

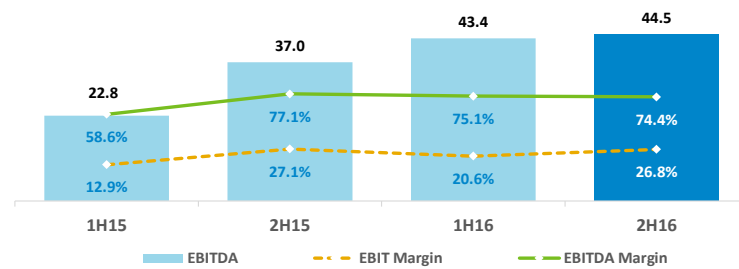


Landfill assets located in every mainland state of Australia generating over 120 million m<sup>3</sup> of landfill gas which is converted into 121m kWh of renewable energy. Enough to power over 30,000 homes annually

Cleanaway has one of the strongest post collection asset bases in Australia with a growing network of transfer stations across the country and landfill assets located in every mainland state of Australia.

### Solids – Post Collections Underlying Results

\$ million	FY16			FY15			Comparison % changes		
	Total	2H16	1H16	Total	2H15	1H15	FY16 v FY15	2H16 v 1H16	2H16 v 2H15
Gross external revenue	252.0	117.1	134.9	170.7	98.2	72.5	47.6%	(13.2)%	19.2%
Less levies and carbon tax	(134.4)	(57.3)	(77.1)	(83.8)	(50.2)	(33.6)	(60.4)%	25.7%	(14.1)%
Net external revenue	117.6	59.8	57.8	86.9	48.0	38.9	35.3%	3.5%	24.6%
EBITDA	87.9	44.5	43.4	59.8	37.0	22.8	47.0%	2.5%	20.3%
EBITDA Margin <sup>1</sup>	74.7%	74.4%	75.1%	68.8%	77.1%	58.6%			
EBIT	27.9	16.0	11.9	18.0	13.0	5.0	55.0%	34.5%	23.1%
EBIT Margin <sup>1</sup>	23.7%	26.8%	20.6%	20.7%	27.1%	12.9%			



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Notes: 1. Margins represent % to net external revenue

Both revenues and earnings recorded strong growth in FY16.

Net external revenues grew 35.3% with EBITDA growing 47.0%.

While the Melbourne Regional Landfill was a strong contributor to this growth, so were our other landfills where volumes increased across most of them.

In addition, our older landfills in Clayton, Victoria will be approaching closure during 2017. – We anticipate an improved profit performance from our Post Collections business in FY18 as volumes are transferred to the more efficient and highly engineered Melbourne Regional Landfill site.

We also have expansion plans for our transfer station network in both Sydney and Melbourne.



## Liquids and Industrial Services

### *Liquids and Industrial Services*

*Cleanaway is the largest hydrocarbons recycling business in Australia and a leader in the overall liquids and industrial services market*



Collecting and processing 130 million litres of mineral oil, offsetting Australia's annual requirements for oil by 900,000 barrels



Collecting and processing over 600 million litres of hazardous and non-hazardous liquids



Providing a wide range of environmentally focussed industrial services across the country

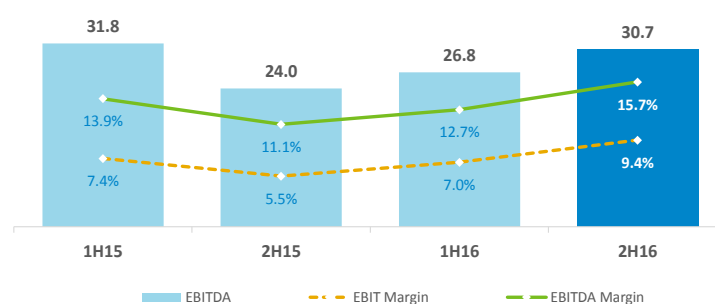
Cleanaway is the largest hydrocarbons recycling business in Australia and a leader in the overall liquids and industrial services market.

We process 130 million litres of used mineral oil each year, collect and process over 600 million litres of hazardous and non-hazardous liquids and provide a wide range of environmentally focussed industrial services across the country.



## Liquids and Industrial Services Underlying Results

A\$ million	FY16			FY15			Comparison % changes		
	Total	2H16	1H16	Total	2H15	1H15	FY16 v FY15	2H16 v 1H16	2H16 v 2H15
Net external revenue	407.0	195.6	211.4	445.9	216.8	229.1	(8.7)%	(7.5)%	(9.8)%
EBITDA	57.5	30.7	26.8	55.8	24.0	31.8	3.0%	14.6%	27.9%
EBITDA Margin	14.1%	15.7%	12.7%	12.5%	11.1%	13.9%			
EBIT	33.0	18.3	14.7	28.9	11.9	17.0	14.2%	24.5%	53.8%
EBIT Margin	8.1%	9.4%	7.0%	6.5%	5.5%	7.4%			



This business is experiencing the perfect storm.

Volatility in international oil prices, combined with continued weakness in the manufacturing and industrial markets which impact liquid volumes, and somewhat difficult trading conditions in the resource industry, resulted in revenues declining 8.7%.

As we anticipated, this was going to be a difficult year for the business. We implemented a major restructuring which included merging of the Liquids businesses, rationalisation of sites and removal of management layers.

As a result of these actions, EBITDA grew by 3% and as you can see in the chart our margins improved both at the EBITDA and EBIT levels.

The market head winds we have seen over the past few years have continued into this year.

Whilst this division continues to experience difficult trading conditions, we believe this business will show improvement when market conditions improve, combined with the further rationalisation and restructuring actions we are undertaking, but it will take time.

I would also like to advise that in addition to the initiatives we are undertaking to reduce the cost base of this business, we have also decided to bring forward a number of technical improvements to our waste oil refineries in New South Wales and Queensland, which resulted in the refineries being shut down for a short period during the first half impacting revenue in this period.

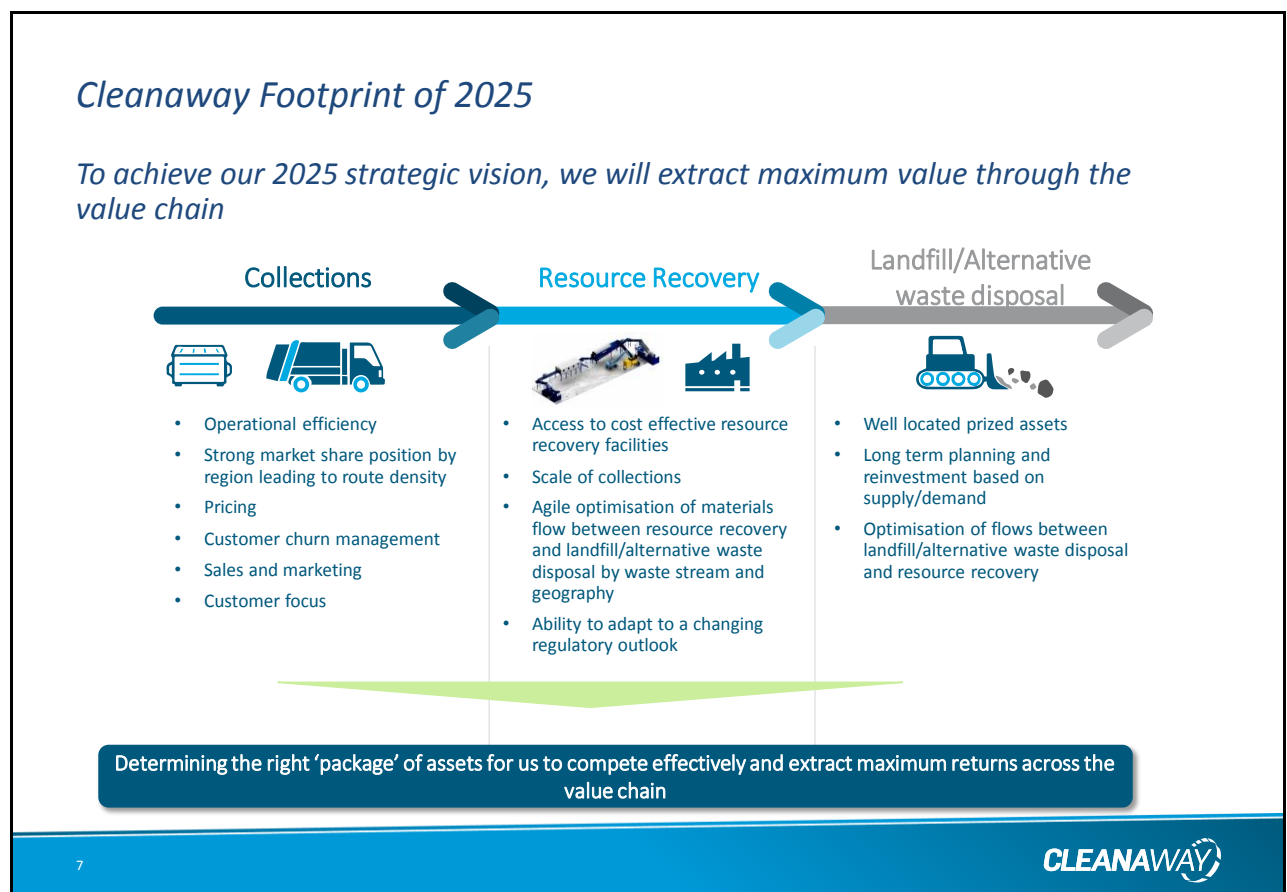
These improvements, combined with now owning the joint venture refinery in Rutherford, should result in an enhanced product offering to the market, allowing us to take advantage of any increase we may experience in the oil price in the future.

We have implemented a number of changes across the entire organisation during this past year, all targeted at improving the operational performance of the Company and establishing a fit for purpose organisation.

We ensured that these changes were done with the support of our people and I am pleased to confirm that in the year of a major reset, our employee engagement saw material improvement over previous years.

As we improve the business, it is also important that we now start to look at the future. We are currently in the process of developing what I call the “Cleanaway footprint of 2025”.

Given the long term nature of receiving environmental approvals and construction cycles, it is imperative that we start the process of planning for our future growth now. The following slide will give you an indication of how we are going about this process.



In effect, we are analysing all areas of our business and the technologies we need to invest in over the next five to ten years that will allow us to extract maximum value out of the large quantities of waste we collect.

In a world potentially looking to zero waste to landfill, our ability to manage an efficient material flow and extract maximum value through that value chain will be key to our future success.

This, I believe, can only be done by establishing a package of well positioned and prized post collection assets which will supplement market leading positions in the collection of all types of waste from our customers.

I believe it is through this type of work that we can make a sustainable future possible for all our stakeholders.

I would also like to highlight to shareholders an important initiative we are currently implementing across the Company.

It gives me great pleasure to announce Cleanaway's first Reconciliation Action Plan. This is a significant and timely step forward for the Company as we grow our operations and work with local communities across the country.

We believe in diversity of culture and thoughts, perspective and experience, and the long term value this brings to any team or business.

We believe in partnership and proactive engagement with the traditional owners of the lands in which we operate.

Our Reconciliation Action Plan over the next two years will focus on these key areas:

- Building stronger and authentic relationships between Aboriginal and Torres Strait Islander and non-Aboriginal Australians.
- Recognise and respect the connection between Aboriginal and Torres Strait Islanders and their land; and
- As a significant employer across Australia, we recognise we have a responsibility to provide opportunities for both employment and training within the Aboriginal and Torres Strait Islander communities.

I acknowledge that this is our first formal step on our journey towards reconciliation, but one that I am proud to champion as it is vital to building a stronger Australian community.

I would now like to take the opportunity to advise shareholders of how trading is progressing in the current financial year.

As previously stated, we expect that market conditions will show little change this year from those experienced last year and based on our initiatives, both our Solids and Liquids & Industrial Services segments should report increases in operational earnings in FY17.

However, revenue in Liquids & Industrial Services will remain challenged for the first half and possibly the full year due to continuing tough market conditions in this sector and the technical shutdowns initiated during the first half.

In closing, there are a few thanks needed. Firstly, I would like to thank the Board for all the support you have given the management team and I over the past year and especially to our past Chairman, Martin Hudson.

On behalf of the management team and all the employees of Cleanaway we all wish Martin the best for the future and I look forward to working closely with our new Chairman Mark Chellew and the Board.

Secondly, I would like to extend a thanks to Dave Aardsma, our Executive General Manager – Sales & Marketing, who is nearing the end of his contract with us and will be retiring shortly.

Dave has done a great job in setting the foundations for our sales and marketing processes and team, and has been an integral part of our Customers for Growth pillar. We will miss him and on behalf of everyone at Cleanaway we wish Dave a happy and golf friendly retirement.

Finally, I need to thank all the employees of Cleanaway for their tireless efforts during what has been a year of significant change throughout the organisation. Their commitment and passion to Cleanaway inspires us all, and me personally, every day and reminds us why we do what we do every day.

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Cleanaway Waste Management Limited is Australia's leading waste management company, operating a national network of unique collection, processing, treatment and landfill assets of approximately 180 sites across Australia. Our philosophy is that all waste is a resource and we aim to incorporate recovery, recycling and reuse throughout our operations and those of our clients.

Our mission is to make a sustainable future possible for all our stakeholders.