

BAXTER GROUP LIMITED
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TAKEOVER OFFER BY TRANSPACIFIC INDUSTRIES GROUP FOR BAXTER GROUP

Baxter Group Limited (**Baxter**) (ASX:BAX) today announced that it has reached an agreement with Transpacific Industries Group Limited (**TPI**) (ASX:TPI) under which TPI will make an off market takeover bid of \$5.55 per Baxter share (**TPI's Offer**), valuing Baxter at \$255 million including assumed debt.

Each of Baxter's Directors intends to recommend that Baxter shareholders accept TPI's Offer and intends to accept the offer in respect of their shareholdings, in the absence of a superior proposal.

TPI's Offer of \$5.55 per Baxter share represents:

- ▶ a 34% premium to Baxter's one month volume weighted average price (**VWAP**) to 1 November 2006 of \$4.14; and
- ▶ a 42% premium to Baxter's three month VWAP to 1 November 2006 of \$3.90.

Baxter shareholders can elect the form of consideration as either:

- ▶ \$5.55 per share in cash; or
- ▶ \$3.70 per share in cash plus \$1.85 per share in TPI shares, based on the five day VWAP of TPI shares to the date prior to and including TPI's Offer becoming unconditional; or
- ▶ \$5.55 per share in TPI shares, based on the five day VWAP of TPI shares prior to and including TPI's Offer becoming unconditional.

Baxter's Managing Director, Polly Mazaris, has agreed to continue in her current role at Baxter.

Ms Mazaris said "TPI is a very successful company in waste management in Australia and New Zealand. Baxter's strategic waste management businesses in Victoria will provide TPI with a strong platform to expand its presence in the Victorian market. We believe the combination with TPI will create exciting opportunities for continued growth of Baxter's business and strong prospects for our employees and customers".

Baxter has entered into a Bid Implementation Agreement with TPI which incorporates a number of conditions that are summarised in the attachment.

Baxter is being advised by Carnegie, Wylie & Company and Deacons.

For further information:

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About Baxter Group Limited

Baxter is an integrated waste management and recycling company operating predominantly in the South Eastern suburbs of Melbourne and Latrobe Valley. It offers to a wide base of customers both putrescible (household) and inert (construction) waste disposal services and now operates four Resource and Recovery facilities which recycle and recover waste materials which are then sold to recycling merchants pursuant to supply contracts.

Baxter entered a Joint Venture with Visy Paper Pty Ltd in November 2003 to develop and deliver alternative waste treatment solutions for its inert and putrescible divisions. Two state-of-the-art Resource & Recovery facilities were commissioned in 2005 and following termination of the joint venture in September 2006 are now 100% operated by the Baxter Group.

In March 2006 Baxter acquired major recycling businesses operating in Latrobe Valley and Murray Valley. These acquisitions should further strengthen Baxter's position as a leader in waste management in Victoria.

Other significant operations include sand and soil mining, waste bin hire and the recycling of commercially viable products from the Baxter sites. Since 1993, the current Managing Director and CEO, Ms Polly Mazaris has significantly expanded operations including development of a putrescible waste management site.

Baxter consciously considers environmental issues associated with the waste management industry for future protection and preservation of our environment and will continue to demonstrate leadership in new and innovative methods of operating waste management sites with the development of processes that will utilise recycling and reduce input to landfill.

Attachment

Summary of BIA conditions

The Takeover Bid by Transpacific is subject to each of the following conditions:

1. Minimum acceptance condition: Transpacific has a relevant interest in the number of Baxter Shares equal to at least 90% of the number of Baxter Shares which are on issue at the end of the Offer Period.

2. No regulatory actions: That between the date of the Bidder's Statement and the end of the Offer Period:

- (a) there is not in effect any preliminary or final decision, order or decree issued by a Government Agency; or
- (b) no application is made to any Government Agency (other than by Transpacific), or action or investigation is announced, threatened or commenced by a Government Agency,

in consequence of or in connection with the Takeover Bid, which restrains or prohibits (or if granted could restrain or prohibit), or otherwise materially adversely impacts upon the making of the Takeover Bid or the completion of any transaction contemplated by the Takeover Bid (whether subject to conditions or not) or the rights of Transpacific in respect of Baxter and the Baxter Shares to be acquired under the Takeover Bid, or requires the divestiture by Transpacific of any Baxter Shares, or the divestiture of any material assets of Baxter or of Transpacific.

3. Regulatory approval: All Regulatory Approvals are obtained before the end of the Offer Period. For the purposes of this condition, a Regulatory Approval will be regarded as having been obtained even though a condition has been attached to that Regulatory Approval if that condition is satisfactory to Transpacific (acting reasonably).

4. No material adverse change: That between the Announcement Date and the end of the Offer Period, there has not occurred, been announced or become known to Transpacific (whether or not becoming public) any Material Adverse Change.

5. No break fee: Baxter not pay any break or inducement fee to any third party in connection with a Superior Proposal.

6. Fall in indices: that the S&P/ASX 200 Industrial Index published by ASX at the close of business on any 3 consecutive days after the date of the BIA is not below 4,500.

7. Prescribed Occurrences: Between the Announcement Date and the end of the Offer Period, no Prescribed Occurrence occurs.

8. Conduct of business: Between the Announcement Date and the end of the Offer Period, neither Baxter nor any of its Subsidiaries:

- (a) purchases or otherwise acquires or agrees to purchase or otherwise acquire, sells or otherwise disposes of or surrenders, or agrees to sell or otherwise dispose of or surrender, or comes under an obligation to purchase, acquire, sell or otherwise dispose of or surrender, any property or assets (or any right, title or interest therein), the total consideration for which, or value of which, in aggregate, exceeds \$3.5 million; or
- (b) enters any other commitment, or comes under an obligation to enter any other commitment, which would require expenditure by Baxter or a subsidiary of Baxter of an amount which, in aggregate, exceeds \$3.5 million;
- (c) enters into any joint venture arrangement in relation to assets or liabilities of \$3.5 million or more in aggregate or in relation to EBITDA of \$1.75 million or more;
- (d) assumes any liabilities the aggregate amount of which exceeds \$3.5 million,

other than of an operational nature and in the ordinary course of business or as publicly announced, or otherwise than as disclosed in writing to Transpacific, by Baxter on or before the Announcement Date.

9. Material contracts: No person exercises, or announces that it intends to exercise, a right under any contract with Baxter or any Subsidiaries impacting recurring annual EBITDA by \$1 million or more where the right arises as a result of or in connection with the Takeover Bid, including as a result of a change in control of Baxter.

10. No material breach of warranty: that Baxter not have materially breached any material term of the BIA including any warranty given by Baxter.

Relevant definitions

"Announcement Date" means the date of this Announcement.

"ASX" means Australian Stock Exchange Limited.

"Baxter Board" means the board of directors of Baxter.

"Baxter Share" means a fully paid ordinary share in Baxter and all Rights attached to it.

"Bidder's Statement" means the document which is given by Transpacific in respect of the Takeover Bid pursuant to part 6.5 of the Corporations Act which is in compliance with sections 636 and 637 of the Corporations Act.

"Corporations Act" means the *Corporations Act* 2001 (Cth).

"EBITDA" means earnings before interest tax depreciation and amortisation calculated in accordance with usual Australian International Financial Reporting standards.

"Government Agency" means any foreign or Australian government or governmental, semi-governmental, administrative, fiscal or judicial body, department, commission, authority, tribunal, agency or entity, or any minister of the Crown in right of the Commonwealth of Australia, or any State.

"Material Adverse Change" means any matter, event or circumstance:

- (a) which, when taken as a whole, is, or is reasonably likely to have one of the following effects:
 - (i) diminish the value of the net assets of Baxter by \$4 million or more; or
 - (ii) diminish the recurring EBITDA of Baxter by \$2 million or more; or
- (b) that is, or is reasonably likely to be, materially adverse to:
 - (i) the business, operations or financial condition (including contingent liabilities) of Baxter and its Subsidiaries taken as a whole;
 - (ii) the ability of Baxter to perform its obligations under the BIA; or
 - (iii) the status of any Regulatory Approvals which have been granted and affect the Takeover Bid,

but does not include any matter, event or circumstance which the parties agree in writing is not a Material Adverse Change.

"Offer Period" means the period, as extended if relevant, during which the Takeover Bid remains open for acceptance as described in the Bidder's Statement.

"Option" means options to subscribe for Baxter Shares.

"Prescribed Occurrence" means any of the following events:

- (a) Baxter converts all or any Baxter Shares into a larger or smaller number of shares;
- (b) Baxter or a Subsidiary resolving to reduce its share capital in any way;
- (c) Baxter or a Subsidiary of Baxter:

- (i) enters into a buy-back agreement; or
 - (ii) resolves to approve the terms of a buy-back agreement under Section 257C (1) or 257D (1) of the Corporations Act;
- (d) Baxter or a Subsidiary of Baxter issues shares or grants an option over its shares or agrees to make such an issue or grant such an option, other than issues following the exercise of an Option in accordance with its terms or issues of Options pursuant to contractual rights existing on or prior to the Announcement Date;
- (e) Baxter or a Subsidiary of Baxter issues, or agrees to issue, convertible notes;
- (f) Baxter or a Subsidiary of Baxter disposes, or agrees to dispose, of the whole, or a substantial part, of Baxter's business or property;
- (g) Baxter or a Subsidiary of Baxter charges, or agrees to charge, the whole, or a substantial part, of Baxter's business or property;
- (h) Baxter shareholders resolve that Baxter be wound up or the shareholders of any Subsidiary of Baxter resolve that the Subsidiary (as the case may be) be wound up;
- (i) the making of an order by a court for the winding up of Baxter or a Subsidiary of Baxter;
- (j) the appointment of a receiver, or a receiver and manager, in relation to the whole, or a substantial part, of the property of Baxter, or a Subsidiary of Baxter;
- (k) the appointment of a liquidator or provisional liquidator of Baxter or a Subsidiary of Baxter;
- (l) an administrator of Baxter or a Subsidiary of Baxter is appointed under the Corporations Act;
- (m) Baxter or Subsidiary of Baxter executes a deed of company arrangement;
- (n) Baxter or a Subsidiary of Baxter making any change to its constitution;
- (o) after the Announcement Date, Baxter or a Subsidiary of Baxter entering or agreeing to enter into any new borrowing facility with a financier, or increasing, or agreeing to increase, the borrowing limits of any existing borrowing facility, other than to finance an event permitted under clause (p)(v) or (vi) of this definition;
- (p) Baxter or a Subsidiary of Baxter:
 - (i) entering into any contract or commitment requiring payments by Baxter and its Subsidiary taken as a whole in excess of \$2 million;
 - (ii) waiving any material third party default; or
 - (iii) accepting as a settlement or compromise of a material matter (relating to an amount in excess of \$1.5 million), less than the full compensation due to Baxter or a Subsidiary of Baxter, other than:
 - (iv) in the ordinary course of business;
 - (v) with the prior written consent of Transpacific; or
 - (vi) an event of this kind disclosed in writing to Transpacific prior to execution of the BIA;
- (q) Baxter or a Subsidiary of Baxter entering into or materially amending any employment, consulting, severance or similar agreement or arrangement with officers, directors or other executives of Baxter or a Subsidiary of Baxter or otherwise materially increasing compensation or benefits for any of the above other than:
 - (i) in the ordinary course of business;
 - (ii) pursuant to contractual arrangements in effect on the date of the BIA; or
 - (iii) to implement a transaction contemplated by clause 7 (options) of the BIA; and
- (r) Baxter or a Subsidiary of Baxter entering into or resolving to enter into a transaction with any related party of Baxter as defined in the Corporations Act

"Regulatory Approvals" means any approvals necessary for the implementation of the Takeover Bid from any Government Agency (including ASX).

"Rights" means all accretions, rights or benefits of whatever kind attaching to or arising from Baxter Shares directly or indirectly at or after the Announcement Date, without limitation, all distributions or entitlements declared, paid or issued by Baxter and all rights to receive them or rights to receive or subscribe for shares, notes, bonds, options or other securities declared, paid or issued by Baxter.

"Subsidiary" of a person means any entity whose financial results are consolidated with the financial results of that person for the purposes of preparing the financial statements of that person in accordance with the applicable accounting standards.

"Superior Proposal" means any bona fide, written offer or proposal in respect of acquiring control of Baxter or all or a substantial part of its business which a majority of the Baxter Board believes (acting reasonably and in good faith) would be superior to the Takeover Bid if implemented taking into account, amongst other things, all terms and conditions of the offer or proposal.

"Takeover Bid" means takeover offers by Transpacific or a subsidiary of Transpacific for all issued Baxter Shares on terms no less favourable to Baxter shareholders than those contained in the Proposal and conditions outlined above.