

# ASX RELEASE

15 June 2017

ASX Market Announcements  
20 Bridge Street  
SYDNEY NSW 2000

Dear Sir / Madam

## **Market Update: Lowered profit guidance for FY17**

In accordance with Listing Rule 3.1, Watpac Limited (**Watpac** or **Group**) provides the following earnings guidance for the 30 June 2017 financial year (**FY17**).

Based on the information currently available, the Board anticipates Watpac's FY17 underlying result will be broadly breakeven. This is lower than the underlying profit before tax result of \$8.5M reported in the previous financial year.

Despite an initial expectation of a stronger second half in the Construction segment, cost escalation pressures in the sector and other unforeseen market factors have persisted beyond original reasonable expectations. This impact of cyclical forces on Construction project performance further highlights the importance of the successful execution of the Group's strategy, which is actively being progressed, to target opportunities in sectors and projects with higher entry barriers and returns that are more commensurate with project risk profiles.

Notwithstanding the challenges, the current FY17 forecast assumes a positive contribution at an underlying level from both the Construction and Civil & Mining segments of the Group.

Having reviewed the positions previously adopted, the Board also advises that the current underlying forecast contains no amendments to the 333 George Street and ANSTO project forecasts.

In line with the requirements of the accounting standards and other applicable regulations, Watpac will also be completing a comprehensive assessment of the carrying value of its plant & equipment and associated inventory assets as part of the 30 June 2017 year-end close the books process.

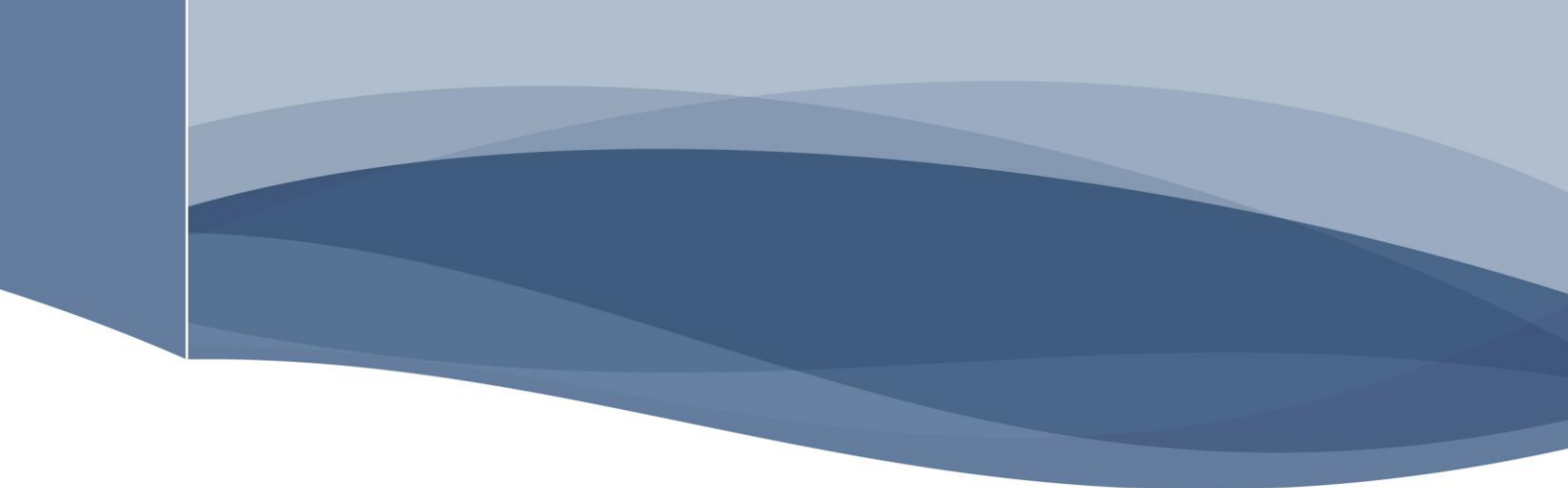
Given the reduction in the Civil & Mining segment project forward work position over the course of the financial year and the specific value in use and net realisable value testing requirements of the prevailing

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accounting standards, the Board is anticipating impairments on these assets in FY17. The precise outcome, however, is still subject to comprehensive testing and audit.

Importantly, Watpac remains in a financially strong position, and while earnings are anticipated to remain adversely impacted by unfavourable market conditions over the near-term, the conversion of a number of recent Construction projects which accord with the Group's targeted project selection criteria is anticipated to provide an earnings uplift in the latter part of the 30 June 2018 financial year and beyond.

Yours sincerely,

WATPAC LIMITED



Mark Baker  
COMPANY SECRETARY