

ASX RELEASE

16 March 2018

ASX Market Announcements
20 Bridge Street
SYDNEY NSW 2000

Dear Sir / Madam

Shareholder Letter – Watpac Limited Scheme of Arrangement

In accordance with Listing Rule 3.17, please find attached a copy of the documents sent to shareholders today in relation to the Watpac Limited Scheme of Arrangement.

Yours sincerely,
WATPAC LIMITED



Mark Baker
COMPANY SECRETARY

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Dear Shareholder

WATPAC LIMITED SCHEME OF ARRANGEMENT

You may be aware of the announcement on 26 February 2018 advising that Watpac Limited (**Watpac**) has entered into a Scheme Implementation Agreement (**SIA**) with its major shareholder BESIX Group SA (**BESIX**). Through this arrangement, BESIX has proposed to acquire a further 50% of the issued shares in Watpac that it does not already own for an offer consideration of \$0.92 per share (**Proposal**). If the Scheme is approved and implemented, Watpac shareholders (other than BESIX) will receive a cash payment of \$0.92 per share for 50% of the shares they own, and BESIX's total shareholding will increase from 28.1% to 64.1%.

A copy of the announcement is enclosed, for your reference.

When a non-binding indicative offer was first received from BESIX, Watpac formed an independent board committee to consider the Proposal comprising Ms Bronwyn Morris, Ms Linda Evans, Mr Garret Dixon and myself as Chair (**IBC**). The IBC negotiated an improved proposal before entering into the SIA. The IBC believes that the Proposal has a number of benefits for Watpac and its shareholders, as outlined in the announcement.

Your IBC Directors unanimously recommend that you vote in favour of the Proposal, and intend to vote all shares held or controlled by them in favour of the Proposal, in each case in the absence of a superior proposal and subject to the Independent Expert concluding that the Proposal is in the best interests of shareholders.

The IBC has appointed Lonergan Edwards & Associates as the Independent Expert to determine whether the Proposal is in the best interests of shareholders and to provide the Independent Expert's Report.

No action is required by Watpac shareholders at this time.

A Scheme Booklet is expected to be sent to Watpac shareholders in April 2018. The Scheme Booklet will contain information relating to the proposed transaction, the reasons for the IBC's unanimous recommendation, details of the shareholder meeting and other matters relevant to eligible shareholders' vote on the Proposal. It is anticipated that Watpac's eligible shareholders will have the opportunity to vote on the Proposal at a meeting to be held in late May 2018.

Relevant information will also be published to Watpac's website (www.watpac.com.au) and ASX announcements platform (www.asx.com) at the appropriate time.

Yours sincerely

Peter Watson
Chair

ASX RELEASE

26 February 2018

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20 Bridge Street
SYDNEY NSW 2000

Dear Sir / Madam

BESIX to strengthen strategic partnership with Watpac through increased shareholding

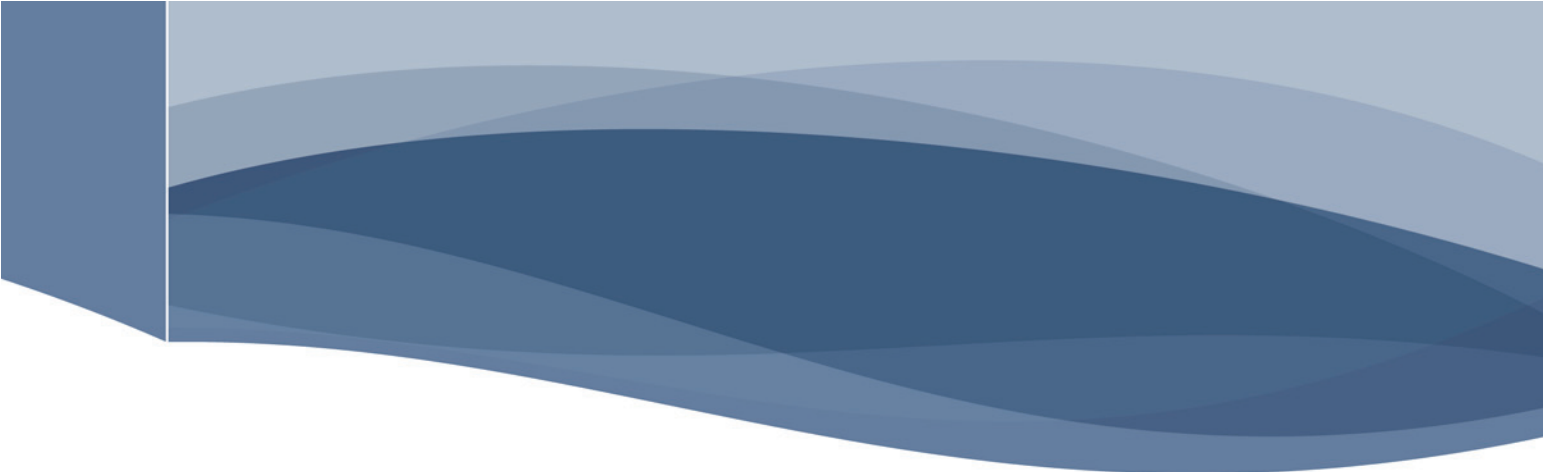
Watpac Limited (**Watpac** or **Company**) today announces that it has entered into a Scheme Implementation Agreement (**SIA**) with its major shareholder BESIX Group SA (**BESIX**), pursuant to which BESIX may acquire a further 50% of the issued shares in Watpac that it does not already own for an offer consideration of \$0.92 per share (**Proposal**).

As the largest shareholder in Watpac, BESIX currently holds voting power of 28.1%. If the Proposal is successfully implemented, it would result in BESIX holding 64.1% of Watpac's issued share capital. The Proposal values Watpac at \$168.7 million on an equity value basis.¹

Summary of the Proposal

- **BESIX is offering all-cash consideration of \$0.92 per share ("Offer Consideration") to obtain a further 36.0% of Watpac, which would result in BESIX holding 64.1% of the Company**
- **The Proposal is to be implemented by way of a scheme of arrangement through which 50% of each eligible shareholder's shares would be acquired by BESIX**
- **The Proposal price represents a premium of 37.3% to the last closing price of Watpac and 40.0% to the 3 month VWAP**
- **Watpac's Independent Directors recommend eligible shareholders vote in favour of the Proposal, subject to no superior proposal emerging, regulatory approvals being obtained and confirmation by an Independent Expert that the Proposal is in the best interests of shareholders**
- **The Proposal allows Watpac shareholders to continue to participate in Watpac's future growth, by retaining half of their current shareholding**
- **Watpac and its shareholders will benefit from a closer relationship with BESIX as it will add significant long-term value**
- **BESIX will continue to support and supplement Watpac's current Directors, Management and employees, and commits to ensure the protection of the interests of all shareholders through the continued implementation of appropriate governance protocols**

¹ Based on ordinary shares outstanding of 183.4 million. If the Proposal is successfully implemented, certain performance rights currently on issue, totalling 755,000 ordinary shares in Watpac, would vest in accordance with the terms of the SIA.



The Proposal is intended to be effected by way of a scheme of arrangement under section 411 of the *Corporations Act 2001* (Cth) and is subject to approval by eligible Watpac shareholders (other than BESIX) and other conditions (Scheme).

Watpac has formed an Independent Board Committee (IBC)² to consider BESIX's proposal. Following consideration and negotiation with BESIX, the IBC unanimously recommends that, in the absence of a superior proposal emerging and subject to regulatory approvals³, and an Independent Expert determining that the Proposal is in the best interests of shareholders, eligible shareholders vote in favour of the Proposal.

Subject to those qualifications, each member of the IBC intends to vote all Watpac shares held or controlled by them in favour of the Proposal.

The IBC has appointed Lonergan Edwards & Associates as the Independent Expert to opine on whether the Proposal is in the best interests of shareholders and to provide the Independent Expert's Report.

Transaction Rationale and Benefits

The transaction has a number of benefits for Watpac and its shareholders, including:

- **Proposal price at a premium** – The Offer Consideration of \$0.92 per share represents a premium of:
 - 37.3% to the most recent closing share price of \$0.67 on 23 February 2018;
 - 37.3% to the volume weighted average share price (VWAP) of \$0.67 in the one month up to and including 23 February 2018; and
 - 40.0% to the VWAP of \$0.66 in the three months up to and including 23 February 2018.
- **Continued participation in Watpac for accepting shareholders** – The structure of the Proposal (if approved and implemented) means that Watpac shareholders will retain half of their current holding, and accordingly, will continue to participate in Watpac's future growth.
- **BESIX will add significant long term value to Watpac** – Through a closer alliance with Watpac, BESIX can provide a range of benefits to the Company, including:
 - Access to other construction segments in Australia including Tier 1 or more complex building projects;
 - Opportunities to diversify into other contracting disciplines and sectors with higher margin potential;
 - Enhanced technical capabilities inherent in BESIX's business, such as the input of its in-house engineering department;
 - Optimal financial arrangements which can be supported by BESIX's strong balance sheet;

² The IBC comprises all of the Directors of Watpac other than BESIX representatives and the Managing Director. The Board has established protocols and procedures so that any potential conflicts of interest are managed.

³ BESIX has already obtained a statement of no objections from the Foreign Investment Review Board.

- Enhanced career opportunities for current Watpac employees within an international environment, access to the experienced BESIX talent pool, as well as ability to attract new talent in Australia as part of a larger multi-services group;
- Access to BESIX's international client base as well as its network of key suppliers, subcontractors and consultants;
- Ability to benefit from BESIX's expertise in construction markets; and
- Access to BESIX's extensive innovation platform.

The IBC believes the benefits of a closer alignment with BESIX are substantial. BESIX has committed to provide these benefits to Watpac as soon as the Proposal is implemented. The IBC has taken into account that, in the event the Proposal is not implemented, BESIX could review its options in relation to its substantial shareholding in Watpac, as well as its strategic alliance with Watpac.

Commenting on the Proposal, Watpac Chair, Peter Watson, said:

"Following careful consideration and negotiations with BESIX, the Independent Board Committee of Watpac has unanimously concluded that the Proposal will generate significant benefits for shareholders. We believe this is an attractive outcome for Watpac shareholders as the Proposal represents a significant premium to Watpac's share price and enhances the natural alignment of our two organisations. This is an exciting opportunity for Watpac, providing a phase of growth that builds on BESIX's extensive international contracting experience and expertise. If approved, this transaction will reinforce the Company's strategic direction and position Watpac for long-term success."

BESIX Chief Executive Officer, Rik Vandenberghe, said:

"BESIX is pleased that Watpac's Independent Board Committee has recommended that shareholders vote in favour of our Proposal. We are strong supporters of the current Watpac business and believe that by better accessing BESIX's broader service offering, international experience and extensive innovation platform, it will be able to compete for more complex projects, thereby growing shareholder value. The BESIX team members look forward to working more closely with Watpac management, together supporting the Company through the next stage of its development."

Scheme Implementation Agreement

The Proposal is subject to certain conditions, which are contained in the SIA (a full copy of which is attached to this announcement). A summary of the material terms and conditions of the SIA is set out below.

The SIA contains terms that are customary for a transaction of this nature, including no-shop, no-talk, due diligence and notice requirements and a 'matching right' for BESIX to match any superior proposal put forward by a third party.

Implementation of the Scheme is subject to customary conditions precedent including:

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- Watpac shareholders approving the Scheme by a majority in number of shareholders who are eligible to vote and at least 75% of the total shares voted (noting that BESIX is not eligible to vote);
- Court approval of the Scheme and other regulatory approvals (noting that FIRB approval has already been received);
- an Independent Expert opining that the Scheme is in the best interests of Watpac shareholders;
- certain third party consents being obtained;
- no Prescribed Event, Material Adverse Effect or termination of the SIA occurring or Watpac becoming aware of information which would have a Material Adverse Effect;
- no Performance Rights are vested and no Watpac shares are issued or agreed to be issued as a result of the Scheme prior to the Second Court Date;⁴ and
- no decline in the ASX300 Index to a level which is 80% or less than the level as at close of trading on the Announcement Date and remains at or below that level for at least 3 Business Days or until the date immediately before the Second Court Date.

Timetable

No action is required by Watpac shareholders at this time.

A Scheme Booklet is expected to be sent to Watpac shareholders in April 2018. The Scheme Booklet will contain information relating to the proposed transaction, the reasons for the IBC's unanimous recommendation, details of the shareholder meeting and other matters relevant to Watpac's eligible shareholders' vote on the Scheme.

It is anticipated that Watpac's eligible shareholders will have the opportunity to vote on the Proposal at a meeting to be held in late May 2018.

Subject to the conditions of the Scheme being satisfied, the Scheme is expected to be implemented in mid-to-late June 2018.

These dates are indicative and subject to change.

Advisors

Watpac is being advised by Herbert Smith Freehills as legal adviser and Luminis Partners as financial adviser. BESIX is being advised by King & Wood Mallesons as legal adviser.

– ENDS –

⁴ If the Proposal is successfully implemented, certain performance rights currently on issue, totalling 755,000 ordinary shares in Watpac, would vest in accordance with the terms of the SIA.



For further information: Media – Amanda Campbell, Corporate Affairs Manager on 07 3251 6453
Investor Relations – Mark Baker, Chief Financial Officer on 07 3251 6442

Watpac is a leading national construction and mining contracting group with operations in all mainland States and Territories. Watpac has been listed on the Australian Securities Exchange since 1985 and have offices in Brisbane, Sydney, Melbourne, Adelaide, Perth, Townsville and Port Macquarie. More information is available at www.watpac.com.au.

*BESIX Group is a leading private Belgian Group, operating in construction, concessions and property development sectors. It profiles itself as a multi-services Group, catering for multi-size projects. BESIX was founded in 1909 and is active in practically every field of construction. BESIX has a presence in Australia, Belgium, Netherlands, France, Luxembourg, Eastern Europe, North and Central Africa and the Middle East, via Six Construct, and in South Asia. In 2016, the Group achieved revenues in excess of A\$ 3.5 billion. BESIX has about 14,000 employees active in 20 countries on 4 continents. **For further information on BESIX: Jim Kelly, Domestique Consulting on 0412 549 083***

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