

ASX RELEASE

25 May 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 a letter despatched today to shareholders in relation to the Watpac Limited Scheme of Arrangement.

Yours sincerely,
WATPAC LIMITED



Mark Baker
COMPANY SECRETARY

WATPAC LIMITED
ABN 98 010 562 562

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Dear Shareholder

I write to you in my capacity as Chair of Watpac Limited (**Watpac**) and in addition as Chair of Watpac's Independent Board Committee (**IBC**).

As you would have seen, Watpac received from BESIX Group SA (**BESIX**), our major shareholder, a scheme of arrangement proposal under which their shareholding would increase from 28.1% to 64.1%.

I reaffirm the IBC's unanimous recommendation to you to vote in favour of this proposal and that all IBC Directors intend to vote all shares held or controlled by them in favour, in each case in the absence of a superior proposal. Since the announcement of the scheme of arrangement proposal on 26 February 2018, no alternative proposal has been received by the IBC.

I encourage you to read the Scheme Booklet in full, as it is an important document. The Scheme Booklet sets out various reasons you may choose to vote in favour of the Scheme (as outlined in full in section 1.2 of the Scheme Booklet). These include:

- for 50% of your Watpac shares, BESIX will offer you 92 cents in cash - representing a 40% premium over the pre offer 3-month volume weighted average price (**VWAP**) of 66 cents;
- the Independent Expert has concluded that the Scheme is fair and reasonable and, therefore, is in the best interests of Watpac Shareholders, in the absence of a superior proposal;
- BESIX has the potential to bring substantial long term value to Watpac if the Scheme is implemented (as outlined in Section 1.2 of the Scheme Booklet); and
- BESIX intends to support Watpac's Australian stock exchange listing, enabling shareholders to participate in Watpac's enhanced future growth prospects through a stronger alliance with BESIX.

The Scheme Booklet describes these and other advantages in more detail.

The Scheme Booklet also outlines possible disadvantages associated with BESIX's offer which may be of concern to you (as outlined in full in section 1.3 of the Scheme Booklet). These include:

- a possible reduction in the liquidity of your remaining Watpac shares following the implementation of the Scheme;
- concern you may have in relation to BESIX's ability to effectively control Watpac;
- you may prefer to fully participate in the future financial performance of the Watpac business by maintaining your current investment exposure; and
- you may consider the implied control premium, once adjusted for the proportionate nature of the Scheme, to be lower than premiums generally paid in successful takeovers.

The Scheme Booklet describes these disadvantages in more detail.

If the Scheme is not approved, BESIX has indicated it may review its substantial shareholding. The IBC and the Independent Expert consider this may have an adverse effect on the future price of Watpac shares over the near term.

I believe that through the implementation of the Scheme and strengthening our alliance with BESIX, Watpac will be in a better position to capitalise on future opportunities and enhance profitability.

The Scheme Meeting to consider the scheme of arrangement between Watpac and BESIX will be held at 10.00am (AEST) on Thursday 7 June 2018 at Watpac Head Office, Level 1, 12 Commercial Road, Newstead, Queensland. All Watpac Shareholders are strongly encouraged to vote either by attending the Scheme Meeting in person, or by proxy or attorney or (in the case of corporate Watpac Shareholders) by corporate representative. Your vote is important and must be received no later than 10:00AM (AEST) on 5 June 2018, unless you or your representative are attending in person.

If you have any questions in relation to the Scheme, please contact Watpac's Share Registry on 1300 850 505 (within Australia) or +61 3 9415 4000 (outside Australia) on Monday to Friday between 8.30am and 5.30pm (AEST).

Thank you for your continued support of Watpac.

Yours sincerely

A handwritten signature in dark ink, appearing to read 'Peter Watson', with a stylized flourish at the end.

Peter Watson
Chairman
Watpac Limited