

PRESS RELEASE

24 February 2015

Growth in contracting underpins first half result

Leading national construction and mining services group Watpac Limited (ASX: WTP) has today announced a net profit after tax of \$6.2 million for the half year ended 31 December 2014 (**1HFY15**).

The Group's financial result reflects a strong performance from its contracting businesses offset by a lower contribution from the mining and civil segment. The Group remains on track to deliver an underlying full year profit after tax result broadly in line with that recorded in the prior year.

Key 1HFY15 highlights:

- Revenue of \$595.0 million (1HFY14: \$609.3 million).
 - Contracting revenue of \$450.8 million (1HFY14: \$448.4 million).
 - Mining and civil revenue of \$143.7 million (1HFY14: \$147.7 million).
- Gross margin of \$37.4 million (1HFY14: \$39.9 million).
- Contracting segment pre-tax profit of \$15.8 million, a 58 per cent increase on the comparative period (1HFY14: \$10.0 million).
- Mining and civil segment pre-tax profit of \$2.4 million (1HFY14: \$9.1 million).
- Strong balance sheet with a gross cash position of \$161.6 million as at 31 December 2014.
- Interim unfranked dividend of 2.0 cents per ordinary share (1HFY14: 2.5 cps fully franked).

In commenting on the results, Watpac Managing Director Martin Monro said they reflected the resilience of the business amidst mixed operating environments for the two divisions.

"The strength of the construction industry has seen Watpac's contracting businesses perform extremely well over the past six months," Mr Monro said.

"This markedly improved financial performance is reflective of our national approach to construction activities, combined with strategies we have put in place to further strengthen our balance sheet and build on our client relationship capabilities.

"Weaker commodity prices have hampered the mining industry which has resulted in reduced profitability for all operators in the sector. Despite this, our mining and civil operations continue to perform profitably, with all projects producing a positive gross profit during the period."

Strong balance sheet

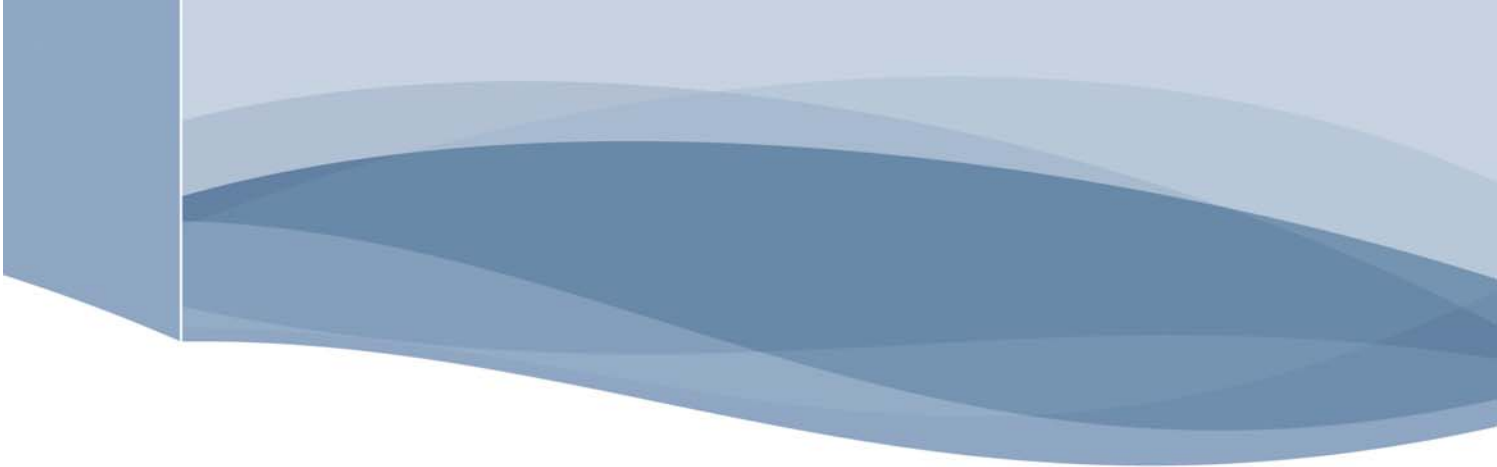
Watpac has retained a strong cash position with \$162 million in cash and term deposits at balance date. The company's gross debt position has been reduced by almost \$20 million to \$56 million over the course of the reporting period.

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With its improving financial position and strong cash balance, the Board now intends to consider various positive capital management initiatives with the view to enhancing shareholder value. The first step of this process is the suspension of the Dividend Reinvestment Plan.

The Board has declared an interim unfranked dividend of 2.0 cents per share. This dividend will have a record date of 6th March 2015 and payment date of 27th March 2015.

Solid pipeline drives positive outlook

Mr Monroe said the Group's reputation for delivering quality projects assisted the construction businesses to secure more than \$250 million in new contracts and extensions in the first half of FY15.

"The Group currently has a total construction forward order book of \$1.2 billion, comprising a diverse mix of projects across product and work types," he said.

"We have recently commenced a number of exciting new construction projects such as the \$24 million Ronald McDonald House project in south-east Queensland and the \$45 million Knox Private Hospital expansion in Victoria."

Mr Monroe said the Group's mining and civil business is responding proactively to the current conditions in the resources sector.

"We are focused on assisting all of our mining and civil clients to maximise production and cost efficiencies through an innovative approach to work activities.

"A great demonstration of this is the recently awarded \$17 million contract with Sirius Resources for a tailing storage facility at their Nova Nickel project, and a \$29 million mining services contract with Hanking Gold at its Southern Cross operations, a testament to our strong credentials in this sector."

Mr Monroe said the Group is committed to the disposal of its remaining property assets in a manner that maximises shareholder value.

"While sales have been slow over the first half of the financial year, pleasingly the first stage of the Waterloo property sale is due to settle in early March 2015 and will result in approximately \$9 million in cash being realised.

"With the strength in contracting, and stabilising results in mining and civil we remain confident in our guidance of an underlying net profit result broadly in line with last year, and a further strengthening in our balance sheet position.

"In light of the Group's substantially improved liquidity position, and the expected further inflows from property asset sales, we will need to ensure our capital structure remains appropriate."

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Note to editors: Watpac is a leading national construction and mining contracting group with operations in all mainland States and Territories. We have 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.