



22 December 2015

The Manager
Markets Announcements Office
Australian Securities Exchange
20 Bridge Street
SYDNEY NSW 2000

Dear Sir/Madam,

Letter to Shareholders in relation to the unsolicited Takeover Offer from Ferrovial

Attached is a letter to be sent to the Company's shareholders in relation to the unsolicited Takeover Offer from Ferrovial.

Yours faithfully,

Angelique Nesbitt
Company Secretary

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22 December 2015

Dear Shareholder,

Unsolicited Takeover Offer from Ferrovial

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As you may be aware, Broadspectrum has received an unsolicited Takeover Offer (the "Offer") from Ferrovial Services Australia Pty Limited ("Ferrovial"), an indirectly wholly owned subsidiary of Spanish company, Ferrovial, S.A.

The Offer, which is subject to a number of significant conditions, is for all the issued shares in Broadspectrum for a cash consideration of \$1.35 per share. You may recall that the same company made an indicative proposal of \$2.00 per share in December 2014.

Your Board is currently undertaking a detailed review of Ferrovial's Bidder's Statement, which was lodged on 7 December 2015. You will receive correspondence from Ferrovial in the coming weeks. The Board recommends that you **do nothing** until you have received the Board's detailed response in its Target's Statement, to be sent to shareholders in January 2016.

While the Board's review is not yet complete **and you do not need to do anything at this stage**, the Board wanted to share its initial observations with you:

- The Offer undervalues Broadspectrum
- In the last 12 months the performance of the Company has continued to improve and the outlook for Broadspectrum is positive
- The diversified portfolio approach of the Company is successful
- The Board will keep you fully briefed on the offer and any action it recommends

In more detail:

The Offer undervalues Broadspectrum

The Offer compares poorly to the trading prices of Broadspectrum shares over the last 12 months. While Ferrovial has cited some short-term comparisons in its Bidder's Statement, it has not shown how the Offer compares against the trading prices of Broadspectrum shares over a broader period. For example, Ferrovial's Offer is at a 15.6% discount to the Company's share price at 5 June 2015 (\$1.60), six months before the Offer. It is also less than the average share price¹ over the past 12 months (\$1.36) and at a significant discount (32.5%) to Ferrovial's previous proposal of \$2.00 from December 2014. The Offer has been opportunistically timed to take advantage of short-term weakness in Broadspectrum's share price. Accordingly, the Directors believe that any premium should be calculated against longer-term share prices.

We will provide a detailed response to the Offer in our Target's Statement, which will also include an independent expert's valuation of the Company.

We note that Ferrovial has not had access to any confidential Company information since December 2014.

In the last 12 months the performance of the Company has continued to improve, and the outlook for Broadspectrum is positive:

- Work in hand of over \$10 billion
- It has preferred status on additional contracts worth in excess of \$1 billion
- It delivered on its upgraded FY15 guidance
- It has strengthened the balance sheet and reduced gearing to below 2.0x ND/EBITDA at 30 June 2015
- It has made significant improvements in operating cash flow
- It has achieved a turnaround in its Americas business, despite challenging operating conditions

¹ Average refers to Volume Weighted Average Price (VWAP).



This is the third year in succession that the Company has delivered on its stated objectives.

The Company is well placed to benefit from significant opportunities ahead as a result of:

- Further outsourcing from governments in areas where the Company has expertise
- Further growth in the telecommunications sector
- Scope expansions on existing contracts and leveraged work for existing clients
- Increased activity in the US refining and petrochemicals sector
- Increased opportunities in the energy sector due to completion of gas-based energy projects

As a result of our improved performance and positive future outlook, yesterday we announced that we have upgraded our guidance for FY2016. The Company now expects full year Underlying EBITDA¹ to fall within the \$265 million to \$285 million range. This compares favourably to previous guidance of flat year-on-year earnings (Underlying EBITDA of ~\$265 million) and a market consensus of \$256 million.

A key element in Broadspectrum's approach has been our commitment to effectively managing our environmental, social and governance responsibilities. Our clients value our strong governance framework, which is why a significant portion of our work comes from contract extensions and expansions from existing clients.

In the past week the Company has announced over \$1 billion in new contracts, including a major contract for long-term client NSW Land and Housing Corporation. These new contracts provide further evidence that the Company's growth strategy is working and highlight the positive outlook for the Company.

The diversified portfolio approach of the Company is successful

The portfolio approach to running the business was introduced by Graeme Hunt when he was appointed Managing Director and CEO in 2012. This has enabled the Company to successfully manage the cyclical nature of individual sectors, such as energy, mining and construction.

At any point in time, some of our sectors will be performing more strongly than others. For example, our Defence, Social and Property sector is currently the major contributor to the business. The relative contribution of different sectors changes over time and this is the strength of a portfolio approach. The diversified, portfolio nature of our business is a key strength, and part of what makes Broadspectrum an attractive target for Ferrovial.

The Offer is highly conditional

The Offer is highly conditional. As Ferrovial has noted, the Offer is subject to a minimum acceptance of 50.01 per cent and Foreign Investment Review Board ("FIRB") approval. Additional consent is also required from New Zealand's Overseas Investment Office.

Ferrovial's Offer has over 25 individual conditions. A number of these conditions contradict one another and would place uncommercial restraints on the Company's ongoing activities to deliver value for shareholders. For example, there is a condition that no event occurs which materially impacts the likelihood of the Company being awarded a previously announced potential new major contract – and on the other hand, there is a condition that the Company must not enter into any new agreement that would involve payments or expenditure of more than \$10 million.

The Offer is also conditional upon there being no material change of control triggers in any of Broadspectrum's material contracts or joint venture agreements that are not unconditionally waived or released. As Ferrovial is aware, several of our important contracts and joint venture agreements contain change of control clauses.

¹ Underlying EBITDA does not include restructuring, other significant non-recurring items or costs associated with the Ferrovial Approach

The process and next steps

Ferrovial will send shareholders a copy of the Bidder's Statement, in which it outlines the details of its Offer, in late December 2015 or early January 2016.

Broadspectrum will then provide shareholders with a formal, detailed response to the Offer in its Target's Statement, allowing you to make an informed decision. The Target's Statement will include a formal valuation of Broadspectrum from an independent expert. The Target's Statement will be released and sent to you in January 2016.

What do you need to do?

At this stage the Board recommends that you do nothing in relation to the Offer. We will provide you with a detailed recommendation in our Target's Statement. There will be ample time after the release of the Target's Statement for you to determine a course of action.

The Board is committed to achieving the best possible outcome for shareholders, and to maximising shareholder value.

In closing, we wish you the very best festive season and a safe, happy and healthy new year.

Yours faithfully



Diane Smith-Gander
Chairman