

This is an **IMPORTANT** document and requires your immediate attention



TARGET'S STATEMENT

This Target's Statement has been issued in response to the off-market conditional takeover bid made by Ferrovial Services Australia Pty Ltd ACN 609 542 556 (an indirectly wholly owned subsidiary of Ferrovial, S.A.) for all the ordinary shares in Broadspectrum Limited.

YOUR BROADSPECTRUM
DIRECTORS UNANIMOUSLY
RECOMMEND THAT YOU

REJECT

THE OFFER

FERROVIAL'S CONDITIONAL OFFER

significantly undervalues your shares

TO REJECT FERROVIAL'S
CONDITIONAL OFFER

DO NOTHING

If you are in any doubt about how to deal with this document, you should seek independent financial, legal, taxation or other professional advice before making a decision as to whether or not to accept the Offer.



Financial Advisor



MACQUARIE

Legal Advisor



HERBERT
SMITH
FREEHILLS

Important Notices

Nature of this document

This document is a Target's Statement issued by Broadspectrum Limited ABN 69 000 484 417 (**Broadspectrum**) under Part 6.5 Division 3 of the Corporations Act in response to the off-market conditional takeover bid made by Ferrovial Services Australia Pty Limited (ACN 609 542 556) (**Bidder**), an indirectly wholly owned subsidiary of Ferrovial, S.A (**Ferrovial**), for all the ordinary shares in Broadspectrum.

A copy of this Target's Statement was lodged with ASIC and given to ASX on 21 January 2016. None of ASIC, ASX or any of their respective officers takes any responsibility for the content of this Target's Statement.

Key dates

Date of the Offer	6 January 2016
Date of this Target's Statement	21 January 2016
Close of the Offer Period (unless extended or withdrawn)	7.00pm (Sydney time) on 8 February 2016

Broadspectrum Shareholder information line

Broadspectrum has established a Broadspectrum Shareholder information line which Broadspectrum Shareholders may call if they have any queries in relation to the Offer. The telephone number for the Broadspectrum Shareholder information line is 1300 361 735 (for calls made from within Australia) or +61 1300 361 735 (for calls made from outside Australia) Monday to Friday between 8.30am and 5.30pm (Sydney time). Calls to the Broadspectrum Shareholder information line may be recorded.

Further information relating to the Offer can be obtained from the Bidder's Statement.

Defined terms and abbreviations

A number of terms and abbreviations used in this Target's Statement have defined meanings. These terms and abbreviations are capitalised and have the meanings given to them in section 10 of this Target's Statement. In addition, unless the contrary intention appears or the context requires otherwise, words and phrases used in this Target's Statement that are defined in the Corporations Act have the same meaning and interpretation as in the Corporations Act.

Effect of rounding

A number of figures, amounts, percentages, prices, estimates, calculations of value and fractions in this Target's Statement are subject to the effect of rounding. Accordingly, actual numbers may differ from those set out in this Target's Statement.

No account of personal circumstances

This Target's Statement, and the recommendations contained in it, should not be taken as, and do not constitute, personal advice as they do not take into account your individual objectives, financial situation or particular needs. As such, your Directors encourage you to seek any independent financial, legal, taxation or other professional advice that you require before making a decision as to whether or not to accept the Offer.

Disclaimer as to forward looking statements

Some of the statements appearing in this Target's Statement (including in the Independent Expert's Report) may be in the nature of forward looking statements. All forward looking statements in this Target's Statement reflect views only as at the date of this Target's Statement, and generally may be identified by the use of forward looking words such as "believe", "aim", "expect", "anticipate", "intending", "foreseeing", "likely", "should", "planned", "may", "estimate", "potential", or other similar words. Similarly, statements that describe the objectives, plans, goals or expectations of Broadspectrum or any other member of the Broadspectrum Group may be forward

looking statements. You should be aware that such statements are only predictions and are subject to inherent risks and uncertainties. Those risks and uncertainties include factors and risks specific to the industry in which Broadspectrum operates as well as general economic conditions, prevailing exchange rates and interest rates and conditions in the financial markets. Any such statements are also affected by a range of variables which include but are not limited to price fluctuations, currency fluctuations, actual demand, operating results, governmental and regulatory factors, and economic, financial and political conditions in various countries. Actual events or results may differ materially from the events or results expressed or implied in any forward looking statement. None of Broadspectrum, Broadspectrum's officers and employees, any persons named in this Target's Statement with their consent or any persons involved in the preparation of this Target's Statement makes any representation or warranty (express or implied) as to the accuracy or likelihood of fulfilment of any forward looking statement, or any events or results expressed or implied in any forward looking statement, except to the extent required by law. You are cautioned not to place undue reliance on any forward looking statement.

Disclaimer as to information

The information contained in this Target's Statement on Bidder, Ferrovial, the Ferrovial Group and the securities of Bidder or Ferrovial has been prepared by Broadspectrum using publicly available information. The information in the Target's Statement concerning Bidder, Ferrovial and the Ferrovial Group and their assets and liabilities, financial position and performance, profits and losses and prospects, has not been independently verified by Broadspectrum. Accordingly, Broadspectrum does not, subject to the Corporations Act, make any representation or warranty, express or implied, as to the accuracy or completeness of such information.

Foreign jurisdictions

The release, publication or distribution of this Target's Statement in jurisdictions other than Australia may be restricted by law or regulation in such other jurisdictions and persons who come into possession of it should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable laws or regulations. This Target's Statement has been prepared in accordance with Australian law and the information contained in this Target's Statement may not be the same as that which would have been disclosed if this Target's Statement had been prepared in accordance with the laws and regulations outside Australia.

Diagrams and charts

Any diagrams, charts, maps, graphs and tables appearing in this Target's Statement are illustrative only and may not be drawn to scale. Unless stated otherwise, all data contained in diagrams, charts, maps, graphs and tables is based on information available at the date of this Target's Statement.

Privacy

Broadspectrum has collected your information from the Broadspectrum register of securityholders for the purposes of providing you with this Target's Statement. The type of information Broadspectrum has collected about you includes your name, contact details and information on your securityholdings in Broadspectrum in accordance with the Broadspectrum Privacy Policy (available at www.broadspectrum.com). Without this information, Broadspectrum would be hindered in its ability to issue this Target's Statement. The Corporations Act requires the name and address of securityholders to be held in a public register. Your information may be disclosed on a confidential basis to Broadspectrum's Related Bodies Corporate and external service providers (such as the share registry of Broadspectrum and print and mail service providers) and may be required to be disclosed to regulators such as ASIC. If you would like details of information about you held by Broadspectrum, please contact the Broadspectrum Shareholder information line.

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Chairman's Letter

21 January 2016

Dear Broadspectrum Shareholder

REJECT THE OFFER – DO NOTHING AND TAKE NO ACTION

You have recently received a Bidder's Statement from Ferrovial outlining a highly conditional offer to acquire your Broadspectrum Shares for \$1.35 per share (the **Offer**). This Target's Statement sets out Broadspectrum's formal response to the Offer.

Our turnaround journey is progressing well and our strategy has sustained a three year positive trend across key financial metrics, while providing for further strong growth. Since FY2013 Broadspectrum has increased revenue and Underlying EBITDA, improved Underlying EBITDA margin, ROCE and underlying cash conversion, and reduced net debt and our total funding requirement.

Your Board has carefully considered the Offer to assess whether it is in the interests of Broadspectrum Shareholders and your Directors unanimously recommend that you **REJECT THE OFFER**.

Each of your Directors who own or control Broadspectrum Shares intends to reject the Offer in respect of all the Broadspectrum Shares they own or control.

THE OFFER SIGNIFICANTLY UNDERVALUES YOUR BROADSPECTRUM SHARES

Your Broadspectrum Shares are worth a lot more than Ferrovial is offering. This is the unanimous view of your Directors and is supported by the Independent Expert who has concluded that the Offer is NOT FAIR AND NOT REASONABLE.

Your Directors commissioned Ernst & Young Transaction Advisory Services Limited (**Independent Expert**) to prepare an Independent Expert's Report in response to the Offer (attached in full in appendix 1 to this Target's Statement). The Independent Expert has assessed the value of Broadspectrum to be in the range of \$1.71 to \$1.98 per Broadspectrum Share. The Offer represents a 27% discount to the mid-point of this valuation range (\$1.845 per Broadspectrum Share).

The valuation metrics implied by the Offer also represent a significant discount to those of other similar transactions, as well as against Broadspectrum's longer term share price, as summarised below¹:

- **Broadspectrum's longer term share price:** Broadspectrum Shares have traded above the Offer Price for extended periods in the last 12 months and as recently as 22 July 2015 prior to the announcement of the Offer. The Offer represents a 16% discount to Broadspectrum's closing share price on 5 June 2015 (\$1.60), being the last trading day prior to six months before the announcement of the Offer
- **Comparable transaction multiples:** the EV implied by the Offer represents a 6.9x² multiple of Broadspectrum's FY2015 Underlying EBIT, which is substantially less than the average multiple of Underlying EBIT of comparable transactions which resulted in a change in control in both Australia (9.9x) and overseas (15.2x)³, and
- **Broadspectrum's average trading multiple:** the EV implied by the Offer represents a 6.5x⁴ multiple of Broadspectrum's FY2016 Underlying EBIT, which is also a discount to Broadspectrum's average trading multiple across both FY2014 (9.0x) and FY2015 (8.0x)⁵, noting of course that trading multiples do not include a premium for control.

1. Please see sections 2.1 and 2.2 of this Target's Statement for further discussion on these valuation metrics.

2. EV/EBIT multiple implied by the EV of the Offer (itself calculated based on the equity value implied by the Offer Price and Broadspectrum's last stated Net Debt position) and Broadspectrum's FY2015 Underlying EBIT.

3. Refer to section 2.1 of this Target's Statement for further discussion of comparable transaction multiples.

4. FY2016 EV/EBIT multiple implied by the EV of the Offer (itself calculated based on the equity value implied by the Offer Price and Broadspectrum's last stated Net Debt position) and the mid-point of Broadspectrum's FY2016 Underlying EBITDA guidance of \$265 million to \$285 million less the average broker forecast FY2016 depreciation and amortisation for Broadspectrum (\$98 million). A summary of the selection criteria, number of broker forecasts comprising the average, range and date of the broker forecasts is provided in appendix 3 to this Target's Statement. The Directors do not adopt the average broker forecast of Broadspectrum's depreciation and amortisation. The broker forecasts have been included solely as an indication of market views.

5. Refer to section 2.1 of this Target's Statement for further discussion of trading multiples.

Reasons for the Broadspectrum Directors' recommendation

Section 2 of this Target's Statement sets out in full the reasons for your Directors' recommendation, which include the following:

- 1 the Offer significantly undervalues your Broadspectrum Shares
- 2 the Offer is opportunistic
- 3 the Offer is highly conditional
- 4 Broadspectrum is in a stronger position now than in December 2014, when Ferrovia indicated a willingness to pay significantly more for your Broadspectrum Shares
- 5 the outlook for Broadspectrum is positive and the Company continues to pursue strategies and initiatives to increase shareholder value, and
- 6 Broadspectrum is a diversified portfolio business, providing flexibility to deliver sustained performance and earnings through industry and sector cycles.

THE OFFER IS OPPORTUNISTIC

The Offer is opportunistic in its timing and is seeking to take advantage of the current disconnect between the recent weakness in Broadspectrum's share price and the ongoing strengthening of Broadspectrum's business. Broadspectrum's closing share price of \$0.85⁶ immediately prior to the announcement of the Offer was the lowest closing share price in more than 18 months.

Your Directors believe the recent trading performance of Broadspectrum Shares has been influenced by a number of factors unrelated to the strengthening fundamentals of the underlying business. The Offer was opportunistically announced prior to the expected signing of major contracts. Since the Offer was announced, Broadspectrum has signed new contracts worth over \$1.1 billion in revenue, including a material contract with NSW Land and Housing Corporation (**NSW Housing**) that could be worth up to \$950 million in revenue over the initial five year period. In addition, Broadspectrum has signed contracts with AGL Energy Limited (**AGL**)⁷ and Queensland Urban Utilities (**QUU**)⁸ through our joint venture operations, for which Broadspectrum's proportionate share of revenue could be worth \$185 million in aggregate over the life of the two contracts.

Broadspectrum is also the preferred tenderer and is in discussions with the Australian Department of Immigration and Border Protection (**DIBP**) in relation to the execution of a new five year contract to provide facilities maintenance and welfare services in Nauru and Manus Province.

Broadspectrum's portfolio of businesses continues to perform strongly in aggregate, as evidenced by the changing composition of our earnings base, with continued growth in profitability. In your Directors' opinion, this does not appear to be reflected in the trading performance of Broadspectrum Shares prior to the announcement of the Offer. Our turnaround journey is progressing well and our strategy has sustained a three year positive trend across key financial metrics, while providing for further strong growth.

THE OFFER IS HIGHLY CONDITIONAL

In its Bidder's Statement, Ferrovia lists over 25 individual conditions, the breach of any of which will allow Ferrovia to let the Offer lapse. The Offer is highly conditional and subject to a number of third party approvals and consents which are outside the control of both Broadspectrum and Ferrovia. This includes certain regulatory approvals (such as Foreign Investment Review Board (**FIRB**) and New Zealand Overseas Investment Office (**OIO**)) which must be applied for, where the outcome of those applications may not be known for a period of months. Such approvals and consents may not be provided in a timely manner, or at all.

Ferrovia's Offer is currently scheduled to close at 7pm (Sydney time) on 8 February 2016. Your Directors consider it highly unlikely that the Offer will be unconditional prior to this date, noting in particular the requirement for OIO approval and that the OIO's published target is to process 90% of applications⁹ within 50 business days, although recent statistics suggest that this approval process has taken on average at least 80 business days. Given Ferrovia had not lodged an application to the OIO as at 23 December 2015, this approval is unlikely to be received by Ferrovia prior to 8 February 2016. Therefore, Ferrovia will likely have to extend the Offer Period if Ferrovia does not wish the Offer to lapse.

Ferrovia cannot acquire your Broadspectrum Shares whilst the Offer is still conditional. Even if you accept the Offer, you will not be paid for your Broadspectrum Shares unless and until all conditions are satisfied or waived by Ferrovia. Further, if you accept the Offer, you will only be able to withdraw your acceptance under limited circumstances, namely until the FIRB condition is satisfied (if it is at all), or if Ferrovia extends the Offer Period by more than one month and the Offer remains subject to conditions.

6. Broadspectrum's closing share price on 4 December 2015.

7. The contract is for five and a half years and was won by Transfield Worley Power Services Pty Limited, a joint venture in which Broadspectrum holds a 50% interest.

8. The contract is for five years and was won by Broadspectrum in a 50:50 unincorporated joint venture with Downer, Utilita Water Solutions.

9. Applications involving the purchase of significant business assets.

BROADSPECTRUM IS IN A STRONGER POSITION NOW THAN IN DECEMBER 2014, WHEN FERROVIAL INDICATED A WILLINGNESS TO PAY SIGNIFICANTLY MORE FOR YOUR BROADSPECTRUM SHARES

In December 2014, after a period of limited due diligence Ferrovial delivered to Broadspectrum an indicative, non-binding and conditional proposal to acquire all the shares of Broadspectrum for \$2.00 per Broadspectrum Share (**2014 Proposal**).

Your Directors consider the current financial position and prospects of Broadspectrum to be stronger than when Ferrovial submitted the 2014 Proposal, as summarised in the table below.

Metric ¹⁰	2014 Proposal	Current Offer	Improvement since 2014 Proposal
Contracted revenue	\$8.7 billion	\$10.3 billion	✓
Contracted, shortlisted and preferred revenue	\$10.4 billion	\$12.1 billion	✓
Net Debt	\$534 million	\$471 million	✓
Leverage ratio	2.4x	1.8x	✓
Status of significant contracts	DIBP – tender phase NSW Housing – not renewed	DIBP – preferred tenderer and short term extension NSW Housing – new contract with expanded scope	✓
Underlying cash conversion	108% (FY2014)	113% (FY2015)	✓
Dividend	No dividend	Reviewing ability to pay dividend	✓
ROCE	10.0% (FY2014)	13.7% (FY2015)	✓

In contrast to Broadspectrum's improved financial position, the current Offer Price is at a significant discount (between 26% and 45%) to the 2014 Proposal on a number of measures, as outlined below¹¹.

	2014 Proposal	Current Offer	Current Offer discount
Price per share	\$2.00	\$1.35	33%
EV/Underlying EBITDA multiple (historical)	7.2x	4.4x	39%
EV/Underlying EBIT multiple (historical)	12.5x	6.9x	45%
EV/Underlying EBITDA guidance	5.7x	4.2x	26%

10. Metrics for 2014 Proposal reflect those as at 30 June 2014. Metrics for current Offer reflect those as at 30 June 2015, except contracted revenue and contracted, shortlisted and preferred revenue which are as at 31 December 2015. Leverage ratio calculated as Net Debt divided by Underlying EBITDA. Underlying cash conversion determined as normalised operating cash flow as a percentage of Underlying EBITDA. FY2014 underlying cash conversion adjusted for the impact of creditor holdbacks of \$118 million in FY2013. Refer to section 2.4 for further discussion.

11. EV calculated as the sum of Net Debt and equity (respective offer price multiplied by total shares on issue). Historical multiples for 2014 Proposal based on Broadspectrum's FY2014 Underlying EBITDA and EBIT and Net Debt as at 30 June 2014. FY2015 Underlying EBITDA guidance calculated as mid-point of Broadspectrum's Underlying FY2015 EBITDA guidance range of \$260 million to \$280 million. FY2016 Underlying EBITDA guidance calculated as mid-point of Broadspectrum's Underlying FY2016 EBITDA guidance range of \$265 million to \$285 million. Historical multiples for current Offer based on Broadspectrum's FY2015 Underlying EBITDA and EBIT and Net Debt as at 30 June 2015. Refer to section 2.4 of this Target's Statement for further discussion.

Broadspectrum has also been focussed on initiatives to maximise shareholder value and has achieved a number of significant milestones over the last 12 months, including:

- delivering on upgraded FY2015 Underlying EBITDA guidance
- strengthening the balance sheet and reducing leverage to 1.8x as at 30 June 2015 (Net Debt/Underlying EBITDA), which is within the Company's target range of 1.5x to 2.0x Underlying EBITDA
- improving working capital discipline (average debtor days¹² reduced to 41 in FY2015 from 49 in FY2014)
- continuing strong cash flow generation (113% underlying cash conversion¹³ in FY2015)
- delivering a three year positive trend on revenue, Underlying EBITDA, Underlying EBITDA Margins and ROCE
- growing contracted revenue to \$10.3 billion at 31 December 2015 (from \$8.8 billion as at 31 December 2014) – a key forward indicator of future earnings and business strength, and
- delivering a turnaround in our Americas business despite challenging operating conditions, with a positive EBITDA contribution in 1H FY2016.

Furthermore, Ferrovial's second attempt to acquire Broadspectrum underscores the attractiveness of Broadspectrum to Ferrovial. Broadspectrum represents a strategic acquisition and provides a valuable platform in Australia for Ferrovial and this is not fully reflected in the current Offer.

THE OUTLOOK FOR BROADSPECTRUM IS POSITIVE AND THE COMPANY CONTINUES TO PURSUE STRATEGIES AND INITIATIVES TO INCREASE SHAREHOLDER VALUE

In recent years, Broadspectrum has focussed on strengthening the balance sheet, re-shaping and improving the business, confirming and embedding the Company's strategy, and positioning our portfolio of contracts within sectors that are weighted towards non-discretionary spending on essential services.

In the last 12 months the signing, renewal or extension of a number of significant contracts which are material to Broadspectrum's business has been announced. These contracts will deliver substantial earnings over the short to medium term. These successes demonstrate the continued strength of Broadspectrum's operating business and include:

- a four month extension to the existing contract with the DIBP announced in October 2015 while Broadspectrum as the preferred tenderer continues negotiations with the DIBP in relation to the execution of a new five year contract
- a five year NSW Housing contract with an expanded scope
- the five year Multi-Technology Integrated Master Agreement (**MIMA**) with NBN Co
- a five and a half year contract with AGL¹⁴, and
- a five year contract with QUU¹⁵.

Since the announcement of the Offer, Broadspectrum has upgraded guidance for our expected FY2016 Underlying EBITDA to a range of \$265 million to \$285 million, compared to the prevailing average broker forecast FY2016 Underlying EBITDA of \$258 million prior to the upgraded guidance¹⁶. The upgrade in guidance was due to continued strong business momentum and increased growth opportunities across a number of our sectors.

12. Debtor days calculated as trade debtors divided by operating revenue multiplied by 365.

13. Underlying cash conversion determined as normalised operating cash flow as a percentage of Underlying EBITDA.

14. The contract is for five and a half years and was won by Transfield Worley Power Services Pty Limited, a joint venture in which Broadspectrum holds a 50% interest.

15. The contract is for five years and was won by Broadspectrum in a 50:50 unincorporated joint venture with Downer, Utilita Water Solutions.

16. A summary of the selection criteria, number of broker forecasts comprising the average, range and date of the broker forecasts is provided in appendix 3 to this Target's Statement. The Directors do not adopt the average broker forecast of Broadspectrum's FY2016 EBITDA prior to the upgraded EBITDA guidance. The broker forecasts have been included solely as an indication of market views.

Broadspectrum remains focussed on creating shareholder value and the management team continues to pursue a number of initiatives including:

- commencement of a formal program targeting annualised contract and procurement benefits of \$75 million to \$100 million by 30 June 2016 (refer to sections 2.5 and 3.2 of this Target's Statement for further detail regarding these initiatives)¹⁷
- ongoing prudent financial management and controls to drive further improvement in key capital metrics
- an increased "share of wallet" from existing customers and pursuing identified growth areas to deliver medium term growth
- continued conversion of pipeline opportunities into contracted revenue, with an emphasis on maintaining and improving portfolio balance, diversity and resilience, and
- debt optimisation to provide increased flexibility and to reduce interest expense.

Prior to 1HFY2016, the Company had some cyclicalities in its Net Debt profile, with Net Debt increasing at the half year (31 December) before declining to 30 June. This cyclicalities is not evident at 1HFY2016, with Broadspectrum's unaudited Net Debt at 31 December 2015 of \$459 million being less than the balance as at 30 June 2015 (\$471 million). Broadspectrum also anticipates a further material reduction in its Net Debt balance at 30 June 2016.

As noted at our annual general meeting in October 2015, our strengthening balance sheet provides flexibility to pursue increased growth options and the potential for enhanced returns to Broadspectrum Shareholders. It was also noted your Directors would review the current prioritisation of debt reduction over the payment of dividends at the FY2016 half year, in light of business performance and gearing levels.

BROADSPECTRUM IS A DIVERSIFIED PORTFOLIO BUSINESS, PROVIDING FLEXIBILITY TO DELIVER SUSTAINED PERFORMANCE AND EARNINGS THROUGH INDUSTRY AND SECTOR CYCLES

The changing composition of the Company's revenue base through time is reflective of Broadspectrum's diversified portfolio business and helps reduce revenue and earnings volatility as market conditions change. Through its portfolio, Broadspectrum is also able to leverage the strengths of different end markets over time.

The strength of our diversified portfolio has been demonstrated through **year-on-year revenue and Underlying EBITDA growth since FY2013** and Broadspectrum is well placed to capture the upside in our sub-sectors that are showing signs of recovery, for example the turnaround in the Americas sector, activity levels in the telecommunications sub-sector and the return of previously delayed on-shore and off-shore gas projects.

Do not surrender your Broadspectrum Shares at the current Offer Price. Rejecting the Offer will enable Broadspectrum to continue to execute on its proven strategy for the benefit of our shareholders.

I urge you to read this Target's Statement in full, including the Independent Expert's Report, and to seek any independent financial, legal, taxation or other professional advice that you require before making a decision as to whether or not to accept the Offer.

Your Directors will continue to keep you informed on all material developments in relation to the Offer.

If you have any questions in relation to this Target's Statement or your shareholding in Broadspectrum, please call the Broadspectrum Shareholder information line on 1300 361 735 (for calls made from within Australia) or +61 1300 361 735 (for calls made from outside Australia) Monday to Friday between 8.30am and 5.30pm (Sydney time).

Thank you for being a Broadspectrum Shareholder.

Yours sincerely



Diane Smith-Gander

Chairman

17. The benefits from the contract and procurement initiatives may directly reduce Broadspectrum's operating cost base or be used to maintain and win work with Broadspectrum's clients.

1. Broadspectrum Directors' recommendation

**YOUR DIRECTORS
UNANIMOUSLY
RECOMMEND THAT YOU
REJECT THE OFFER**

Section 2 of this Target's Statement outlines the reasons why you should **REJECT THE OFFER**

TO **REJECT THE OFFER -
DO NOTHING AND TAKE
NO ACTION**

INTENTIONS OF YOUR DIRECTORS IN RELATION TO THE OFFER

Each of your Directors who own or control Broadspectrum Shares intends to **REJECT THE OFFER in respect of all the Broadspectrum Shares which they own or control**

Details of the relevant interests of each Broadspectrum Director in Broadspectrum Shares are set out in section 8 of this Target's Statement.

WHAT SHOULD YOU DO

Your Directors encourage you to:

- read in full this Target's Statement, including the Independent Expert's Report (attached in full in appendix 1 to this Target's Statement) and the Bidder's Statement
- have regard to your individual risk profile, portfolio strategy, tax position and financial circumstances, and
- obtain any independent financial, legal, taxation or other professional advice that you require before making a decision as to whether or not to accept the Offer.

If you have further questions regarding this Target's Statement or the Offer, you can contact the Broadspectrum Shareholder information line on 1300 361 735 (for calls made from within Australia) or +61 1300 361 735 (for calls made from outside Australia) Monday to Friday between 8.30am and 5.30pm (Sydney time).

TO FOLLOW YOUR DIRECTORS' RECOMMENDATION TO **REJECT THE OFFER, YOU SHOULD DO NOTHING AND TAKE NO ACTION**

2. Why you should **REJECT** the Offer

2.1	The Offer significantly undervalues your Broadspectrum Shares
2.2	The Offer is opportunistic
2.3	The Offer is highly conditional
2.4	Broadspectrum is in a stronger position now than in December 2014, when Ferrovial indicated a willingness to pay significantly more for your Broadspectrum Shares
2.5	The outlook for Broadspectrum is positive and the Company continues to pursue strategies and initiatives to increase shareholder value
2.6	Broadspectrum is a diversified portfolio business, providing flexibility to deliver sustained performance and earnings through industry and sector cycles

2.1 THE OFFER SIGNIFICANTLY UNDERVALUES YOUR BROADSPECTRUM SHARES

Your Directors believe that the Offer significantly undervalues your Broadspectrum Shares and fails to reflect Broadspectrum's intrinsic value, both in the short and medium term.

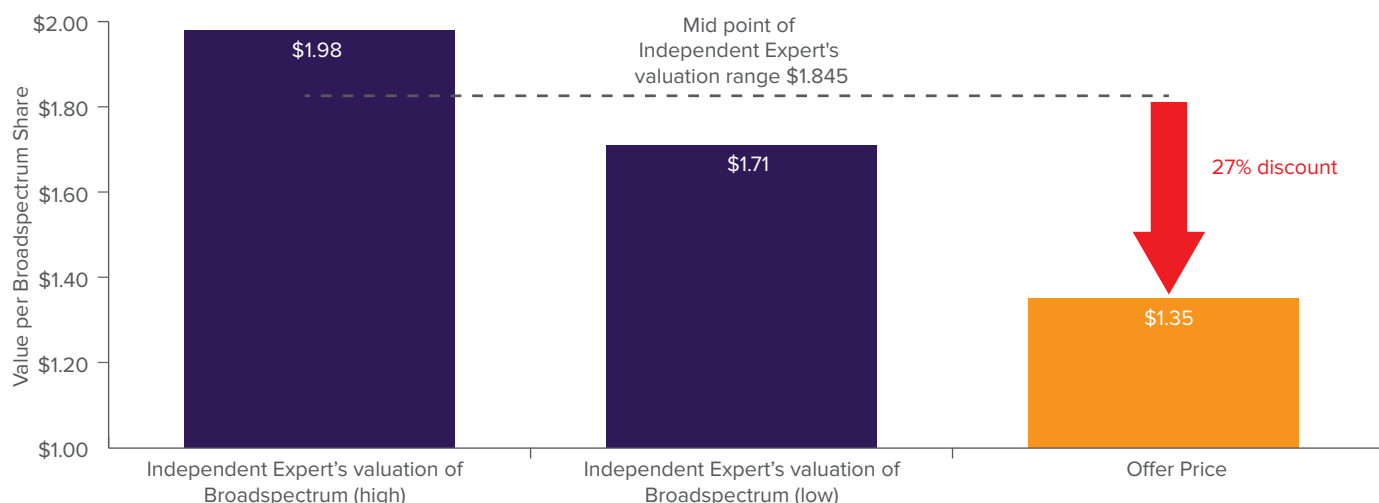
(A) INDEPENDENT EXPERT

Your Directors consider the Independent Expert's Report a good guide to assess the value of your Broadspectrum Shares in the context of the Offer.

The Independent Expert has assessed the value of your Broadspectrum Shares to be between \$1.71 and \$1.98 per share. The Offer represents a 27% discount to the mid-point of this valuation range (\$1.845 per share).

Further, the Independent Expert has concluded that the Offer is NOT FAIR AND NOT REASONABLE to Broadspectrum Shareholders.

Figure 1: Offer discount to mid-point of Independent Expert's valuation range



The Independent Expert's Report can be found in appendix 1 to this Target's Statement.

(B) OFFER COMPARED TO BROADSPECTRUM'S TRADING PRICE OVER THE LAST 12 MONTHS

Your Directors believe Ferrovia's statements regarding any Offer premium are selective.

Ferrovia has calculated the implied premia of the Offer using Broadspectrum's closing share price on 4 December 2015 and various VWAP periods up to three months before the Offer was announced. Broadspectrum's closing share price of \$0.85¹ immediately prior to the announcement of the Offer was the lowest closing share price in more than 18 months.

Ferrovia has selectively chosen not to compare the value of the Offer to Broadspectrum's market performance prior to 7 September 2015. This means that Ferrovia's calculations of premia exclude significant periods in the last 12 months when the price of Broadspectrum's Shares traded above the Offer Price.

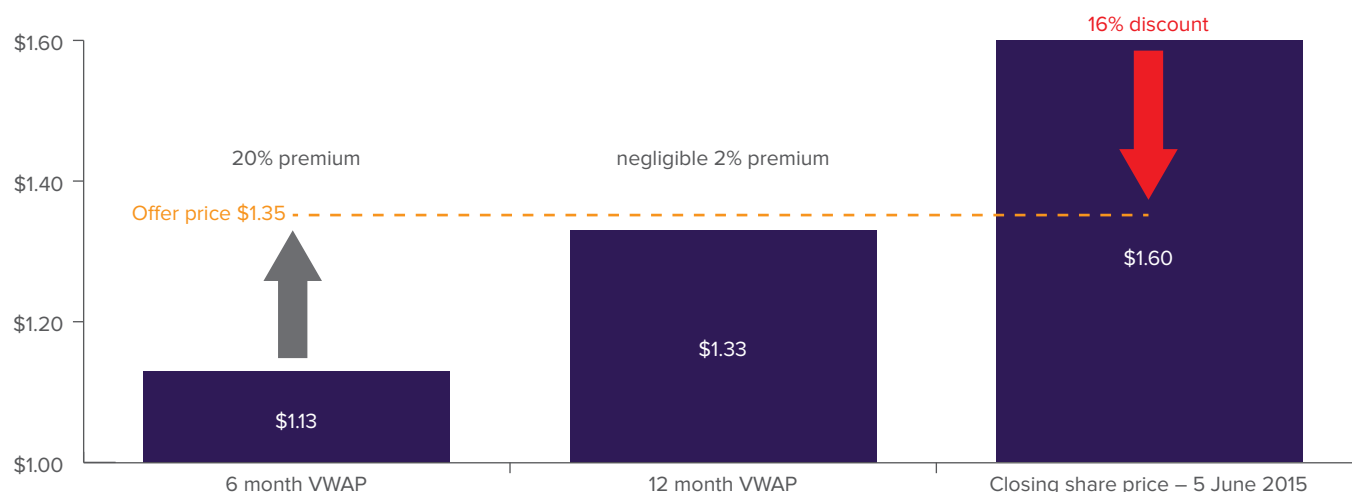
Your Directors consider that Broadspectrum's share price in the three months leading up to, and in particular immediately prior to, the announcement of the Offer did not appropriately reflect the underlying value of Broadspectrum. Therefore, it may not be appropriate to selectively consider the trading performance of Broadspectrum's Shares during this period when assessing the premia associated with the Offer (and ignore Broadspectrum's longer term trading price).

Your Directors believe considering a longer time period (e.g. the last 12 months) is appropriate in assessing the premia of the Offer and reduces the impact of shorter term volatility and trends, both positive and negative.

Specifically, the Offer represents a:

- 16% discount to the closing share price at 5 June 2015 (\$1.60), being the last trading date prior to six months before the announcement of the Offer
- negligible 2% premium to the 12 month VWAP (\$1.33), and
- only 20% premium to the six month VWAP (\$1.13).

1. Broadspectrum's closing share price on 4 December 2015.

Figure 2: Offer discount/premium to Broadspectrum's longer term trading price

Source: IRESS.

Notes:

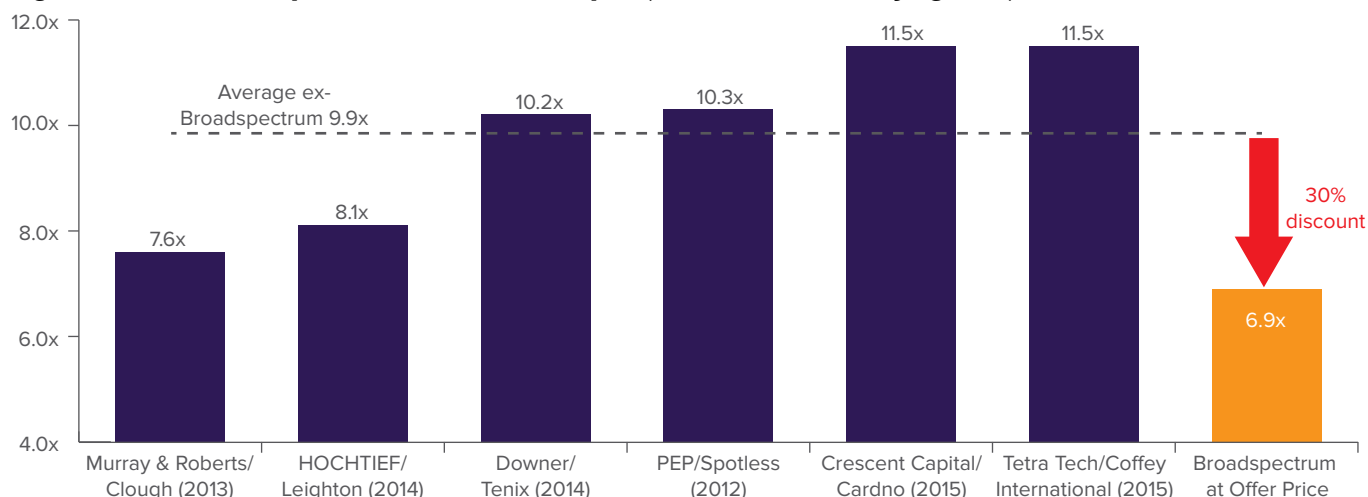
- 1 6 month VWAP based on cumulative volume traded on ASX and CHI-X from 7 June 2015 (being six months prior to the announcement of the Offer) to 4 December 2015 (being the last trading day before the Offer was announced).
- 2 12 month VWAP based on cumulative volume traded on ASX and CHI-X from 7 December 2014 (being 12 months prior to the announcement of the Offer) to 4 December 2015 (being the last trading day before the Offer was announced).

In the opinion of your Directors, the Offer does not represent an adequate premium to the longer term trading price of Broadspectrum Shares.

(C) COMPARABLE TRANSACTION MULTIPLES

Analysing the EV/Underlying EBIT multiple at which other businesses with operations in sectors relevant to Broadspectrum's activities have been acquired is a relevant comparison in assessing the reasonableness of the Offer.

In its Bidder's Statement, Ferrovial proposed that its Offer Price implies "a full multiple of earnings". However, the Offer implies a multiple of 6.9x Broadspectrum's FY2015 historical Underlying EBIT and represents a 30% discount to the average multiple of 9.9x Underlying EBIT at which other domestic businesses in relevant sectors have been acquired.

Figure 3: Domestic comparable transaction multiples (EV/historical Underlying EBIT)

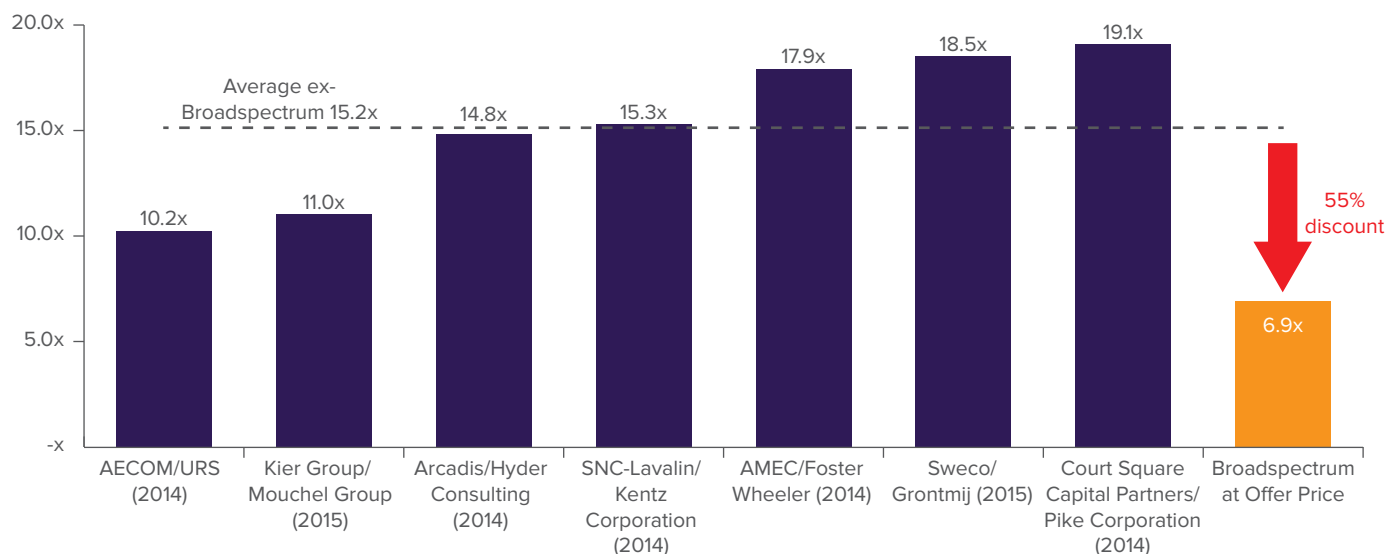
Source: IRESS, company announcements and transaction documentation.

Notes:

- 1 Domestic transaction comparables have been chosen on the basis of an assessment by Broadspectrum of the similarity of business operations of the acquired entity and its end market exposures. By their very nature, some acquired entities are more comparable than others and not all operations of the acquired entities reflect those of Broadspectrum.
- 2 Transaction multiples have been derived where possible from publically announced EV and Underlying EBIT in association with the relevant transaction. In circumstances where an EV and/or Underlying EBIT was not announced in association with a transaction, these have been calculated with reference to the publically announced terms of the transaction (for example, the EV of a transaction can be calculated by multiplying the price at which shares of a company were acquired by the total number of shares on issue of that company and adding this to the net debt of the acquired company, where net debt is total debt less cash), and/or other company announcements (for example, the historical Underlying EBIT of a company can be sourced from its latest financial or annual report).
- 3 Broadspectrum's EV has been calculated based on the equity value implied by the Offer Price and Broadspectrum's last stated Net Debt position.

The Offer also represents an even greater 55% discount to the average multiple of 15.2x Underlying EBIT at which international businesses in relevant sectors have been acquired.

Figure 4: International comparable transaction multiples (EV/historical Underlying EBIT)



Source: IRESS, company announcements and transaction documentation.

Notes:

- 1 International transaction comparables have been chosen on the basis of an assessment by Broadspectrum of the similarity of business operations of the acquired entity and its end market exposures. By their very nature, some acquired entities are more comparable than others and not all operations of the acquired entities reflect those of Broadspectrum.
- 2 Transaction multiples have been derived where possible from publically announced EV and Underlying EBIT in association with the relevant transaction. In circumstances where an EV and/or Underlying EBIT was not announced in association with a transaction, these have been calculated with reference to the publically announced terms of the transaction (for example, the EV of a transaction can be calculated by multiplying the price at which shares of a company were acquired by the total number of shares on issue of that company and adding this to the net debt of the acquired company, where net debt is total debt less cash), and/or other company announcements (for example, the historical Underlying EBIT of a company can be sourced from its latest financial or annual report). In relation to Sweco's acquisition of Grontmij, the target did not split out amortisation from one-off impairments. As such, an Underlying EBITA has been used to calculate the multiple instead of Underlying EBIT.
- 3 Broadspectrum's EV has been calculated based on the equity value implied by the Offer Price and Broadspectrum's last stated Net Debt position.

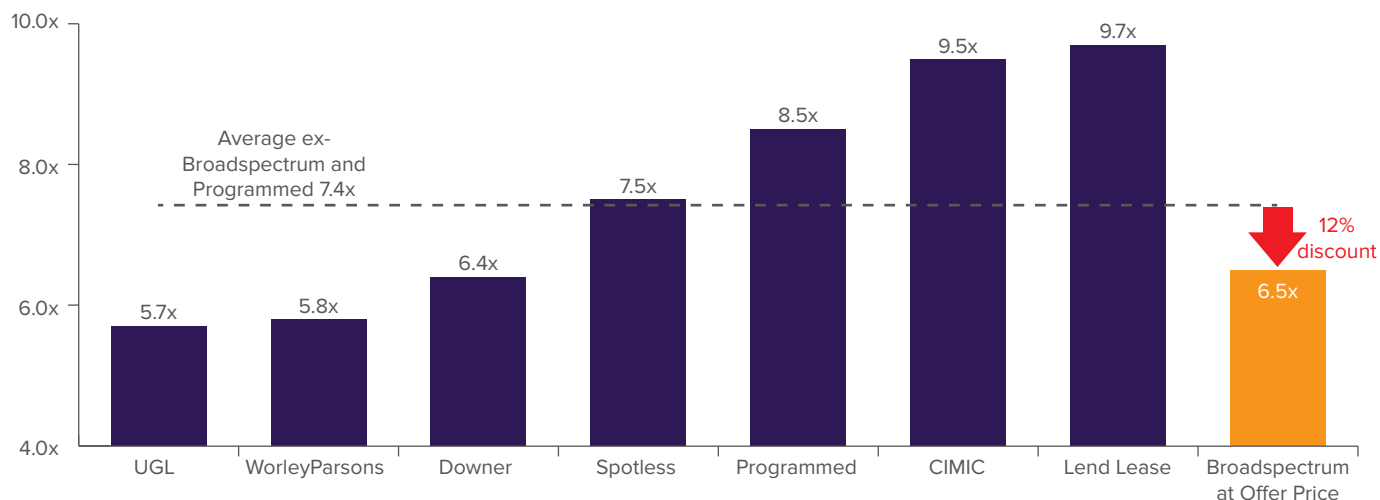
Your Directors believe that the multiple of historical Underlying EBIT implied by the Offer significantly undervalues the Company, having regard to comparable domestic and international transactions.

(D) COMPARABLE TRADING MULTIPLES

Trading multiples are another relevant benchmark in assessing the reasonableness of the Offer. Trading multiples are calculated using the prevailing trading share price to imply a valuation of an entity. **It is important to note that trading multiples do not include a premium for control.** It is common for an acquirer to pay a premium to the trading value of a company when seeking to obtain control of that company.

The Offer represents a 15% discount to the average FY2016 EV/Underlying EBIT multiple of 7.4x² at which Broadspectrum's domestic peers were trading as at the Last Practicable Date.

Figure 5: Domestic comparable peer trading multiples (EV/broker average forecast FY2016 Underlying EBIT)



Source: IRESS, company announcements and Broadspectrum analysis.

Notes:

- Domestic trading comparables have been chosen on the basis of an assessment by Broadspectrum of the similarity of business operations of the respective peers and their end market exposures. By their very nature, some peers are more comparable than others and not all operations of the peers reflect those of Broadspectrum.
- EV calculated as the sum of Net Debt and equity value.
- Equity value calculated by multiplying the closing share price as at the Last Practicable Date by the total shares on issue. FY2016 forecast Underlying EBITs for Broadspectrum's comparables have been calculated as the average of broker forecast Underlying EBITs available to Broadspectrum. A summary of the selection criteria, the number of broker forecasts comprising the average, the range and date of the broker forecasts is provided in appendix 3 to this Target's Statement. The financial years of CIMIC and Programmed are 31 December and 31 March respectively and as such their FY2016 forecast underlying EBITs have been calendarised to year end 30 June. The Directors do not adopt the average broker forecasts of any of Broadspectrum's comparables. The broker forecasts have been included solely as an indication of market views.
- Average excludes Programmed as its broker forecast FY2016 Underlying EBIT does not reflect a full year contribution from the acquisition of Skilled Group (Programmed acquired Skilled Group during 2015).
- Broadspectrum's EV has been calculated based on the equity value implied by the Offer Price and Broadspectrum's last stated Net Debt position.
- Broadspectrum's FY2016 Underlying EBIT has been calculated using the mid-point of Broadspectrum's Underlying EBITDA guidance of \$265 million to \$285 million less the average broker forecast depreciation and amortisation for Broadspectrum for FY2016 (\$98 million). A summary of the selection criteria, number of broker forecasts comprising the average, range and date of the broker forecasts is provided in appendix 3 to this Target's Statement. The Directors do not adopt the average broker forecast of Broadspectrum's depreciation and amortisation. The broker forecasts have been included solely as an indication of market views.

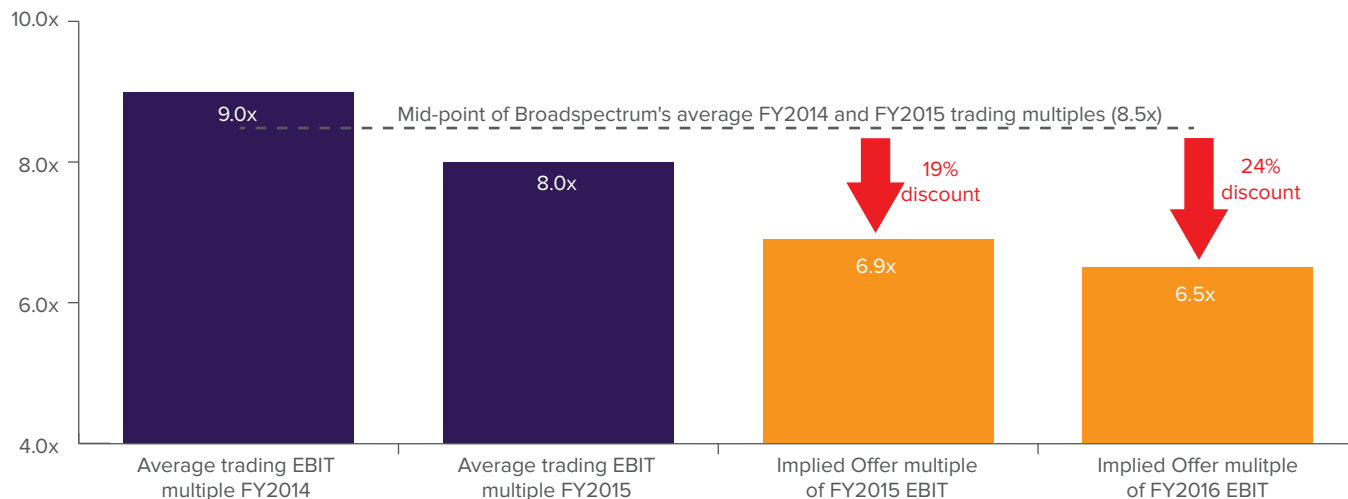
Having reference to the average trading multiple of its peers, your Directors believe that the Offer significantly undervalues your Broadspectrum Shares and does not reflect an appropriate control premium.

2. FY2016 EV/Underlying EBIT multiple calculated using average broker forecast FY2016 Underlying EBITs. A summary of the selection criteria, the number of broker forecasts comprising the average, the range and date of the broker forecasts is provided in appendix 3 to this Target's Statement. The Directors do not adopt the average broker forecasts of any of Broadspectrum's comparables. The broker forecasts have been included solely as an indication of market views.

(E) OFFER COMPARED TO BROADSPECTRUM'S AVERAGE TRADING MULTIPLE DURING FY2014 AND FY2015

During FY2014 and FY2015, Broadspectrum traded on an average EV/Underlying EBIT multiple of 9.0x and 8.0x respectively. The Offer implies an EV of 6.5x Broadspectrum's FY2016 Underlying EBIT³, and 6.9x Broadspectrum's FY2015 Underlying EBIT, a 24% and 19% discount respectively to the mid-point of Broadspectrum's average trading multiple during FY2014 and FY2015. **It is important to note that trading multiples do not include a premium for control.**

Figure 6: Broadspectrum EV/Underlying EBIT multiples



Source: IRESS, Company announcements and analysis.

Notes:

- 1 Average trading EBIT multiple for FY2014 and FY2015 calculated using Broadspectrum's average EV during the respective financial year divided by the actual Underlying EBIT of each respective year (FY2014 \$124 million, FY2015 \$168 million).
- 2 Implied Offer multiple calculated using Broadspectrum's EV implied by the Offer Price and Broadspectrum's last stated Net Debt.

Your Directors believe that the discount to Broadspectrum's long term average trading EV/Underlying EBIT multiple implied by the Offer is opportunistic, and that it significantly undervalues the Company.

3. Broadspectrum's FY2016 Underlying EBIT has been calculated using the mid-point of Broadspectrum's Underlying EBITDA guidance of \$265 million to \$285 million less the average broker forecast depreciation and amortisation for FY2016 (\$98 million). A summary of the selection criteria, number of broker forecasts comprising the average, range and date of the broker forecasts is provided in appendix 3 to this Target's Statement. The Directors do not adopt the average broker forecast of Broadspectrum's depreciation and amortisation. The broker forecasts have been included solely as an indication of market views.

2.2 THE OFFER IS OPPORTUNISTIC

(A) THE OFFER WAS OPPORTUNISTICALLY ANNOUNCED PRIOR TO THE SIGNING OF MAJOR CONTRACTS

In the months leading up to the announcement of the Offer, there was some market uncertainty regarding the renewal of Broadspectrum's contract with the DIBP. There were a number of issues that exacerbated this uncertainty, including two key themes as discussed below (whether perceived or real):

- 1 the announcement on 28 October 2015 of a short term extension (four months) of the existing contract, rather than a full contract renewal before the end of the initial period (the initial contract ran from March 2014 to October 2015), and
- 2 recent activist campaigns against the Australian Government's asylum seeker policies.

Broadspectrum is the preferred tenderer to provide facilities maintenance and welfare services at the regional processing centres in Nauru and Manus Province. The initial contract (which was due to expire on 31 October 2015) was extended for four months on broadly its existing terms and on an expanded scope, on 28 October 2015. Broadspectrum is in discussions with the DIBP in relation to the execution of a new contract (which would be for a further five years).

Since the Offer was announced, Broadspectrum has signed new contracts worth over \$1.1 billion of revenue, including material contracts with NSW Housing, AGL and QUU⁴. The contract with NSW Housing could be worth up to \$950 million of revenue (over the initial five years, additionally there are two extension options each for a period of two years) and will nearly double the annual revenue Broadspectrum received under its previous contract with NSW Housing. Broadspectrum's proportionate share of revenue over the life of the AGL and QUU contracts could be worth \$185 million in aggregate.

Ferrovia announced the Offer on 7 December 2015, before the signing of these material contracts. These new contracts are significant and it is reasonable to expect that had the Offer not been announced, the price of Broadspectrum Shares may have been positively affected by an announcement confirming Broadspectrum had signed these new contracts, with the consequence that the implied premia of the Offer would have been lower.

Your Directors believe that the timing of the Offer was opportunistic.

4. Both the AGL and QUU contracts were awarded to entities in which Broadspectrum has a 50% economic interest, refer to section 3.2 for more discussion of recent contracting activity.

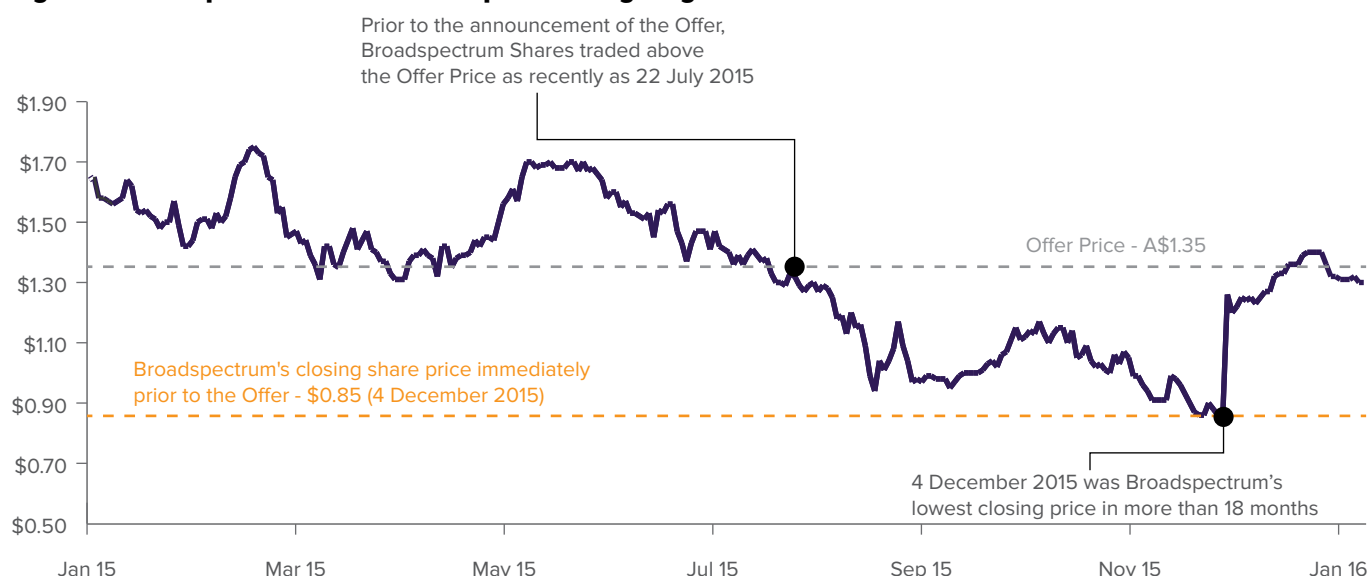
(B) THE TIMING OF THE OFFER APPEARS CALCULATED TO TAKE ADVANTAGE OF SHORT TERM WEAKNESS IN BROADSPECTRUM'S SHARE PRICE

Broadspectrum's closing share price of \$0.85⁵ immediately prior to the announcement of the Offer was the lowest closing share price in more than 18 months. Broadspectrum Shares have traded above the Offer Price for extended periods in the last 12 months (as recently as 22 July 2015), and above \$1.60 as recently as June 2015.

Your Directors believe that Broadspectrum's share price prior to the announcement of the Offer did not reflect the underlying performance and long term value of Broadspectrum. In addition to the market uncertainty regarding major contract renewals, a number of other factors have contributed to the short term weakness of Broadspectrum's share price, including:

- decline in equity market conditions as evidenced by the ASX 200 falling more than 10% from 1 June 2015 to 4 December 2015
- lower oil price environment (the Brent crude oil price having fallen by 74% since 1 January 2014, closing at US\$29.21 per barrel on 15 January 2016)⁶
- downturn in mineral commodities cycle (the copper iron ore prices having fallen by 41% and 71% respectively since 1 January 2014, copper closing at US\$4,327.50 and iron ore closing at US\$38.20 per metric tonne on 15 January 2016)⁶, and
- delayed infrastructure investment in Australia.

Figure 7: Broadspectrum's recent share price trading range



Source: IRESS.

The downturn in a number of Broadspectrum's end markets is cyclical in nature. In the near term, your Directors expect these end markets to remain challenging but with an expectation of medium term improvement. For example, average broker forecasts for 2016 expect Brent crude oil, copper and iron ore prices of US\$52.21 per barrel, US\$5,234.05 per metric tonne and US\$47.75 per metric tonne respectively⁷, a 79%, 21% and 25% premium to their respective last closing price as at the Last Practicable Date.

Despite the recent challenging conditions in some end markets, Broadspectrum has maintained a positive three year trend across a range of financial measures and recently announced upgraded FY2016 Underlying EBITDA guidance of \$265 million to \$285 million (refer to section 2.5 of this Target's Statement for further discussion).

Your Directors believe that the recent share price and trading range of Broadspectrum Shares does not reflect a fair valuation of Broadspectrum and that continued improving conditions in Broadspectrum's end markets will further support the strong performance of the underlying operations.

5. Broadspectrum's closing share price on 4 December 2015.

6. Source: IRESS

7. 2016 forecast oil, copper and iron ore prices have been calculated as the average of broker forecast oil, copper and iron ore prices available to Broadspectrum which have been released since 1 July 2015. The average forecast oil price is based on 29 individual broker forecasts released between 30 July 2015 and 14 January 2016, with a maximum of US\$67.25 per barrel and a minimum of US\$37.00 per barrel. The average forecast copper price is based on 19 individual broker forecasts released between 1 September 2015 and 14 January 2016, with a maximum of US\$7,000 per metric tonne and a minimum of US\$4,468 per metric tonne. The average forecast iron ore price is based on 13 individual broker forecasts for iron ore with 62% ferrous content for delivery to Qingdao released between 2 September 2015 and 14 January 2016, with a maximum of US\$61.00 per metric tonne and a minimum of US\$38.00 per metric tonne. The Directors do not adopt the average broker forecast oil, copper and iron ore prices. The broker forecasts have been included solely as an indication of market views.

2.3 THE OFFER IS HIGHLY CONDITIONAL

(A) THIS IS A HIGHLY CONDITIONAL OFFER – EVEN IF YOU ACCEPT THE OFFER, YOU WILL NOT BE PAID FOR YOUR BROADSPECTRUM SHARES AND YOUR BROADSPECTRUM SHARES WILL NOT BE ACQUIRED, UNLESS ALL CONDITIONS ARE SATISFIED OR FERROVIAL WAIVES THESE CONDITIONS. THE TIMING AND LIKELIHOOD OF THIS IS UNCERTAIN

In section 7.6 of the Bidder's Statement, Ferrovial lists over 25 individual conditions, the breach of any of which will allow Ferrovial to let the Offer lapse.

This Offer is highly conditional and effectively seeks to grant Ferrovial an option to acquire your Broadspectrum Shares. For example, Ferrovial has set certain conditions at a level where practically those conditions could not be met. The effect of this is to provide Ferrovial with a choice of whether to waive any such breach of a condition or to let the Offer lapse, rather than make a commitment to acquire your Broadspectrum Shares.

Certain conditions, such as FIRB and OIO approval, may not be provided in a timely manner, if at all, and as such it is expected that the offer will remain conditional for an extended period. All conditions need to be satisfied, or waived by Ferrovial before payment can be made to accepting shareholders.

Ferrovial's Offer is currently scheduled to close at 7pm (Sydney time) on 8 February 2016. Your Directors consider it highly unlikely that the Offer will be unconditional prior to this date, noting in particular the requirement for OIO approval and that the OIO's published target is to process 90% of applications⁸ within 50 business days, although recent statistics suggest that this approval process has taken on average at least 80 business days. Given Ferrovial had not lodged an application to the OIO as at 23 December 2015, this approval is unlikely to be received by Ferrovial prior to 8 February 2016. Therefore, Ferrovial will likely have to extend the Offer Period if Ferrovial does not wish the Offer to lapse.

Your Directors believe that there is a material risk that a number of conditions may not be satisfied. If all conditions are not satisfied or waived, Ferrovial will not be able to acquire any Broadspectrum Shares under the Offer.

Table 1: Commentary on certain conditions of the Offer

Section reference in Bidder's Statement	Description	Comment
7.6(a)	Minimum acceptance Prior to the end of the Offer Period, Bidder has a relevant interest in at least 50.01% of the Broadspectrum Shares.	This condition is wholly outside of Broadspectrum's control.
7.6(b)	FIRB approval Prior to the end of the Offer Period, either the Treasurer has provided unconditional written notice that there are no objections to the acquisition of Broadspectrum Shares under the Offer, or the Treasurer becomes precluded by passage of time from making any order or decision in respect of the acquisition of Broadspectrum Shares under the Offer.	There is no guarantee the requisite approval will be given, and if given, will be given unconditionally. This condition is wholly outside Broadspectrum's control. The timing of any such approval is also uncertain. Bidder will not be able to waive the requirement for FIRB approval. This means that if you accept the Offer, Bidder will not be able to declare the Offer unconditional unless and until it receives FIRB approval.
7.6(c)	OIO approval Prior to the end of the Offer Period, Bidder has received all consents, approvals or clearances required under the Overseas Investment Act 2005 (New Zealand) and the Overseas Investment Regulations 2005 (New Zealand) for the implementation of the Offer and such consents, approvals or clearances have not been withdrawn, suspended, revoked or adversely amended before the close of the Offer Period.	There is no guarantee the requisite consents, approvals or clearances will be given. This condition is wholly outside Broadspectrum's control. The timing of any such consent, approval or clearance is also uncertain.

8. Applications involving the purchase of significant business assets.

Section reference in Bidder's Statement	Description	Comment
7.6(f)	<p>No material adverse change</p> <p>Other than as announced by Broadspectrum to ASX prior to the date of the Bidder's Statement, between that date and the end of the Offer Period (each inclusive), no event, change or condition occurs, is announced or becomes known to Ferrovial or Bidder where that event, change or condition has had, or could reasonably be expected to have either individually or in aggregate, an adverse effect of \$10 million on the operating earnings before interest, tax, depreciation and amortisation of the Broadspectrum Group in any financial year or an adverse effect of \$50 million or more on the value of the net assets of the Broadspectrum Group, subject to limited exceptions.</p>	<p>Nothing has come to the attention of the Broadspectrum Directors which would cause this condition not to be satisfied.</p> <p>However, there may be events, changes or conditions that are wholly or partially outside the control of Broadspectrum which may occur during the Offer Period and which may lead to this condition not being satisfied.</p>

Section reference in Bidder's Statement	Description	Comment
7.6(g)i,ii,iii,iv,v,vi,viii	<p>No material acquisitions, disposals, new commitments or other events</p> <p>Among other things, none of the following events occurs during the period from the date of the Bidder's Statement to the end of the Offer Period:</p> <ul style="list-style-type: none"> any Broadspectrum Group entity acquires or disposes of any entities, businesses or assets (or any interests in those) for more than \$15 million individually, or \$30 million in aggregate, excluding the disposal of an interest in Ratch-Australia Corporation Limited on arm's length terms any Broadspectrum Group entity enters into or varies in a material respect any joint venture or partnership, or any agreements, the result of which requires or is reasonably likely to involve payments, expenditure, or the foregoing or loss of forecast revenue, by Broadspectrum Group entities in excess of \$10 million individually or \$20 million in aggregate after the date of the Bidder's Statement, an event occurs or is announced which materially impacts the likelihood of Broadspectrum being awarded a previously announced Potential New Major Contract (being a contract which is reasonably likely (if awarded) to deliver forecast total orderbook of at least \$100 million, where Broadspectrum has announced that it was in negotiations to be granted or awarded the contract prior to the date of the Bidder's Statement) any commitment by Broadspectrum Group entities to capital expenditure in excess of \$10 million any Broadspectrum Group entity incurs any indebtedness or issues any debt securities which would result in the value of the indebtedness incurred or debt issued by the Broadspectrum Group following the date of the Bidder's Statement exceeding \$50 million in aggregate any Broadspectrum Group entity increases the remuneration or pays any bonus or termination or retention payments to, or otherwise enters into new or varies the existing service or employment arrangements with, any of its Directors or employees whose total annual employment cost exceeds or could reasonably be expected to exceed \$1 million in aggregate, and any Broadspectrum Group entity enters into an agreement or announces an intention to do any of the above. 	<p>A number of these conditions contradict one another and would place uncommercial restraints on the Company's ongoing activities.</p> <p>Therefore, it is more likely than not that Broadspectrum may breach these conditions in the ordinary course of business because it would be contrary to the interests of Broadspectrum and its shareholders to comply with these restrictions.</p> <p>For example:</p> <ul style="list-style-type: none"> 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 agreements that would involve payments or expenditure of more than \$10 million the new contracts with NSW Housing and AGL are agreements that are reasonably likely to involve payments or expenditure of more than \$10 million.

Section reference in Bidder's Statement	Description	Comment
7.6(h)	<p>No change of control rights</p> <p>No person has or will have, any right as a result of any change in the shareholding or control of any Broadspectrum Group entity under or in connection with the Offer, or Bidder making the Offer or announcing its intention to make the Offer, or acquiring Broadspectrum Shares in connection with the Offer to:</p> <ul style="list-style-type: none"> • acquire or require the disposal of any material assets of any Broadspectrum Group entity which have a value of at least \$15 million individually or \$30 million in aggregate • terminate, or vary the terms or performance of, any material agreements with any Broadspectrum Group entity • terminate or vary the terms of any approvals, licences or permits issued by any Public Authority to or for the benefit of any Broadspectrum Group entity which individually result in loss to revenue of the Broadspectrum Group of \$15 million individually or \$30 million in aggregate, or • require repayment of any moneys borrowed by or any other indebtedness of any Broadspectrum Group entity earlier than its stated maturity date or withdraw or inhibit the ability of any Broadspectrum Group entity to borrow moneys or incur indebtedness, <p>and Broadspectrum confirms in writing prior to the end of the Offer Period that this is the case, provided that this condition does not apply if Broadspectrum provides to Bidder, prior to the end of the Offer Period, written details of the right and a copy of a binding written unconditional waiver or release of the right by the relevant third party.</p>	<p>(a) Client contract impact</p> <p>Approximately 50% of Broadspectrum's expected FY2016 revenue is derived from material client contracts which contain provisions regarding a change of control. Of these material client contracts, some (representing approximately 15% of Broadspectrum's expected FY2016 revenue), include a change of control provision giving a client an automatic right to terminate the contract without recourse to a consent process. Others of those material contracts contain consent processes, where clients require prior consent to be sought for a change of control. In some cases, clients reserve the right to provide the consent on terms, including the provision (to their satisfaction), of additional information about the new, controlling party. Where such consent is not received from relevant clients, this may constitute an event of default under the relevant contracts or otherwise give rise to termination rights in favour of the clients. Such outcomes may have a material adverse effect on Broadspectrum.</p> <p>(b) Joint venture arrangement impact</p> <p>In addition, approximately 14.8% of Broadspectrum's expected FY2016 net profit after tax is derived from joint venture arrangements. There are change of control clauses in certain material joint venture agreements. These joint venture agreements contain sophisticated and prescriptive change of control provisions which provide the other joint venture partner with a right to purchase Broadspectrum's interest in the joint venture if a change of control occurs and such a right to the buy-out is not waived. Such outcomes may have a material adverse effect on Broadspectrum.</p> <p>(c) Funding arrangement impact</p> <p>The majority of Broadspectrum's lending agreements, including the off-balance sheet joint venture funding vehicle, provide a right for its financiers to review the lending agreement and require early repayment of the relevant drawn debt, as disclosed in Broadspectrum financial statements, and cancellation of the agreement. Such outcomes may have a material adverse effect on Broadspectrum.</p>
7.6(i)	<p>No Prescribed Occurrences</p> <p>In addition to the list of events or circumstances set out in section 652C of the Corporations Act, there is also a condition restricting Broadspectrum or any of its subsidiaries from taking any action to accelerate the exercise of any Broadspectrum Performance Awards.</p>	<p>The Board retains discretion regarding the Broadspectrum Performance Awards plan rules and may potentially exercise their discretion to accelerate the vesting of employee share rights in the event there is a change of control.</p> <p>Please refer to section 9.9 for further details.</p>

2.4 BROADSPECTRUM IS IN A STRONGER POSITION NOW THAN IN DECEMBER 2014, WHEN FERROVIAL INDICATED A WILLINGNESS TO PAY SIGNIFICANTLY MORE FOR YOUR BROADSPECTRUM SHARES

(A) BROADSPECTRUM'S BUSINESS IS STRONGER THAN AT THE TIME OF THE 2014 PROPOSAL

Since the 2014 Proposal, Broadspectrum has achieved a number of significant milestones, including delivering on upgraded FY2015 Underlying EBITDA guidance.

Table 2: Improvement in Broadspectrum's business since the 2014 Proposal

Metric	2014 Proposal	Current Offer	Improvement since 2014 Proposal
Contracted revenue	\$8.7 billion	\$10.3 billion	✓
Contracted, shortlisted and preferred revenue	\$10.4 billion	\$12.1 billion	✓
Net Debt	\$534 million	\$471 million	✓
Leverage ratio	2.4x	1.8x	✓
Status of significant contracts	DIBP – tender phase NSW Housing – not renewed	DIBP – preferred tenderer and short term extension NSW Housing – new contract with expanded scope	✓
Underlying cash conversion	108% (FY2014)	113% (FY2015)	✓
Dividend	No dividend	Reviewing ability to pay dividend	✓
ROCE	10.0% (FY2014)	13.7% (FY2015)	✓

Source: Company announcements.

Notes:

- 1 Metrics for 2014 Proposal reflect those as at 30 June 2014.
- 2 Metrics for current Offer reflect those as at 30 June 2015, except contracted revenue and contracted, shortlisted and preferred revenue which are as at 31 December 2015.
- 3 Leverage ratio calculated as Net Debt divided by Underlying EBITDA.
- 4 Underlying cash conversion determined as normalised operating cash flow as a percentage of Underlying EBITDA. FY2014 adjusted for the impact of creditor holdbacks of \$118 million in FY2013.

Your Directors believe that Broadspectrum is in a stronger position than at the time of the 2014 Proposal, as demonstrated by the summary metrics in table 2.

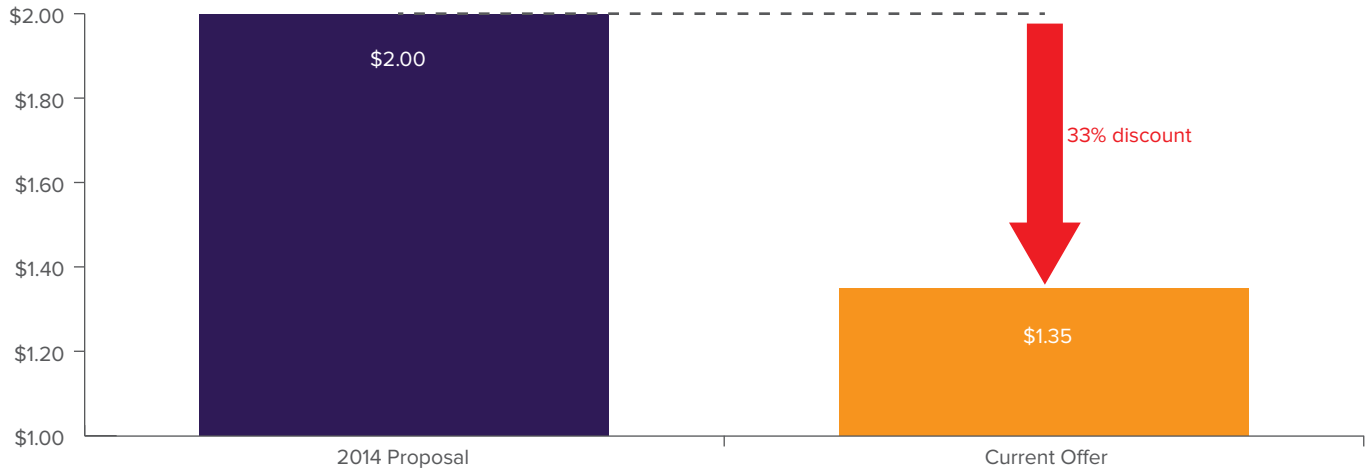
Notwithstanding that the underlying strength of the business has improved, the Board recognises that the outlook and market conditions in some sectors have deteriorated since the time of the 2014 Proposal. Through its portfolio Broadspectrum is able to leverage the strengths of different end markets over time.

(B) FERROVIAL HAS PREVIOUSLY MADE A PROPOSAL TO BUY YOUR BROADSPECTRUM SHARES FOR A HIGHER PRICE

Less than 12 months before the Offer was announced on 7 December 2015, in its 2014 Proposal, Ferrovial offered to pay significantly more for your Broadspectrum Shares. Following limited due diligence and commercial discussions, Transfield Services Limited (as Broadspectrum was then known) received an indicative, non-binding and conditional proposal from Ferrovial to acquire 100% of the issued shares in Transfield Services Limited for cash consideration of \$2.00 per share.

The current Offer represents a 33% discount to the 2014 Proposal.

Figure 8: Offer discount to the 2014 Proposal



Source: Company announcements.

(C) FERROVIAL HAS PREVIOUSLY OFFERED TO BUY YOUR BROADSPECTRUM SHARES FOR A HIGHER EARNINGS MULTIPLE

The earnings multiples implied by the 2014 Proposal were materially higher than the earnings multiples implied by the current Offer.

Table 3: Comparison of the 2014 Proposal and the current Offer

	2014 Proposal	Current Offer	Current Offer discount
Price per share	\$2.00	\$1.35	33%
Date	22 December 2014	7 December 2015	n/a
EV/Underlying EBITDA multiple (historical)	7.2x	4.4x	39%
EV/Underlying EBIT multiple (historical)	12.5x	6.9x	45%
EV/Underlying EBITDA guidance	5.7x	4.2x	26%

Source: Company announcements.

Notes:

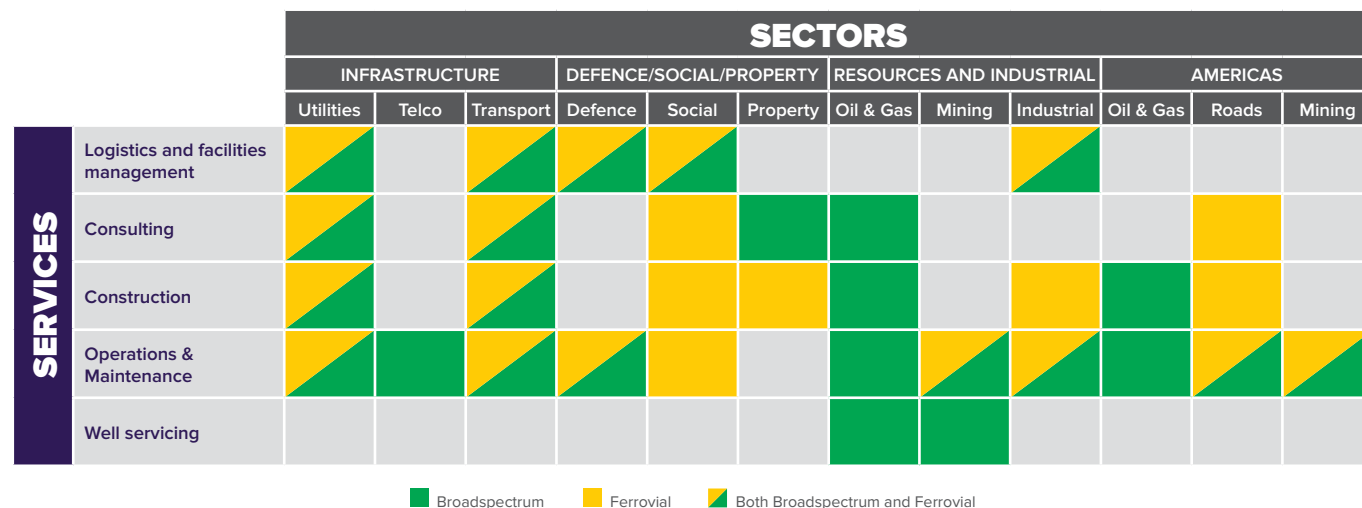
- 1 EV calculated as the sum of Net Debt and equity (respective offer price multiplied by total shares on issue).
- 2 Historical multiples for 2014 Proposal based on Broadspectrum's FY2014 Underlying EBITDA and EBIT and Net Debt as at 30 June 2014.
- 3 FY2015 Underlying EBITDA guidance calculated as mid-point of Broadspectrum's Underlying FY2015 EBITDA guidance range of \$260 million to \$280 million. FY2016 Underlying EBITDA guidance calculated as mid-point of Broadspectrum's Underlying FY2016 EBITDA guidance range of \$265 million to \$285 million.
- 4 Historical multiples for current Offer based on Broadspectrum's FY2015 Underlying EBITDA and EBIT and Net Debt as at 30 June 2015.

(D) BROADSPECTRUM REPRESENTS A STRATEGIC ACQUISITION FOR FERROVIAL, THE VALUE OF WHICH IS NOT REFLECTED IN THE OFFER

Ferrovial noted in its Bidder's Statement that "Ferrovial is making a long-term decision to seek to establish a presence in the Australian market". Broadspectrum believes that it would provide Ferrovial with a significant platform in Australia, with an established and diverse business with longstanding client relationships across both the government and private sector. The attractiveness of Broadspectrum to Ferrovial is underscored by its second attempt to acquire the Company in 12 months.

There are significant similarities in the operations and capabilities of Ferrovial and Broadspectrum, and Broadspectrum offers Ferrovial a strong and complementary platform. Figure 9 below outlines the complementary operations of Broadspectrum and Ferrovial.

Figure 9: Complementary operations of Broadspectrum and Ferrovial



Source: Broadspectrum analysis.

Given the strategic operating platform which Broadspectrum would provide Ferrovial, your Directors do not consider the Offer represents an appropriate value for a platform asset such as Broadspectrum.

(E) FERROVIAL COULD AFFORD TO PAY MORE FOR YOUR BROADSPECTRUM SHARES

EPS accretion is a common basis on which acquisitions are analysed. EPS accretion means that the acquirer's EPS after an acquisition is higher than it would have been if the acquisition did not take place. Broadspectrum believes that it would provide an indication of an acquirer's capacity to pay. It is important to note that acquisitions are not always accretive, especially in the first year after completion of an acquisition.

Illustrative pro-forma analysis based on average broker forecast financial information for Broadspectrum and Ferrovial for the 12 months ending 31 December 2016 indicates that the transaction would remain accretive for Ferrovial, even at the upper end of the Independent Expert's valuation range and at the offer price of Ferrovial's 2014 Proposal.

As outlined in section 2.4(a), your Directors believe that **Broadspectrum is in a stronger position than at the time of the 2014 Proposal**. Ferrovial are trying to acquire Broadspectrum at an opportunistic price not reflective of the underlying value of the Company. Immediately prior to the announcement of the Offer, Ferrovial's FY2016 EV/Underlying EBIT multiple was 26.5x⁹, which is significantly higher than the implied 6.5x FY2016 EV/Underlying EBIT multiple of the Offer¹⁰.

Table 4: Illustrative pro-forma EPS accretion for Ferrovial's 2016 financial year

	Current Offer	Independent Expert Valuation			Price of 2014 Proposal
		Low	Mid	High	
Price per Broadspectrum Share	\$1.35	\$1.71	\$1.845	\$1.98	\$2.00
Pro-forma Ferrovial 2016 EPS pre-transaction	€0.672	€0.672	€0.672	€0.672	€0.672
Pro-forma Ferrovial 2016 EPS post-transaction	€0.720	€0.716	€0.714	€0.713	€0.713
Pro-forma Ferrovial 2016 EPS accretion	7.1%	6.5%	6.3%	6.1%	6.1%

Key assumptions:

- 1 Analysis presented for Ferrovial's illustrative pro-forma FY2016 (ending 31 December 2016).
- 2 FY2016 net profit after tax pre-transaction for Ferrovial and Broadspectrum has been calculated as the average of broker forecasts available to Broadspectrum (in the case of Broadspectrum, average broker forecasts have been calculated for both FY2016 and FY2017). A summary of the selection criteria, the number of broker forecasts comprising the average, the range and date of the broker forecasts is provided in appendix 3 to this Target's Statement. The Directors do not adopt the average broker forecasts of either Ferrovial or Broadspectrum. The broker forecasts have been included solely as an indication of market views. Broadspectrum's average broker forecast FY2016 and FY2017 net profit after tax have been calendarised to 31 December 2016.
- 3 Broadspectrum earnings are converted into Euros based on the closing spot rate on 4 December 2015 of 0.67475 AUD/EUR.
- 4 Ferrovial's pro-forma weighted shares on issue of 732.2 million, being current total shares on issue.
- 5 Broadspectrum's average broker forecast FY2016 net profit after tax assumed to be incremental to Ferrovial's average broker forecast FY2016 net profit after tax.
- 6 Pro-forma 2016 EPS accretion calculated by dividing the increase in Ferrovial's pro-forma 2016 EPS as a result of the transaction by Ferrovial's pro-forma pre-transaction 2016 EPS.
- 7 Ferrovial assumed to acquire 512.5 million Broadspectrum Shares and 29.5 million Broadspectrum Performance Awards. Ferrovial is assumed to fully finance the purchase of Broadspectrum Shares and Performance Awards using debt financing, as announced by Ferrovial in the Bidder Statement. Debt used to finance the purchase is assumed to carry an interest rate of 2.75%, based on recent Ferrovial bond issuance and comparable interest rates paid by BBB+ borrowers. Ferrovial is assumed to leave Broadspectrum's existing debt structure and financing facilities in place.
- 8 To observe the impact of a full 12 months of Broadspectrum's earnings to 31 December 2016, the illustrative pro-forma analysis assumes Broadspectrum acquired by Ferrovial on 1 January 2016.
- 9 No change to the tax treatment of Broadspectrum's earnings as a result of the acquisition.
- 10 No dividend assumed to be paid from Broadspectrum to Ferrovial after the acquisition.
- 11 Transaction costs of 2% of the EV of Broadspectrum also assumed to be debt funded.
- 12 No synergies assumed.
- 13 Excludes the impact of any potential purchase accounting adjustments.

Note: the analysis set out in table 4 above is illustrative only and is provided to show Broadspectrum Shareholders an indication of the potential accretion to Ferrovial from an acquisition of Broadspectrum based on average broker views of forecast earnings for both Broadspectrum and Ferrovial. The analysis is not a valuation and does not purport to forecast the actual impact of the acquisition of Broadspectrum to Ferrovial. The actual impact may differ to that shown in the illustrative pro-forma analysis for various reasons including matters relating to the cost of any acquisition, the timing of any acquisition, the financial position of Ferrovial and Broadspectrum at the time of any acquisition, the financial performance of Ferrovial and Broadspectrum after any acquisition has been completed (including the impact of any applicable tax laws), the costs and method of funding any acquisition and the impact of any other relevant factors.

Ferrovial has previously indicated a willingness to pay significantly more for your Broadspectrum Shares. Your Directors believe the Offer significantly undervalues the Company.

9. EV calculated as sum of Ferrovial's net debt (as disclosed by Ferrovial) at 30 September 2015 and equity value (as calculated with reference to Ferrovial's closing share price on 4 December 2015). Ferrovial's FY2016 forecast Underlying EBIT calculated as the average of broker forecast Underlying EBITs available to Broadspectrum. A summary of the selection criteria, the number of broker forecasts comprising the average, the range and date of the broker forecasts is provided in appendix 3 to this Target's Statement. Ferrovial's financial year runs to 31 December and as such its FY2016 forecast underlying EBIT has been calendarised to year end 30 June. The Directors do not adopt the average broker forecasts of Ferrovial. The broker forecasts have been included solely as an indication of market views.
10. Broadspectrum's FY2016 Underlying EBIT has been calculated using the mid-point of Broadspectrum's Underlying EBITDA guidance of \$265 million to \$285 million less the average broker forecast depreciation and amortisation for FY2016 (\$98 million). A summary of the selection criteria, number of broker forecasts comprising the average, range and date of the broker forecasts is provided in appendix 3 to this Target's Statement. The Directors do not adopt the average broker forecast of Broadspectrum's depreciation and amortisation. The broker forecasts have been included solely as an indication of market views.

2.5 THE OUTLOOK FOR BROADSPECTRUM IS POSITIVE AND THE COMPANY CONTINUES TO PURSUE STRATEGIES AND INITIATIVES TO INCREASE SHAREHOLDER VALUE

(A) UPGRADED FY2016 UNDERLYING EBITDA GUIDANCE

Since the announcement of the Offer, on 21 December 2015 Broadspectrum upgraded guidance for its expected FY2016 Underlying EBITDA¹¹ to a range of between \$265 million to \$285 million, compared to the prevailing average broker forecast EBITDA of \$258 million prior to the upgraded guidance¹². The upgrade in guidance was due to continued strong business momentum and increased growth opportunities across a number of Broadspectrum's sectors and continues Broadspectrum's positive three year trend discussed below.

(B) NET DEBT REDUCTION

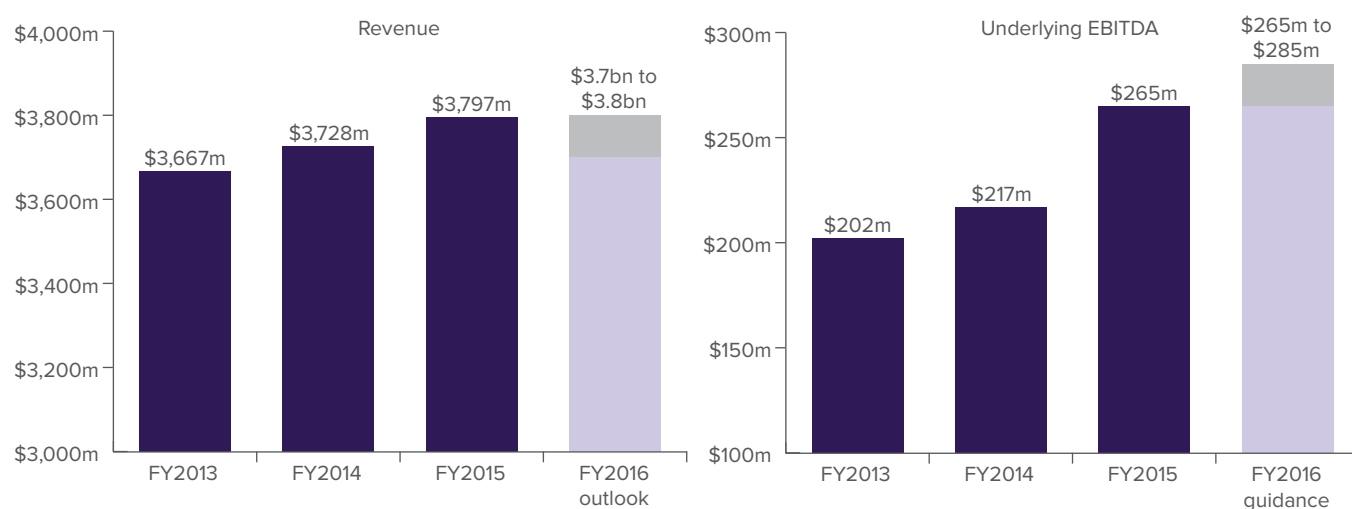
Prior to 1HFY2016, the Company had some cyclical in its Net Debt profile, with Net Debt increasing at the half year (31 December) before declining to 30 June. This cyclical in not evident at 1HFY2016, with Broadspectrum's unaudited Net Debt at 31 December 2015 of \$459 million being less than the balance as at 30 June 2015 (\$471 million). Broadspectrum also anticipates a further material reduction in its Net Debt balance at 30 June 2016.

Broadspectrum is also in the process of negotiating an updated debt package to provide increased flexibility which is expected to deliver annualised net interest savings of approximately \$5 million. This process is expected to be completed in Q3 FY2016.

(C) HISTORICAL POSITIVE THREE YEAR TREND

In recent years, Broadspectrum has focussed on strengthening the balance sheet, re-shaping and improving the business, confirming and embedding its strategy, and positioning its portfolio of contracts within sectors that are weighted towards non-discretionary spending in essential services. The turnaround journey is progressing well and this strategy has sustained a three year positive trend across key financial metrics, while providing for further strong growth.

Figure 10: Growth in revenue and Underlying EBITDA



11. Statutory EBITDA is adjusted for one-off and non-recurring items to derive Underlying EBITDA. In the context of Ferrovial's Offer, defence-related costs will likely reduce statutory EBITDA. These defence costs will be incurred by Broadspectrum Shareholders where either the Offer is not successful or where a change of control has occurred but minority Broadspectrum Shareholders remain. Broadspectrum estimates that defence related costs will be between \$5 million and \$20 million.

12. A summary of the selection criteria, number of broker forecasts comprising the average, range and date of the broker forecasts is provided in appendix 3 to this Target's Statement. The Directors do not adopt the average broker forecast of Broadspectrum's FY2016 EBITDA prior to the upgraded EBITDA guidance. The broker forecasts have been included solely as an indication of market views.

Figure 11: Improvement in Underlying EBITDA Margin and return on capital employed (ROCE)

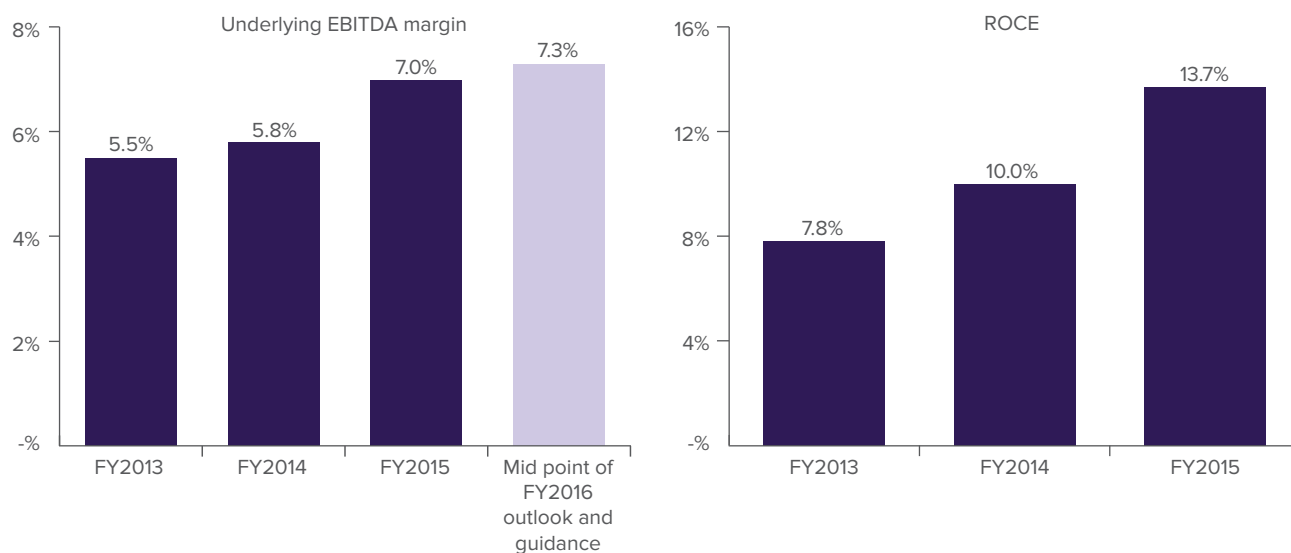


Figure 12: Reduced total funding requirement, Net Debt and leverage ratio

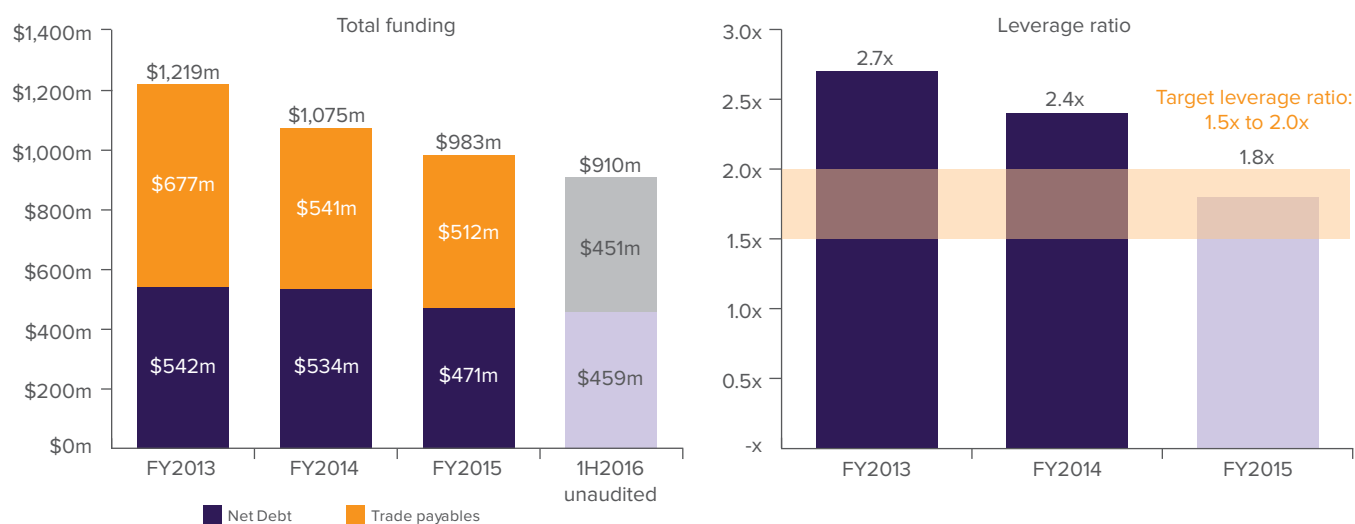
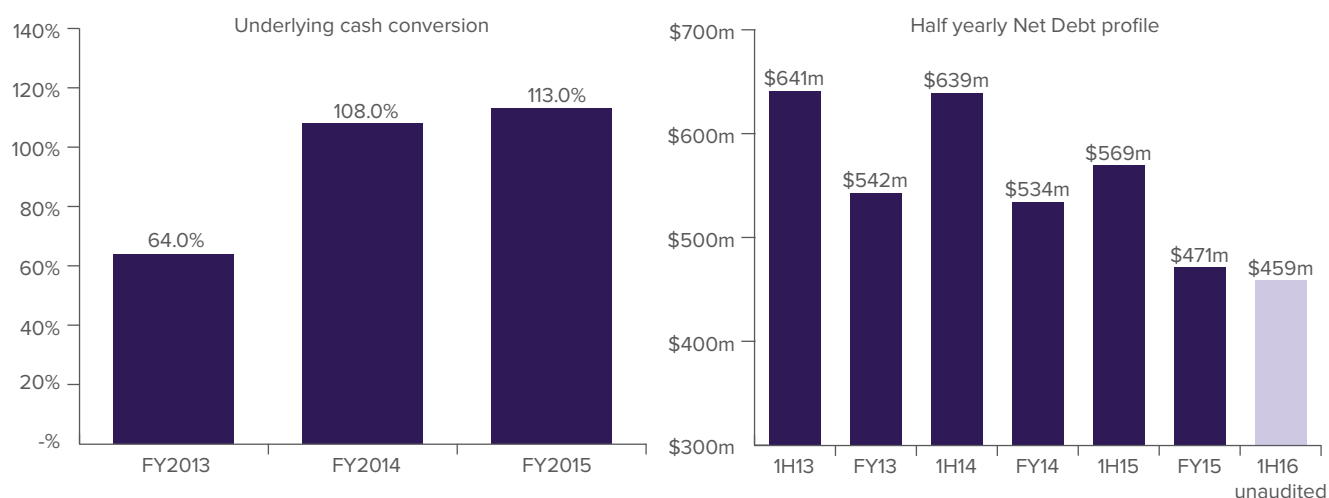


Figure 13: Underlying cash conversion and half yearly Net Debt profile



Source: Company announcements.

Notes:

- 1 Broadspectrum calculates total funding as Net Debt plus trade payables.
- 2 Broadspectrum calculates leverage ratio as Net Debt/Underlying EBITDA.
- 3 Underlying cash conversion calculated as normalised operating cash flow as a percentage of Underlying EBITDA. FY2013 and FY2014 adjusted for the impact of creditor holdbacks of \$118 million in FY2013.
- 4 Net Debt includes foreign currency debt revaluation of \$34 million and \$39 million at 31 December 2014 and 30 June 2015 respectively.

Between 31 December 2012 and 31 December 2015, Broadspectrum successfully reduced its Net Debt by \$182 million and between 30 June 2013 and 31 December 2015, Broadspectrum reduced its total funding position (total of Net Debt and trade payables) by \$309 million. Additionally, between 30 June 2013 and 30 June 2015, Broadspectrum reduced its leverage ratio (as measured by Net Debt/LTM Underlying EBITDA) from 2.7x to 1.8x, comfortably within the target range of 1.5x to 2.0x. This has been largely achieved through a combination of retained free cash flow and growth in Underlying EBITDA.

Further evidence of Broadspectrum's positive track record is its relative performance compared to its domestic peers as assessed by the FY2013 to FY2016 Underlying EBIT CAGR. Broadspectrum has a significantly higher EBIT CAGR over this period, demonstrating the strength of its diversified portfolio of operations.

Figure 14: FY2013 to FY2016 Underlying EBIT CAGR



Source: Company announcements, Broadspectrum analysis.

Notes:

- Domestic trading comparables have been chosen on the basis of an assessment by Broadspectrum of the similarity of business operations of the respective peers and their end market exposures. By their very nature, some peers are more comparable than others and not all operations of the peers reflect those of Broadspectrum.
- FY2013 and FY2016 refer to respective company financial year ends, all of which are 30 June except CIMIC (31 December).
- Spotless Underlying EBIT CAGR reflects FY2014 actual to FY2016 average broker forecast as the company was not listed on ASX in FY2013.
- To allow comparison to UGL's average broker forecast FY2016 Underlying EBIT which does not include earnings from the DTZ division (UGL having sold this division in FY2015), UGL FY2013 EBIT was calculated by subtracting the divisional DTZ Underlying EBIT (\$113 million) from the reported UGL FY2013 Underlying EBIT (\$155 million).
- Programmed not included due to recent acquisition of Skilled Group and no consistently comparable Underlying EBIT available across CAGR period.
- FY2016 forecast Underlying EBITs for Broadspectrum's comparables have been calculated as the average of broker forecast Underlying EBITs available to Broadspectrum. A summary of the selection criteria, the number of broker forecasts comprising the average, the range and date of the broker forecasts is provided in appendix 3 to this Target's Statement. The Directors do not adopt the average broker forecasts of any of Broadspectrum's comparables. The broker forecasts have been included solely as an indication of market views.
- Broadspectrum's FY2016 Underlying EBIT calculated using Underlying EBITDA guidance of \$265 million to \$285 million less the average broker forecast depreciation and amortisation for FY2016 (\$98 million). A summary of the selection criteria, number of broker forecasts comprising the average, range and date of the broker forecasts is provided in appendix 3 to this Target's Statement. The Directors do not adopt the average broker forecasts of Broadspectrum's depreciation and amortisation. The broker forecasts have been included solely as an indication of market views.

Your Directors believe that Broadspectrum's turnaround is progressing well and the business is positioned to continue its strong track record of earnings growth.

(D) RECENT FINANCIAL MILESTONES

Recent financial milestones achieved by Broadspectrum include:

- delivering on upgraded FY2015 earnings guidance
- growing contracted revenue to \$10.3 billion as at 31 December 2015 (from \$8.8 billion as at 31 December 2014), and securing preferred or shortlisted positions on a number of additional key contracts worth in excess of \$1.8 billion
- improving working capital discipline (average debtor days¹³ reduced to 41 in FY2015 from 49 in FY2014)
- continuing strong cash flow generation (113% underlying cash conversion¹⁴ in FY2015)
- delivering a turnaround in the Americas business in 1H FY2016 despite challenging operating conditions, with positive Underlying EBITDA contribution in 1H FY2016, and
- strengthening the balance sheet and reducing leverage to within the target range of 1.5x to 2.0x (Net Debt/Underlying EBITDA) as at 30 June 2015.

Your Directors believe that the Offer does not appropriately reflect Broadspectrum's strong track record over the past three years and positive outlook going into FY2017.

13. Debtor days calculated as trade and other receivables divided by the previous three months sales annualised multiplied by 365.

14. Underlying cash conversion determined as normalised operating cash flow as a percentage of Underlying EBITDA.

(E) CONTINUED FOCUS ON INITIATIVES TO DRIVE EARNINGS GROWTH AND SHAREHOLDER VALUE

The outlook for Broadspectrum is positive and the Board and management of Broadspectrum are committed to increasing shareholder value. To this end, Broadspectrum is implementing a range of targeted initiatives to drive earnings momentum, as outlined in figure 15.

Figure 15: Broadspectrum growth nodes

1	Leveraged work in Defence	<ul style="list-style-type: none"> Anticipated increased spending expected over next three years, with significant amount of maintenance and related activities Construction expenditure opportunities
2	Social/Property outsourcing	<ul style="list-style-type: none"> Governments may undertake further outsourcing and privatisations to recycle capital and reduce costs, leading to increased scope of outsourced services Broadspectrum can leverage our leading provision of outsourced facilities management and maintenance
3	NBN and UFB rollout in Australia and New Zealand	<ul style="list-style-type: none"> Increased activity in the telecommunications sub-sector as the broadband networks rollout across Australian and New Zealand Broadspectrum is a preferred supplier to NBN Co
4	CSG – LNG	<ul style="list-style-type: none"> Significant number of onshore and offshore LNG projects coming online in Australia
5	Privatisations, PPPs and asset sales	<ul style="list-style-type: none"> Anticipated increase in social infrastructure projects including new and upgraded hospitals, schools and correctional facilities Effective Operations and Maintenance services likely to be critical
6	US recovery	<ul style="list-style-type: none"> The recovery of the US economy is likely to see improvements in infrastructure opportunities, including roads Well positioned to target growth opportunities in the downstream energy sector
7	Operational efficiencies	<ul style="list-style-type: none"> Targeting c.\$75 million to \$100 million per annum in contract and procurement benefits

Your Directors believe that Broadspectrum is well placed to deliver a range of initiatives with a view to increasing shareholder value.

2.6 BROADSPECTRUM IS A DIVERSIFIED PORTFOLIO BUSINESS, PROVIDING FLEXIBILITY TO DELIVER SUSTAINED PERFORMANCE AND EARNINGS THROUGH INDUSTRY AND SECTOR CYCLES

(A) BROADSPECTRUM'S DIVERSIFIED PORTFOLIO BUSINESS

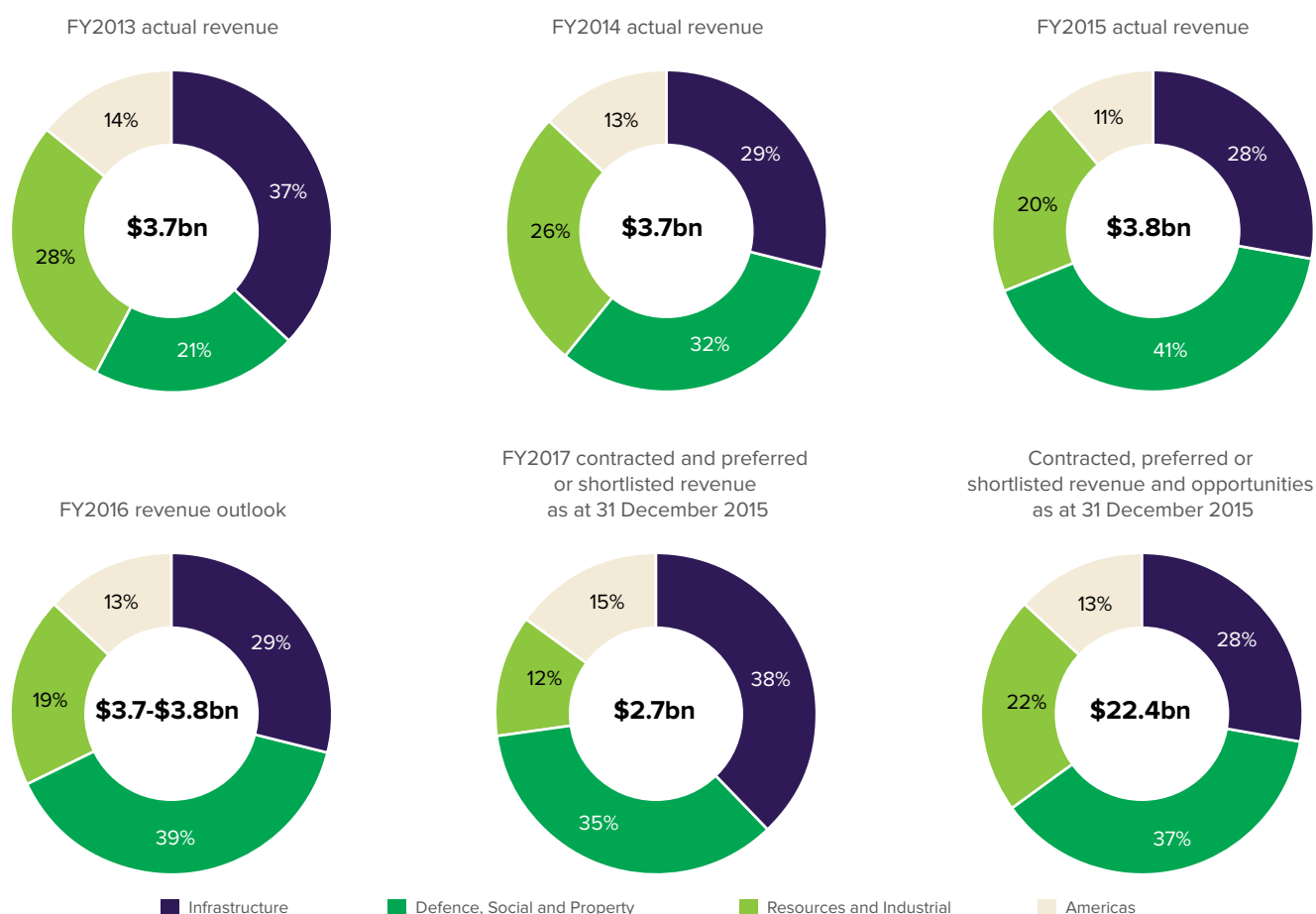
The changing composition of the Company's revenue base through time is reflective of Broadspectrum's diversified portfolio business and helps reduce revenue and earnings volatility as market conditions change. Through its portfolio, Broadspectrum is also able to leverage the strengths of different end markets over time.

The recent performance of the Defence, Social and Property sector is a good example of the Company's portfolio strategy at work. Defence, Social and Property's contribution to Broadspectrum's revenue and earnings has increased in recent years (accounting for 41% of revenue in FY2015 up from 32% in FY2014 and 21% in FY2013). This has helped offset a decline (driven largely by market conditions) in the mineral resources and energy-exposed divisions.

The strength of Broadspectrum's diversified portfolio has been demonstrated through year on year revenue and Underlying EBITDA growth since FY2013 and the changing composition of those revenues in response to prevailing market conditions. By way of reference, the Infrastructure and Resources and Industrial sectors together contributed \$1.8 billion in revenue in FY2015, compared to a combined revenue contribution of \$2.4 billion in FY2013.

Figure 16 demonstrates the flexibility of Broadspectrum's revenue sources over time as provided by its portfolio of operations.

Figure 16: Broadspectrum's revenue composition by sector



Source: Company announcements.

Your Directors consider that Broadspectrum is a diversified portfolio business with the flexibility to sustain revenue and earnings through industry and sector cycles.

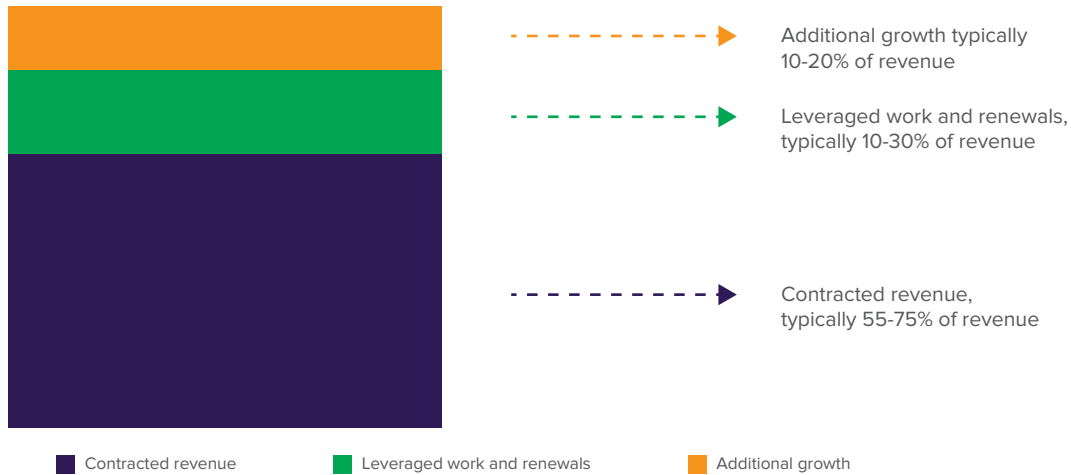
(B) BROADSPECTRUM'S FORWARD REVENUE VISIBILITY

Broadspectrum's revenue in any given year is comprised of the following three categories:

- contracted revenue
- leveraged work and renewals, and
- additional growth.

The respective contributions of these three revenue categories in a typical year is illustrated in Figure 17 below.

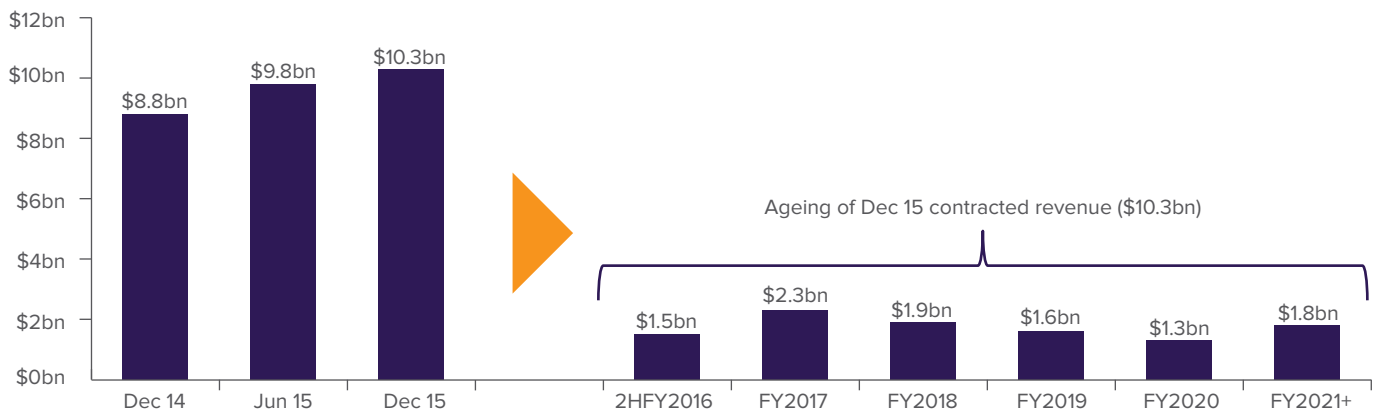
Figure 17: Typical revenue composition at start of year



Source: Company announcements.

Broadspectrum's management has successfully grown contracted revenue in the last 12 months, to \$10.3 billion at 31 December 2015. Contracted revenue is an important forward indicator of future revenue and earnings. In addition, the Company has \$1.8 billion of preferred or shortlisted revenue as at 31 December 2015. Approximately \$0.4 billion of this is expected to be delivered in FY2017.

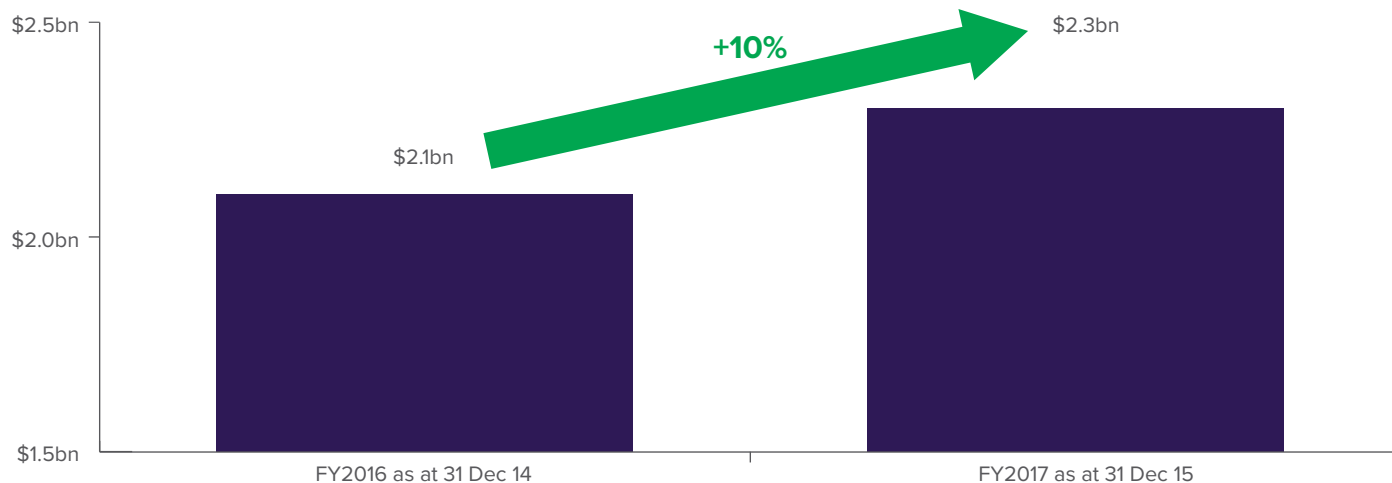
Figure 18: Growth in contracted revenue



Source: Company announcements and analysis.

Figure 19 below outlines the contracted revenue expected for FY2016 and FY2017 as at six months before the start of the financial year (being 31 December 2014 and 31 December 2015 respectively). It is evident that the current contracted revenue for FY2017 (at 31 December 2015) is higher than it was for FY2016 at 31 December 2014. Broadspectrum considers that this provides greater visibility to the future revenue and earnings of Broadspectrum.

Figure 19: Contracted revenue for FY+1



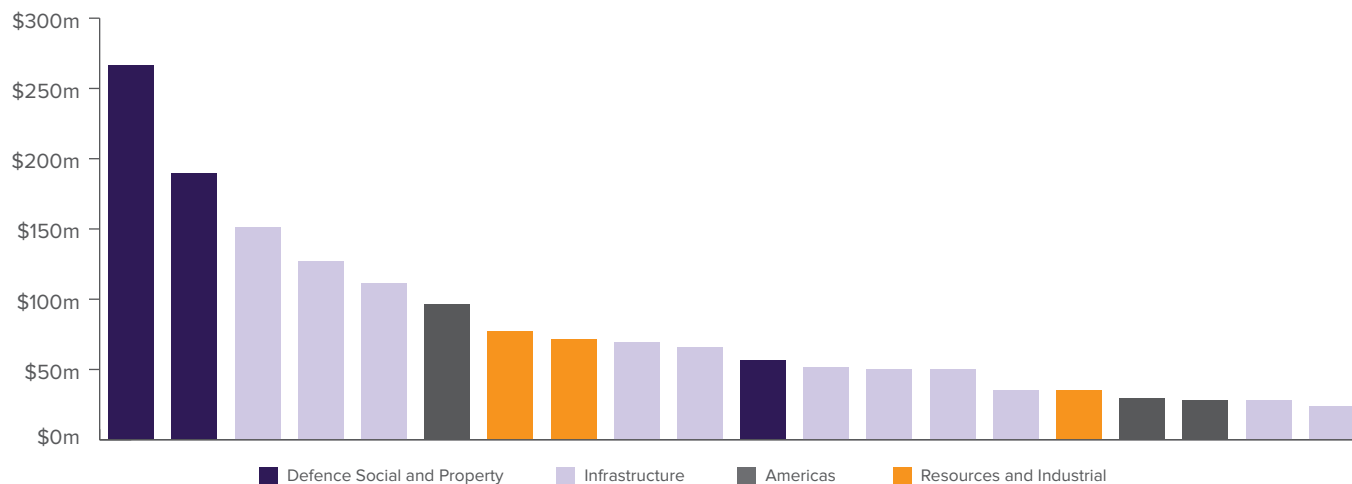
Source: Company announcements.

Notes:

- 1 31 December 2014 contracted revenue FY+1 represents the contracted revenue already secured for FY2016.
- 2 31 December 2015 contracted revenue FY+1 represents the contracted revenue already secured for FY2017.

Broadspectrum's FY2017 contracted revenue is underpinned by more than 200 contracts, including contracts with the Department of Defence, NSW Housing, NBN Co and Queensland Gas Company. Figure 20 identifies by sector, the largest 20 client contracts (comprising \$1.6 billion) included in the FY2017 contracted revenue (\$2.3 billion total).

Figure 20: Top 20 client contracts in Broadspectrum's FY2017 contracted revenue (\$million)



Source: Broadspectrum analysis.

Excluding tenders where Broadspectrum is the preferred tenderer, there are also a number of opportunities across Broadspectrum's sectors which the Company is currently pursuing.

Broadspectrum has a deep and diversified pipeline of opportunities with the top 15 opportunities (excluding preferred status opportunities) accounting for approximately 20% of the total contracted, preferred or shortlisted revenue and opportunities pipeline.

Table 5: Top 15 Broadspectrum contract pipeline opportunities

Client	Opportunity	Sub-sector	Potential value range (revenue)	Indicative timing
Federal Government	Sustainment and maintenance services	Defence	\$500m	FY2018
Federal Government	Corporate real estate services	Property	\$400m	FY2019
Global Energy Company	Maintenance contract	Oil and Gas	\$375m	FY2017
State Government	Healthcare maintenance and engineering services	Social	\$360m	FY2017
State Government	Correctional facility operations	Social	\$300m	FY2017
State Government	Healthcare maintenance and engineering services	Social	\$285m	FY2017
Global Energy Company	Maintenance contract	Oil and Gas	\$280m	FY2017
State Government	Education facilities management	Social	\$260m	FY2017
Global Industrial Company	Infrastructure	Industrial	\$250m	FY2017
Federal Government	Facilities management	Property	\$250m	FY2016
State Government	Maintenance contract	Roads	\$235m	FY2016
Australian Utilities	Asset construction	Utilities	\$225m	FY2018
Australian Telecommunications	Asset construction	Telecommunications	\$215m	FY2016
State Government	Justice operations services	Social	\$210m	FY2017
Global Energy Company	Maintenance contract	Oil and Gas	\$210m	FY2018
Total			\$4,355m	

Your Directors believe there is significant visibility in Broadspectrum's future revenue and earnings, as provided by the current level of contracted and preferred or shortlisted revenue and other opportunities.

3. Overview of Broad Spectrum and operational update

3.1 OVERVIEW OF BROADSPECTRUM

Broad Spectrum's businesses date back to 1956. It was listed on ASX in 2001 (ASX code: BRS, previously TSE) and was previously known as Transfield Services Limited. Today, Broad Spectrum has a workforce of approximately 25,000 people across nine countries servicing over 200 clients, and has approximately 13,000 shareholders.

Broad Spectrum is a well recognised and respected provider of operations, maintenance and asset management and project management services.

Broad Spectrum's strategy and operating model focus on supporting non-discretionary client expenditure, primarily within stable and growing sectors.

Broad Spectrum has a global operating footprint with operations in Australia, New Zealand, the Americas (comprising the United States, Canada and Chile) and Asia Pacific.

Broad Spectrum's portfolio of operations is organised across four main sectors:

- Infrastructure
- Defence, Social and Property
- Resources and Industrial, and
- Americas.

Across these sectors, Broad Spectrum provides its clients with a range of services and support, broadly categorised as:

- logistics and facilities management
- operations and maintenance
- care and welfare
- well servicing
- consulting (planning, feasibility and development services as well as engineering design and project management services), and
- construction.

Figure 21: Broadspectrum's revenue by sector and service line for FY2015 (\$ million).

	Infrastructure	Defence, Social and Property	Resources and Industrial	Americas	Total service line
Logistics and Facilities Management	26	1,409	10	-	1,444
Construction	460	-	90	-	550
Consulting	-	89	26	-	115
Operations and Maintenance	576	59	372	413	1,420
Well Servicing	-	-	262	-	262
Total Sector	1,062	1,556	761	413	3,792
Sector percentage revenue contribution	28%	41%	20%	11%	

Note: Excluding Corporate and Care and Welfare.

A significant level of Broadspectrum's revenue is contracted with tier 1 government clients. In FY2015, more than 50% of revenue was with government clients. This provides stability and predictability in Broadspectrum's revenue and earnings streams. Broadspectrum's revenue composition changes over time in response to prevailing market conditions (refer to section 2.6 in this Target's Statement for further discussion).

3.2 OPERATIONAL UPDATE

Broadspectrum has executed a number of significant contracts, demonstrating the ongoing strength of the underlying business. In addition, management continue to pursue a number of initiatives aimed at further enhancing the business and shareholder value.

(A) RECENT CONTRACTING INITIATIVES

Broadspectrum has made a number of recent announcements (summarised below) regarding the signing, renewal, preferred tenderer or extension of a number of material contracts. This demonstrates the continuing success and strength of the underlying business.

These recent announcements reinforce Broadspectrum's strong client relationships and valuable ongoing service offerings.

DIBP

Broadspectrum is the preferred tenderer to provide facilities maintenance and welfare services at the regional processing centres in Nauru and Manus Province. The previous contract (which was due to expire on 31 October 2015) was extended for four months on broadly its existing terms and on an expanded scope, on 28 October 2015. Broadspectrum is in discussions with the DIBP in relation to the new contract.

NSW Housing – up to \$950 million over five years

Broadspectrum signed a new contract with NSW Housing for a five year term on an expanded scope and similar commercial terms to the previous contract with NSW Housing. The new contract will nearly double the annual revenue Broadspectrum received under its previous contract.

The contract includes two options to extend for an additional two years each.

AGL – \$100 million over five and a half years

Broadspectrum announced on 17 December 2015 that the Transfield Worley Power Services joint venture had renewed a five and a half year contract with AGL, valued at approximately \$200 million, to provide maintenance services to Loy Yang A power station in Victoria and the adjacent mine. The new contract is effective 1 January 2016 and Broadspectrum's share of the contract is worth approximately \$100 million.

QUU – \$85 million over five years

Utilita Water Solutions, a joint venture between Broadspectrum and Downer, announced on 17 December 2015 that it had won a five year \$170 million contract with QUU to deliver electrical, civil and mechanical maintenance services. Broadspectrum's share of the contract is worth approximately \$85 million.

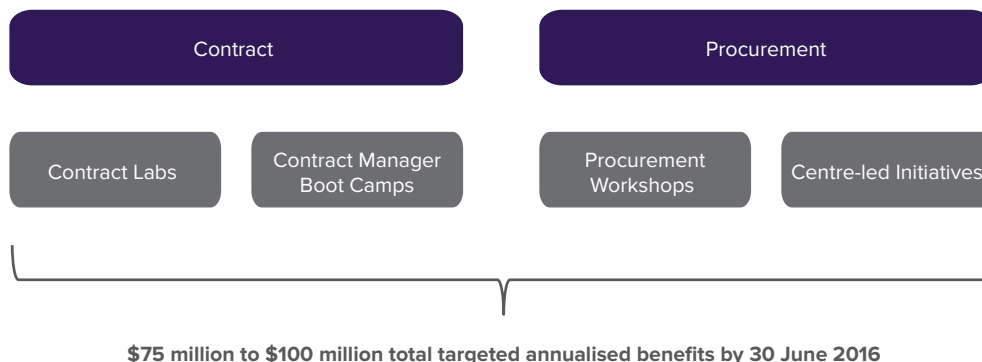
Toowoomba second range crossing

Broadspectrum is a party to the Nexus Consortium, which was the successful tenderer on the \$1.6 billion construction of the second range crossing in Toowoomba, southern Queensland. Broadspectrum's scope of work includes operations and maintenance services upon completion of construction, which is expected to be in late 2018.

(B) CONTRACT AND PROCUREMENT INITIATIVES

Management is implementing initiatives, as outlined in figure 21 below, to deliver total annualised contract and procurement benefits of between \$75 million to \$100 million by 30 June 2016¹.

Figure 22: Broadspectrum's targeted productivity improvements



The benefits have been identified across four principal categories:



Specifically in relation to the procurement initiatives workstream, the following has been achieved:

- \$421 million of procurement spend has been put out to tender in the last 6 months with an average discount on the prior rates of 11.8% received, achieving an annualised run rate benefit of \$43 million, and
- A further \$698 million is being reviewed and prepared to take to the market this financial year, with a further \$41 million of annualised benefits being targeted.

(C) TARGETING AN INCREASED “SHARE OF WALLET” FROM EXISTING CUSTOMERS

Broadspectrum has a wide range of capabilities and many longstanding relationships with its existing customers. By leveraging its reputation as a reliable and innovative service provider, Broadspectrum aims to increase its “share of wallet” from existing customers. An example of this is the leveraging of the expanded contract with the Australian Department of Defence by targeting construction work.

(D) PURSUING NEW OPPORTUNITIES IN A DISCIPLINED FASHION THROUGH THE “GATE REVIEW PROCESS”

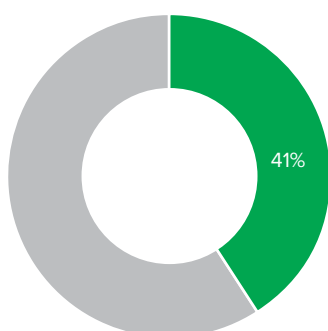
Broadspectrum has not impaired any new contracts since the introduction of the “Gate Review Process”. The rigour and discipline of this process has helped improve Broadspectrum’s operational performance and the Company continues to pursue new opportunities through this governance framework. Given the success of Broadspectrum’s logistics and facilities management contracts in the Defence, Social and Property sector, Broadspectrum has created a new service line, Care and Welfare. This service line will target contracts in health, education, aged care and justice. In the Infrastructure sector, Broadspectrum is aiming to capitalise on PPP activity by pursuing opportunities to support new owners of infrastructure and recycling of capital from private asset owners.

1. The benefits from the contract and procurement initiatives may directly reduce Broadspectrum’s operating cost base or be used to maintain and win work with Broadspectrum’s clients.

3.3 BROADSPECTRUM'S MAJOR ACTIVITIES

(A) DEFENCE, SOCIAL AND PROPERTY

FY2015 revenue contribution



Broadspectrum's Defence, Social and Property sector is characterised by the services it provides predominantly to tier 1 government clients, focussing on non-discretionary services and large scale complex contracts.

The Defence, Social and Property sector operates across the Commonwealth, defence, health, housing, education, welfare, property and state government sub-sectors delivering a range of solutions. Services include logistics and facilities management, care and welfare, operations and maintenance, consulting and construction.

The sub-sectors are a combination of largely mature markets with clearly identifiable opportunities and documented long term growth (e.g. defence) and emerging growth markets offering substantial first generation outsourcing opportunities (e.g. health and justice).

Broadspectrum has operated on defence bases for over 25 years. The long term Defence contracts, the DIBP contract and our long-term and recently expanded NSW Housing contract are examples of the strong relationships Broadspectrum has at government levels.

Broadspectrum's revenues from this sector have grown strongly in the last four years. The Company is well positioned to capture its share of the identified immediate pipeline of opportunities and to leverage the capability of Broadspectrum's service offering.

Defence

The Defence sub-sector provides:

- sustainment services including the management, maintenance and upgrade of naval submarines and ships and land-based equipment, subcontractor management, workforce planning and field supervision
- support services including hospitality and catering, cleaning, grounds maintenance, waste management, firefighting and rescue services and property services, and
- operations and maintenance services including base activation and response to civilian emergencies and logistics support, and project management for large projects such as transit camps and emergency service support.

Social

The Social sub-sector provides non-discretionary services to government clients across a number of sub-sectors. These sub-sectors include:

- **immigration:** services include facilities maintenance, care and welfare, security, cleaning and food provision at the offshore regional processing centres in Nauru and Manus Province
- **health and aged care:** services include care and welfare, integrated facilities and asset management and project management
- **social housing:** services include property and facilities maintenance, vacant property turnaround, capital works and upgrades and help desk management, and
- **education:** services include integrated facilities maintenance, cleaning and hygiene services, ground maintenance and capital works and upgrades.

Property

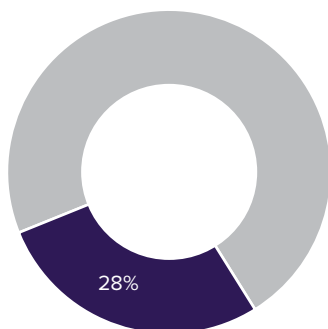
The Property sub-sector delivers corporate real estate services, property sales, leasing and comprehensive project and program consulting through Broadspectrum's subsidiaries APP and CI Australia (the latter previously known as Chesterton International NSW Pty Ltd). The Property sub-sector continues to focus on project management and real estate project management, independent verification and engineering services to a diverse portfolio of clients including financial and education institutions, infrastructure consortia, private investors, retail, land consortia and government agencies.

Outlook and strategic focus:

- **Outlook:** The Australian Government has announced in its 2014-15 budget that it will provide the Department of Defence (**DoD**) with approximately \$32 billion of funding in 2016 and \$132.6 billion over the forward estimates. The Defence, Social and Property sector will continue to leverage its existing operational footprint to target further government defence spend on large scale facilities management, operations and maintenance and construction opportunities. In 2014-15, the government outsourced approximately \$59 billion of services. The government's outsourcing of services presents multiple opportunities across Broadspectrum's service capabilities.
- **Strategic focus:**
 - **Defence:** Broadspectrum will continue to target construction opportunities in the defence sub-sector, with DoD's Capital Facilities Program estimated in the 2015-16 budget to increase to up to \$2 billion in 2017-18. The Company will also seek to leverage its sustainment capability. In 2014-15, the defence sustainment budget was approximately \$5.5 billion per annum
 - **Social:** Broadspectrum anticipates strong growth in outsourcing in the social sector in Australia. Broadspectrum will pursue increased outsourcing opportunities in the health, justice, aged care, social housing and education sectors and new facilities maintenance operations for justice facilities (Australia and New Zealand) by leveraging existing capabilities, and
 - **Property:** Broadspectrum will aim to deliver its capability across service lines to provide an expanded corporate real estate offering.

(B) INFRASTRUCTURE

FY2015 revenue contribution



Broadspectrum's Infrastructure sector operates across three sub-sectors, being telecommunications, transport and utilities, providing logistics and facilities maintenance, construction, consulting services and operations and maintenance services.

Telecommunications

Broadspectrum provides end-to-end telecommunication services, including design, construction, installation and asset management of major communication infrastructure projects. Capabilities include fixed fibre and copper access, mounting structures (tower, mast and antenna) and network maintenance including critical network support and 24 hour fault and emergency response services. Key contracts include the NBN rollout under the MIMA in NSW and Victoria and Chorus, UFF and Enable Ultra-Fast Broadband contracts in New Zealand. Services provided in this sub-sector include construction, operations and maintenance and logistics and facilities management.

Transport

The Transport sub-sector services roads, rail, ports and public transport assets. These sectors include:

- **roads and tunnels:** services include traffic management, highway operations and management, mechanical and electrical services, tolling back office management, civil works under \$50 million and all corridor repairs and maintenance works
- **rail:** services include asset operations and maintenance, rail track renewals, asset management, minor capital works, and turnkey projects under \$20 million including track and electrical scope
- **ports:** services include asset management, maintenance and upgrade, and facilities management of marine assets such as wharves, jetties and buoys, and
- **public transport:** services include operation of buses and ferries, facilities management of depots, stations and office buildings, maintenance and upgrading of public fleets, and cleaning. Broadspectrum is party to a 50/50 joint venture arrangement with Transdev to maintain and operate Sydney's Harbour City Ferries.

Utilities

The Utilities sub-sector comprises water, power generation and electrical services contracts. These services include:

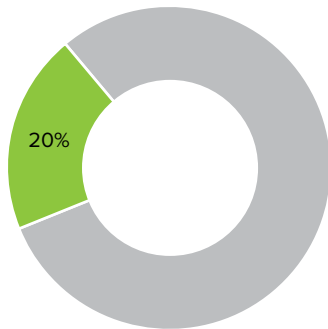
- **water:** utility services include construction, maintenance, asset management, mechanical and electrical maintenance, property reinstatement works, and other essential services work on treatment plants, networks and all other types of water industry assets
- **power generation:** services include maintenance, asset management and capital works in thermal and alternative generation, and
- **electrical services:** services include capital and maintenance works for networks, line build projects, and substations.

Outlook and strategic focus:

- **Outlook:** Broadspectrum considers the anticipated privatisation and/or outsourcing of certain state owned infrastructure assets in the near term a significant opportunity for Broadspectrum to grow its Infrastructure business. Broadspectrum is targeting opportunities to lock in long term operations and maintenance contracts to support infrastructure investors following the acquisition of major assets.
- **Strategic focus:**
 - **Telecommunications:** Broadspectrum considers telecommunications is a growth market with the NBN rollout expected to continue in the medium term; Broadspectrum is well placed to target expanded volumes as a key contractor for NBN Co (Australia) and the three New Zealand providers, Chorus, UFF and Enable
 - **Transport:** Broadspectrum is targeting maintenance opportunities including minor capital works projects for roads in Australia and New Zealand and is well placed to provide operations and maintenance services, given the Company's existing experience and integrated service offering, and
 - **Utilities:** Broadspectrum is targeting the delivery of \$25 million to \$50 million construction projects in the water sub-sector within Australia and New Zealand. The Company is also focussing on targeting the electricity and distribution market in Australia and New Zealand by leveraging its skill set of distribution and transmission network construction, maintenance and asset management.

(C) RESOURCES AND INDUSTRIAL

FY2015 revenue contribution



Broadspectrum's Resources and Industrial sector services the oil and gas, mining and industrials sectors largely in Australia and New Zealand. The Company has well established positions in onshore well-servicing and offshore and onshore oil and gas facilities maintenance, brownfields projects and shutdowns/turnarounds (for upstream, midstream and downstream facilities).

Broadspectrum has the capability to perform services across the entire "well to product" value chain.

Oil and Gas

The Oil and Gas sub-sector provides services to onshore and offshore oil and gas customers. Services include:

- **onshore oil and gas:** services include i) sub-surface services (through Easternwell, a wholly owned subsidiary of Broadspectrum) such as drilling, well construction, completion and maintenance, and ii) services to above-surface facilities (upstream, midstream and downstream) including process plant maintenance (including planning and scheduling support), brownfield project execution (including engineering, procurement, construction and commissioning services), shutdown/turnaround execution, camp management, catering and other accommodation services. The subject facilities include well-heads and ancillaries, flowlines and pipelines, compressor stations, processing plants and refineries, and
- **offshore oil and gas:** services are provided for both fixed and floating offshore facilities and include process maintenance (including maintenance planning and scheduling support), brownfield project execution (including engineering, procurement, construction and commissioning services), shutdown/turnaround execution, and hook-up and commissioning services.

Mining

The Mining sub-sector provides sub-surface and asset sustainment services to select mining customers predominantly in the iron ore, coal and non-ferrous sectors. Services include:

- **sub-surface:** services include drilling and dewatering development services, backfill drilling and coring services, and
- **asset sustainment:** services include process maintenance, maintenance planning and scheduling, brownfield project, engineering, procurement and construction services, and shutdown/turnaround execution.

Industrial

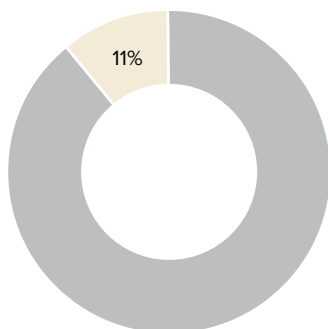
The Industrial sub-sector provides services to customers operating chemicals, heavy industrial, fuel storage and dispensing and light manufacturing and processing sectors. The services provided include process and facilities maintenance, maintenance planning and scheduling, brownfield project, engineering, procurement and construction services, and shutdown/turnaround execution.

Outlook and strategic focus:

- **Outlook:** challenging market conditions are likely to continue in the near term, however approximately \$23.5 billion of LNG, oil and gas projects have been completed in Australia in the six months to October 2015 and Broadspectrum is favourably positioned for medium term growth, anticipated to be driven by new LNG projects and assets coming on line. The significant uplift in asset base is likely to drive a significant increase in non-discretionary expenditure in the core asset services of maintenance, shutdown/turnarounds, well servicing and brownfields projects.
- **Strategic focus:**
 - **Oil and Gas:** Broadspectrum will continue to pursue opportunities resulting from an expected increase in recurring well and field maintenance, and field development opportunities in CSG as the sector continues to transition into stable operations. This work is required to be conducted to meet off-take agreements and as such is not necessarily tied to the current oil price fluctuation.
Broadspectrum also expects an increase in opportunities associated with the expansion of the LNG sector based on projects already under construction (including the offshore upstream facilities required to provide gas to the LNG plants themselves), with annual addressable expenditure expected to increase significantly in the near to medium term. Continued opportunity to grow Broadspectrum's portfolio of services relating to maintenance, sustaining capital and shutdown/turnaround activity
 - **Mining:** Broadspectrum is focused on continuing to expand its portfolio of production drilling, and maintenance and sustaining capital services to low cost iron ore operators, and
 - **Industrial:** Broadspectrum will continue to position for growth in light manufacturing and processing sectors, utilising a revised service model to lower customer operating costs.

(D) AMERICAS

FY2015 revenue contribution



Broadspectrum's Americas division provides asset management services to a number of industries and employs approximately 5,000 people across approximately 170 locations in the United States, Canada and Chile.

Oil and Gas

Broadspectrum has three pillars of exposure to the US energy and petrochemicals market:

- downstream capabilities in conventional/petrochemical industries including programs of brownfield capital works, construction, maintenance and major turnaround projects (US, FTS)
- upstream exposure to US unconventional gas and liquids including maintenance, operational responsibilities on behalf of clients (flow testing, pumping and well monitoring) and construction (including pipelines), and
- Canadian oil sands expertise in large long term resource areas (FTS).

Roads

Broadspectrum provides road maintenance services across North America, with baseline asset maintenance contracts and significant PPP exposure. The Company is a leading provider of services with a technical component (specifically bridges and tunnels).

Mining

Broadspectrum's operations include mining support services to eight mines in Chile. These services include delivering operations and maintenance services to blue-chip producers operating in Chile, including BHP Billiton, Codelco, Mantos Copper, AngloAmerican, Yamana, Glencore and Antofagasta.

Outlook and strategic focus:

- **Outlook:** Broadspectrum's US platform has been restructured and is now well positioned to target growing market opportunities in downstream energy and deliver Broadspectrum's services.
- **Strategic focus:**
 - **Oil and Gas:** Broadspectrum is well placed to target market opportunities in downstream energy and petrochemical markets with longstanding relationships with blue-chip clients
 - **Roads:** after a successful renegotiation of underperforming roads contracts, Broadspectrum's platform is now well positioned to target growth in long term maintenance operations and PPPs, and
 - **Mining:** Broadspectrum will target organic growth in Chile by focusing on opportunities with the Company's existing blue-chip client base and consider diversifying into other sectors.

3.4 BROADSPECTRUM DIRECTORS

Diane Smith-Gander
INDEPENDENT CHAIRMAN

Master of Business Administration
Bachelor of Economics
Fellow of the Australian Institute of Company Directors
Fellow of the Governance Institute of Australia

Diane was appointed a Director on 22 October 2010 and Chairman on 25 October 2013. Prior to appointment as Chairman, she served as a member and Chair of the Health, Safety, Environment and Community Committee and a member of the Human Resources Committee.

Diane has extensive Australian and international experience in banking and finance, technology, and strategic and management consulting. This includes as a former Partner at McKinsey & Company in Washington DC and New Jersey in the US, and Group Executive responsible for IT and Operations, Westpac Banking Corporation.

Company, industry and community boards

- Director of Wesfarmers Limited
- President of Chief Executive Women
- Director of the Committee for Economic Development of Australia
- Member of Advisory Board of The University of Western Australia Business School
- Former Deputy Chairman of NBN Co Limited
- Former director of CBH Limited and CBH Grain Limited
- Former Chairman of Basketball Australia Limited
- Former Commissioner of Tourism Western Australia

Graeme Hunt
MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER

Master of Business Administration
Bachelor of Metallurgy

Graeme was appointed a Director on 7 May 2012 and announced as the Managing Director and Chief Executive Officer of the Company on 1 November 2012. He is a member of the Health, Safety, Environment and Community Committee.

Prior to his appointment, Graeme had more than 35 years experience in the resources, industrial and transport sectors, including over 30 years at BHP Billiton during which time he held various President level positions with global responsibilities. Graeme is an alumnus of the Senior Executive Program at the London Business School.

Company, industry and community boards

- Chair of National Resource Science Precinct and the Western Australian Energy Research Alliance
- Director of AGL Energy Limited
- President of Australian Mining and Metals Association
- Former Chief Executive Officer and Managing Director of Lihir Gold Limited
- Former director of International Aluminium Institute and World Energy Council Australia
- Former President of Australian Uranium Association and International Manganese Institute
- Former Deputy Chair of Minerals Council of Australia
- Former Chair of the Australian Government's Renewable Energy Committee

Dean Pritchard
INDEPENDENT NON-EXECUTIVE DIRECTOR

Bachelor of Engineering (Civil)

Dean was appointed a Director on 28 October 2013. He is Chair of the Health, Safety, Environment and Community Committee and a member of the Risk, Audit and Compliance Committee.

Dean had a successful 27 year career as a contractor in the property, engineering, construction and services industries including five years as Chief Executive Officer of major construction group Boulderstone Hornibrook. Following his executive career, Dean served on a number of boards from a range of sectors including RailCorp in NSW, ICS Global Limited, Zinifex Limited, Eraring Energy, Spotless Group Limited and Arrium Limited.

Company, industry and community boards

- Director of OZ Minerals Limited
- Director of Steel and Tube Holdings Limited (listed on the New Zealand stock exchange)
- Former director of Arrium Limited
- Former Chief Executive Officer of Boulderstone Hornibrook
- Former director of Eraring Energy
- Former director of Spotless Group Limited
- Former director of Zinifex Limited

Douglas Snedden
INDEPENDENT NON-EXECUTIVE DIRECTOR

Bachelor of Economics and Accounting

Doug was appointed a Director on 21 December 2009. He is Chair of the Human Resources Committee and a member of the Risk, Audit and Compliance Committee and the Health, Safety, Environment and Community Committee.

Doug has more than 30 years' experience in finance, consulting, strategic management and outsourcing, largely gained through a distinguished international career at Accenture, most recently as Managing Director of its Australian business.

Company, industry and community boards

- Director of OzForex Group Limited
- Director of UXC Limited
- Chairman of Chris O'Brien Lifehouse
- Chairman of Odyssey House NSW
- Director of Black Dog Institute
- Former director of Hillgrove Resources Limited

Katherine Hirschfeld
INDEPENDENT NON-EXECUTIVE DIRECTOR

Bachelor of Engineering (Chemical)
Fellow of the Australian Institute of Company Directors
Fellow of the Australian Academy of Technological Sciences and Engineering
Fellow of the Institution of Chemical Engineers
Honorary Fellow of Engineers Australia

Katherine was appointed a Director on 28 October 2013. She is a member of the Human Resources Committee and the Health, Safety, Environment and Community Committee.

Katherine worked for BP for almost 20 years in a variety of roles, rising from the position of Refinery Operations Superintendent in Perth, followed by various management positions in the UK, Managing Director of its Anatolian Refining Company in Turkey, managing BP's Bulwer Island refinery in Brisbane, and an Executive Director of BP Australasia.

Company, industry and community boards

- Director of InterOil Corporation
- Director of Tox Free Solutions Limited
- Senator of The University of Queensland
- Board member of Australian Institute for Bioengineering and Nanotechnology
- Board member of Australian National Committee of UN Women
- Former director of ASC Pty Limited
- Former director of Snowy Hydro Limited

Roy McKelvie
INDEPENDENT NON-EXECUTIVE DIRECTOR

Master of Business Administration
Bachelor of Science (Production Engineering)

Roy was appointed a Director on 31 August 2012. He is a member of the Risk, Audit and Compliance Committee and the Human Resources Committee.

Roy has more than 20 years' investment management and private equity experience in executive and non-executive director and Chairman roles in the retail, business services, financial services and resources industries. Roy's former roles include Chief Executive Officer of Transfield Holdings Pty Limited, Managing Director and Chief Executive Officer of Gresham Private Equity Limited, Managing Director of the investment arm of Deutsche Bank AG as Asian Head of Deutsche Bank Capital Partners in Hong Kong and a director of 3i plc in Europe.

Company, industry and community boards

- Chairman of Condor Energy Services Limited
- Chairman of Encompass Corporation
- Director of Coolabah Capital Investments Pty Limited
- Member of Advisory Board of Enlighten Operational Excellence
- Chairman and director of a number of private companies
- Former Chief Executive Officer of Transfield Holdings Pty Limited
- Former Managing Director and Chief Executive Officer of Gresham Private Equity Limited

Geoffrey Kleemann
INDEPENDENT NON-EXECUTIVE DIRECTOR

Chartered Accountant

Geoff was appointed a Director on 19 September 2014. He is Chair of the Risk, Audit and Compliance Committee and a member of the Human Resources Committee.

Geoff worked for more than 20 years in senior financial executive and Chief Financial Officer roles and has financial and capital markets experience across the construction, media and retail industries in Australia, Asia, Europe and North America.

Company, industry and community boards

- Director of Asciano Limited
- Former Chief Financial Officer of Crown Limited
- Former Chief Financial Officer of Publishing & Broadcasting Limited
- Former Chief Financial Officer of Woolworths Limited

3.5 FINANCIAL INFORMATION

Broadspectrum's annual report was released to ASX on 25 September 2015 and contains Broadspectrum's audited financial statements for the year ended 30 June 2015. Copies of Broadspectrum's annual report can be found on the Company's website at www.broadspectrum.com. These documents also contain details of Broadspectrum's accounting policies. Shareholders without access to the Company's website can obtain copies of these reports by contacting the Broadspectrum Shareholder information line on 1300 361 735 (for calls made from within Australia) or +61 1300 361 735 (for calls made from outside Australia) Monday to Friday between 8.30am and 5.30pm (Sydney time).

An extract of Broadspectrum's historical financial information for the financial years ending 30 June 2013, 2014 and 2015 is provided in appendix 4 to this Target's Statement and an update on Broadspectrum's operations is provided in section 3.2 of this Target's Statement.

3.6 PUBLICLY AVAILABLE INFORMATION ABOUT BROADSPECTRUM

Broadspectrum is a company listed on ASX and is subject to the periodic and continuous disclosure requirements of the ASX Listing Rules and the Corporations Act. A substantial amount of information on Broadspectrum is publicly available and may be accessed by referring to Broadspectrum on www.asx.com.au and by visiting Broadspectrum's website www.broadspectrum.com.

4. Frequently asked questions

This section answers some frequently asked questions about the Offer. It is not intended to address all relevant issues for Broadspectrum Shareholders. This section should be read together with all other parts of this Target's Statement.

Question	Answer	Further information (references are to sections or appendices in this Target's Statement)
Who is Bidder?	The Offer is being made by Ferrovial Services Australia Pty Limited ACN 609 542 556, an indirectly wholly owned subsidiary of Ferrovial, S.A.	Section 5
What is the offer for my Broadspectrum Shares?	Ferrovial is offering \$1.35 for each Broadspectrum Share held by you.	Section 7
What choices do I have as a Broadspectrum Shareholder?	<p>As a Broadspectrum Shareholder, you have the following choices in respect of your Broadspectrum Shares:</p> <ul style="list-style-type: none"> • REJECT THE OFFER by doing nothing and remain a Broadspectrum Shareholder (unless your Broadspectrum Shares are compulsorily acquired) • sell your Broadspectrum Shares on market (unless you have previously accepted the Offer and you have not validly withdrawn your acceptance), or • accept the Offer. <p>There are several implications in relation to each of the above choices. A summary of these implications is set out in section 6.3 of this Target's Statement.</p>	Section 6.3
What are the risks of rejecting the Offer?	<p>If you reject the Offer, you will remain a Broadspectrum Shareholder.</p> <p>If you remain a Broadspectrum Shareholder, you may become a minority shareholder if more than 50% but less than 90% of Broadspectrum Shares are acquired by Bidder under the Offer. This has a number of possible implications which are set out in section 6.5 of this Target's Statement.</p> <p>You should also be aware that there are risks associated with remaining a Broadspectrum Shareholder. Set out in section 6.4 of this Target's Statement are the possible key risks which may affect the future operating and financial performance of Broadspectrum and the value of Broadspectrum Shares.</p>	Sections 6.4.and 6.5

Question	Answer	Further information (references are to sections or appendices in this Target's Statement)
What are the Broadpectrum Directors recommending?	Your Directors unanimously recommend that you REJECT THE OFFER.	Section 1
What are the reasons for the Directors' recommendation?	<p>The reasons your Directors unanimously recommend that you REJECT THE OFFER are:</p> <ul style="list-style-type: none"> the Offer significantly undervalues your Broadpectrum Shares the Offer is opportunistic the Offer is highly conditional Broadpectrum is in a stronger position now than in December 2014, when Ferrovia indicated a willingness to pay significantly more for your Broadpectrum Shares the outlook for Broadpectrum is positive and the Company continues to pursue strategies and initiatives to increase shareholder value, and Broadpectrum is a diversified portfolio business, providing flexibility to deliver sustained performance and earnings through industry cycles. 	Section 2
What are Broadpectrum's Directors doing with respect to any Broadpectrum Shares they own or control?	Each of your Directors who own or control Broadpectrum Shares intends to REJECT THE OFFER in respect of all the Broadpectrum Shares which they own or control.	Section 1
What does the Independent Expert say?	<p>The Independent Expert has concluded that the Offer is NOT FAIR AND NOT REASONABLE.</p> <p>The Independent Expert has valued Broadpectrum Shares between \$1.71 and \$1.98 per share.</p> <p>A full copy of the Independent Expert's Report is set out in appendix 1 to this Target's Statement.</p>	Appendix 1
What should I do?	<p>You should read in full this Target's Statement, including the Independent Expert's Report and the Bidder's Statement.</p> <p>If you are in any doubt as to what you should do, you should seek any independent financial, legal, taxation or other professional advice that you require before making a decision as to whether or not to accept the Offer, or call the Broadpectrum Shareholder information line on 1300 361 735 (for calls made from within Australia) or +61 1300 361 735 (for calls made from outside Australia) Monday to Friday between 8.30am and 5.30pm (Sydney time).</p> <p>Your Directors unanimously recommend that you REJECT THE OFFER and DO NOTHING.</p>	n/a
How do I reject the Offer?	<p>Broadpectrum Shareholders who do not wish to accept the Offer should DO NOTHING.</p> <p>If you do not wish to accept the Offer, do not take any action in relation to the documents sent to you by Bidder.</p>	Section 6.3
How do I accept the Offer?	<p>Details of how to accept the Offer are set out in section 7.3 of the Bidder's Statement. However, note that your Directors' unanimous recommendation is that you REJECT THE OFFER.</p> <p>The reasons for your Directors' recommendation are detailed in section 2 of this Target's Statement.</p>	Section 6.3
Will Ferrovia increase the Offer?	<p>Ferrovia has not declared its Offer to be final. Accordingly, Ferrovia could increase its Offer if it chooses.</p> <p>However, Broadpectrum cannot speculate on whether Ferrovia will increase its Offer as this is a matter for Ferrovia.</p>	n/a

Question	Answer	Further information (references are to sections or appendices in this Target's Statement)
Can I be forced to sell my Broadspectrum Shares?	<p>You cannot be forced to sell your Broadspectrum Shares unless Ferrovial compulsorily acquires your Broadspectrum Shares.</p> <p>Ferrovial will need to obtain a relevant interest in 90% or more of the total issued Broadspectrum Shares in order to proceed to compulsory acquisition.</p>	Section 7.13
What are the consequences of accepting the Offer now?	<p>If you accept the Offer, unless withdrawal rights are available (see below), you will give up your right to sell your Broadspectrum Shares on market or otherwise deal with your Broadspectrum Shares while the Offer remains open.</p>	Sections 7.8 and 7.9
If I accept the Offer, can I withdraw my acceptance?	<p>You may withdraw your acceptance at any time until the FIRB Condition has been fulfilled. (See section 7.9 of this Target's Statement for further details.)</p> <p>Once the FIRB Condition is satisfied, you may only withdraw your acceptance if Bidder varies the Offer in a way that postpones the time when Bidder is required to satisfy its obligations by more than one month. (See section 7.9 of this Target's Statement for further details.)</p>	Section 7.9
When does the Offer close?	<p>The Offer is scheduled to close at 7.00pm (Sydney time) on 8 February 2016, but the Offer Period can be extended in certain circumstances.</p> <p>(See section 7.6 of this Target's Statement for details of the circumstances in which the Offer Period can be extended.)</p>	Section 7.5 and 7.6
What are the conditions to the Offer?	<p>The conditions to the Offer include that:</p> <ul style="list-style-type: none"> • prior to the end of the Offer Period, Bidder obtains a relevant interest in at least 50.01% of Broadspectrum Shares • Bidder obtains FIRB approval • Bidder obtains OIO approval • there are no regulatory actions which restrain, prohibit or materially and adversely impede or impact upon the making of the Offer, the completion of any transaction contemplated by it, or the rights of Bidder in respect of Broadspectrum or Broadspectrum Shares • Broadspectrum does not declare or pay any dividends or other distributions prior to the end of the Offer Period • there is no material adverse change in relation to the Broadspectrum Group • no material acquisitions, disposals, new commitments or other events occur in relation to any Broadspectrum Group entity as set out in section 7.6(g) of the Bidder's Statement • the change in shareholding or control of any Broadspectrum Group entity in connection with the Offer does not result in any person having any of the rights specified in section 7.6(h) of the Bidder's Statement. This condition does not apply if Broadspectrum provides Bidder with written details of any such right and an unconditional waiver or release of that right, signed by the relevant person who holds the right, and • no Prescribed Occurrence occurs. <p>The Offer is highly conditional. Refer to section 2.3 of this Target's Statement for Broadspectrum's commentary relating to certain of these conditions.</p>	Sections 2.3 and 7.3
What happens if the conditions of the Offer are not satisfied or waived?	<p>If the conditions are not satisfied or waived before the Offer closes, the Offer will lapse. You would then be free to deal with Broadspectrum Shares even if you had accepted the Offer.</p>	Section 7.12
When will I be sent my consideration if I accept the Offer?	<p>If you accept the Offer, you will have to wait for the Offer to become unconditional and only if and when it becomes unconditional will you be sent your consideration from Bidder.</p> <p>(See section 7.10 of this Target's Statement for further details on when you will be sent your consideration.)</p>	Section 7.10

Question	Answer	Further information (references are to sections or appendices in this Target's Statement)
What are the tax implications of accepting the Offer?	<p>A general outline of the tax implications of accepting the Offer is set out in appendix 2 to this Target's Statement.</p> <p>As the outline is a general outline only, Broadspectrum Shareholders are encouraged to seek their own specific professional advice as to the taxation implications applicable to their circumstances.</p>	Appendix 2
Is there a number that I can call if I have further queries in relation to the Offer?	<p>If you have any further queries in relation to the Offer, you can call the Broadspectrum Shareholder information line on 1300 361 735 (for calls made from within Australia) or +61 1300 361 735 (for calls made from outside Australia) Monday to Friday between 8.30am and 5.30pm (Sydney time).</p> <p>Calls to the Broadspectrum Shareholder information line may be recorded.</p>	n/a

5. Overview of Ferrovia and its intentions

5.1 OVERVIEW OF FERROVIA SERVICES AUSTRALIA PTY LTD AND FERROVIA, S.A. AND THEIR PRINCIPAL ACTIVITIES

Information on Bidder, Ferrovia and the Ferrovia Group can be found in section 1 of the Bidder's Statement.

5.2 BIDDER AND FERROVIA'S INTENTIONS

In section 3 of the Bidder's Statement, Bidder has set out its intentions in relation to:

- the continuation of the business of Broadspectrum
- any major changes to the business of Broadspectrum and any redeployment of the fixed assets of Broadspectrum, and
- the future employment of the present employees of Broadspectrum.

Bidder is an indirectly wholly owned subsidiary of Ferrovia. Bidder has stated that its intentions concerning the businesses, assets and employees of, and securities in, Broadspectrum are the same as the intentions of Ferrovia set out in section 3 of the Bidder's Statement.

Bidder has stated that, generally and except for the specific intentions outlined in section 3 of the Bidder's Statement, it intends to continue the business of Broadspectrum, not make any major changes to the business of Broadspectrum nor redeploy any of its fixed assets and, continue the employment of Broadspectrum's present operational employees.

Set out below is a summary only of the intentions of Bidder and Ferrovia as outlined in section 3 of the Bidder's Statement.

(A) INTENTIONS UPON ACQUISITION OF 90% OR MORE OF ALL BROADSPECTRUM SHARES

Bidder has stated in section 3.3 of the Bidder's Statement that if it acquires relevant interests in 90% or more of the Broadspectrum Shares, it will seek to compulsorily acquire the remaining Broadspectrum Shares and:

- arrange for Broadspectrum to be removed from the official list of ASX
- replace the Broadspectrum Board with Ferrovia nominees (although Bidder may, in its discretion, seek to retain one or more of the existing Broadspectrum Directors)
- may seek to compulsorily acquire the Broadspectrum Performance Awards which have not been exercised and that have not lapsed, or alternatively pursue other arrangements in relation to those Broadspectrum Performance Awards
- retain Broadspectrum's key management and the current levels of employment in its operations and not make material changes to the levels of employment in Broadspectrum's corporate head office, other than where appropriate to reflect the fact that Broadspectrum would cease to be a listed company, and
- conduct a broad-based general review of Broadspectrum's corporate structure, assets, businesses, personnel and operations.

Bidder has also stated that final decisions as to these matters will only be made by Bidder in light of material information and circumstances at the relevant time, and accordingly its statements as set out in this section 5.2 of this Target's Statement and in section 3 of the Bidder's Statement are statements of current intention only and which may change as new information becomes available to Bidder or Ferrovia or as circumstances change.

(B) INTENTIONS UPON ACQUISITION OF GREATER THAN 50.01% BUT LESS THAN 90% OF ALL BROADSPECTRUM SHARES

Bidder has stated in section 3.4 of the Bidder's Statement that in the event that Bidder acquires control (but less than 90%) of all Broadspectrum Shares (and assuming that all Broadspectrum Performance Awards are exercised), it currently intends to:

- seek to have Broadspectrum removed from the official list of ASX
- subject to the Corporations Act and Broadspectrum's constitution, appoint a number of nominees to the

Broadspectrum Board such that the proportion which Ferrovia's nominees represent of the total number of directors on the Board equals or exceeds Bidder's proportionate ownership interest in Broadspectrum (although the identity of any replacement directors has not yet been determined). In this scenario, Bidder notes that it may, in its discretion, seek to retain one or more of the existing Broadspectrum directors on the Board, and

- encourage the Broadspectrum Board to continue not making dividend payments in favour of retaining cash.

In relation to Bidder's intention to seek to have Broadspectrum removed from the official list of ASX, Bidder notes that ASX guidance indicates ASX would approve an application for removal without the need for approval by Broadspectrum Shareholders if:

- at the end of the Offer Period, the Ferrovia Group owns or controls at least 75% of the Broadspectrum Shares and the Offer has remained open for at least two weeks after the Ferrovia Group attained ownership or control of at least 75% of the Broadspectrum Shares, and
- the number of Broadspectrum Shareholders (other than the Ferrovia Group) having holdings with a value of at least \$500 is fewer than 150.

In addition, Bidder has stated that ASX guidance indicates that ASX would approve an application for Broadspectrum to be removed from the official list of ASX with shareholder approval and, where such removal is sought later than 12 months after the close of the Offer, Bidder would be entitled to vote on the resolution approving the removal.

Bidder has stated that in the event that it acquires greater than 50.01% but less than 90% of all Broadspectrum Shares, it may, at some later time, acquire further Broadspectrum securities in a manner consistent with the Corporations Act and may, if it becomes entitled at some later time to exercise general compulsory acquisition rights under the Corporations Act in respect of Broadspectrum Shares or Broadspectrum Performance Awards, exercise those rights.

(C) INTENTIONS UPON ACQUISITION OF LESS THAN 50.01% OF ALL BROADSPECTRUM SHARES

The Offer currently includes a 50.01% minimum acceptance condition. Bidder has stated that it has no present intention to waive that condition but reserves the right to declare the Offer free of that condition (or any other defeating condition of the Offer).

If the Offer is declared free from the 50.01% minimum acceptance condition without Bidder receiving acceptance in respect of at least 50.01% of all Broadspectrum Shares (assuming that all Broadspectrum Performance Awards are exercised), Bidder has stated that it currently intends to:

- maintain Broadspectrum's listing on ASX, subject to the requirements for listing (including a sufficient spread of investors) continuing to be satisfied
- subject to the Corporations Act and Broadspectrum's constitution, seek to appoint a number of nominees to the Broadspectrum Board such that the proportion which Ferrovia's nominees represent of the total number of directors on the Board equals or exceeds Bidder's proportionate ownership interest in Broadspectrum (although the identity of any nominee directors has not yet been determined)

- encourage the Broadspectrum Board to continue not making dividend payments in favour of retaining cash, and
- likely propose, through its nominees on the Broadspectrum Board, that Broadspectrum implement a general operational review with the aim of pursuing the types of opportunities which might have been available to Bidder if Bidder had acquired 100% of Broadspectrum. Bidder has noted that there is no assurance that those opportunities will be available, or would deliver the same benefits for remaining Broadspectrum Shareholders if Broadspectrum is not 100% owned by Bidder.

Bidder has stated that in the event that it acquires less than 50.01% of Broadspectrum Shares, it may, at some later time, acquire further Broadspectrum Shares in a manner consistent with the Corporations Act and may, if it becomes entitled at some later time to exercise general compulsory acquisition rights under the Corporations Act, exercise those rights.

(D) SPECIFIC INTENTIONS IN RELATION TO BROADSPECTRUM PERFORMANCE AWARDS

Although the Offer does not extend to any Broadspectrum Performance Awards, Bidder has noted that it may, after the end of the Offer Period, seek to acquire any remaining Broadspectrum Performance Awards by doing one or more of the following (at its election):

- making a private offer to holders of those Broadspectrum Performance Awards to acquire them, or
- where Bidder becomes entitled under Chapter 6A of the Corporations Act to compulsorily acquire all outstanding Broadspectrum Shares, compulsorily acquiring the Broadspectrum Performance Awards.

6. Important matters for Broadspectrum Shareholders to consider

6.1 THE OFFER

Bidder lodged its Replacement Bidder's Statement on 23 December 2015 and its Second Supplementary Bidder's Statement on 20 January 2016. A summary of the Offer is contained in section 7 of this Target's Statement.

The Offer is open for acceptance until 7.00pm (Sydney time) on 8 February 2016, unless it is extended or withdrawn (sections 7.6 and 7.7 of this Target's Statement describe the circumstances in which Bidder can extend or withdraw its Offer).

6.2 POTENTIAL EFFECT ON BROADSPECTRUM SHARE PRICE FOLLOWING THE CLOSE OF THE OFFER

While there are many factors that influence the market price of Broadspectrum Shares, your Directors anticipate that, following the close of the Offer, the market price of Broadspectrum Shares may fall in the near term if the Bidder acquires less than 90% of the Broadspectrum Shares.

6.3 YOUR CHOICES AS A BROADSPECTRUM SHAREHOLDER

Your Directors unanimously recommend that you reject the Offer.

However, as a Broadspectrum Shareholder you have three choices currently available to you:

(A) DO NOTHING

Broadspectrum Shareholders who do not wish to accept the Offer or sell their Broadspectrum Shares on market should do nothing.

Broadspectrum Shareholders should note that if you do nothing, you will remain a Broadspectrum Shareholder, subject to any potential compulsory acquisition of your Broadspectrum Shares. If you remain a Broadspectrum Shareholder, you may become a minority shareholder if more than 50% but less than 90% of Broadspectrum Shares are acquired by Bidder under the Offer. This has a number of possible implications which are set out in section 6.5 of this Target's Statement.

You should also be aware that there are risks associated with remaining a Broadspectrum Shareholder. Set out in section 6.4 of this Target's Statement are the possible key risks which may affect the future operating and financial performance of Broadspectrum and the value of Broadspectrum Shares.

Broadspectrum Shareholders should note that if Bidder and its associates have a relevant interest in at least 90% of the Broadspectrum Shares during or at the end of the Offer Period, Bidder will be entitled to compulsorily acquire the Broadspectrum Shares that it does not already own (see section 7.13 of this Target's Statement for further details).

(B) SELL YOUR BROADSPECTRUM SHARES ON MARKET

Broadspectrum Shareholders who have not already accepted the Offer can still sell their shares on market for cash.

As at the Last Practicable Date, Broadspectrum's share price closed at \$1.295, a 4% discount to the Offer Price. The latest price for Broadspectrum Shares may be obtained from the ASX website, www.asx.com.au.

Broadspectrum Shareholders who sell their shares on market may be liable for CGT on the sale (see appendix 2 to this Target's Statement) and may incur a brokerage charge.

Broadspectrum Shareholders who wish to sell their Broadspectrum Shares on market should contact their broker for information on how to effect that sale.

(C) ACCEPT THE OFFER

Broadspectrum Shareholders may elect to accept the Offer. Details of the consideration that will be received by Broadspectrum Shareholders who accept the Offer are set out in section 7.2 of this Target's Statement and in the Bidder's Statement.

In its Bidder's Statement, Ferrovial lists over 25 individual conditions, the breach of any of which will allow Ferrovial to let the Offer lapse. The Offer is highly conditional and subject to a number of third party approvals and consents which are outside the control of both Broadspectrum and Ferrovial. This includes certain regulatory approvals (such as FIRB and OIO) which must be applied for, where the outcome of those applications may not be known for a period of months. Such approvals and consents may not be provided in a timely manner, or at all.

Ferrovial cannot acquire your Broadspectrum Shares whilst the Offer is still conditional. Even if you accept the Offer, you will not be paid for your Broadspectrum Shares unless and until all conditions are satisfied or waived by Ferrovial. Further, if you accept the Offer, you will only be able to withdraw your acceptance under limited circumstances, namely until the FIRB condition is satisfied (if it is at all), or if Ferrovial extends the Offer Period by more than one month and the Offer remains subject to conditions.

Broadspectrum Shareholders who accept the Offer may be liable for CGT on the disposal of their shares (see appendix 2 to this Target's Statement). However, they will not incur any brokerage charge.

The Bidder's Statement contains details of how to accept the Offer in section 7.3.

6.4 RISK FACTORS

This section 6.4 outlines the key risks which may affect the future operating and financial performance of Broadspectrum and the value of Broadspectrum Shares. Additional risks and uncertainties that Broadspectrum is unaware of, or that Broadspectrum currently considers to be immaterial, may also become important factors that adversely affect Broadspectrum's future operating and financial performance and the value of Broadspectrum Shares.

Broadspectrum identifies and actively manages the Company's material risks as part of its risk management governance framework and internal control systems.

(A) OPERATIONAL RISKS

Risk	Description
Client demand	Broadspectrum's financial performance may be adversely affected by future changes in client demand for its outsourcing and other services (e.g. including for performance or reputational issues) and any changes in the timing or scope of client requirements (including the delay of key projects). This risk is exacerbated by any material adverse changes in economic conditions, commodity markets or key industries in which Broadspectrum operates, which can have flow-on effects on client demand.
Competition and contract retention	Broadspectrum operates in a competitive environment. An increase in competition or a change in the behaviour of competitors could result in price reductions, reduced operating margins and/or loss of market share. There is also a risk that Broadspectrum's existing contracts are terminated or not renewed or renewed on less favourable terms, or are not as profitable as may otherwise be anticipated. Some contracts may individually be material to Group earnings and a failure to renew these may be adverse to Group earnings.
Consolidation in customer and supplier industries	Consolidation in the industries in which Broadspectrum's customers or suppliers operate may reduce Broadspectrum's bargaining power with those customers or suppliers and lead to Broadspectrum transacting at less advantageous financial terms with those customers or suppliers.
End market conditions	Broadspectrum is exposed to a number of end markets which are by their very nature cyclical. The deterioration of any of these end markets could have a material impact to Broadspectrum's profitability. Specifically, a continuation or further deterioration of the current cyclical downturn in certain commodity prices, such as oil and iron ore, could significantly impact the profitability of some of Broadspectrum's clients, which may in turn impact their demand for Broadspectrum's services.
Regulatory changes	Broadspectrum's business is affected by a range of industry-specific and general legal and regulatory controls. Broadspectrum operates in a number of market segments, such as infrastructure and defence, which remain subject to significant discretion by government departments and ministers or which are strictly regulated by legislation, such as mining. Changes in these types of controls can have an adverse effect on Broadspectrum's financial performance. Further, any major shift in regulatory policy may impact on the profitability of Broadspectrum and its clients.
Permits, licences, accreditations and certifications	Broadspectrum is required to hold certain operating permits, licences, accreditations and certifications. Loss of, failure to comply with or failure to hold such required permits, licences, accreditations and certifications may directly impact Broadspectrum's ability to fulfil its contractual obligations and adversely affect profitability.

Risk	Description
Client relationships	Broadspectrum generates a significant amount of revenue from contracts with government entities and other tier 1 clients. There is a risk that Broadspectrum's reputation and relationship with these entities is adversely impacted and/or existing or future contracts are cancelled.
Key customers, joint ventures and counterparties	Certain of Broadspectrum's operations are subject to key customers, joint venture partners and other counterparties continuing to perform and manage their obligations to a standard acceptable to Broadspectrum. The failure to perform or mismanagement by such a counterparty may adversely affect Broadspectrum where the contract underlying the commercial relationship contains onerous or unusual terms in favour of that counterparty or the relationship with it deteriorates.
Key operating personnel and labour shortages	Broadspectrum's growth and profitability may be limited by the loss of key operating personnel, the inability to attract new suitably qualified personnel or increases in compensation costs associated with attracting and retaining personnel. Broadspectrum is dependent on the availability of suitably skilled labour to provide its services and therefore, labour shortages present a risk to its ongoing financial performance and position.
Foreign operations	The financial performance of each of Broadspectrum's foreign operations may be adversely impacted by current or future fiscal or regulatory regimes, local laws and regulations or changes to current political, judicial or administrative policies or conditions in those geographies.
Industrial incidents and disputes	An industrial incident may occur that results in serious injury or death, damage to property or contamination of the environment. Such incidents and any industrial disputes can adversely impact on project completion. In addition to any negative impact to profitability from such an event, Broadspectrum may suffer reputational damage from an industrial incident or dispute which may damage its ability to secure or retain client contracts.
Natural disasters, adverse weather conditions and man-made events	Adverse weather conditions and other natural and man-made events outside Broadspectrum's control may have an adverse effect on the results and operations of Broadspectrum.
Environmental regulations	Broadspectrum and the industries in which it operates are subject to a broad range of environmental laws, regulations and standards (including certain licensing requirements). This results in significant compliance costs and could expose Broadspectrum to legal liabilities or place limitations on the development of its operations.
Information technology	Broadspectrum's business is dependent on the efficient operation of information technology systems. Failure of such systems could result in business interruption, the loss of clients, damaged reputation and a weakening of its competitive position, particularly where substitute technology systems are not available on acceptable terms. Additionally, the use by competitors of alternative, superior technologies may pose a threat to Broadspectrum's profitability and market share.
Contingent liabilities	Broadspectrum may be required to fund payments under bank guarantees, bonds and letters of credit issued in relation to projects and contracts. There is also a risk that performance guarantees and indemnities are called upon.
Insurance	The availability of insurance at an appropriate price and terms is not guaranteed. It is possible that the occurrence of an event may not be fully covered, or covered at all, by insurance.
Interest rates and refinancing	Broadspectrum funds part of its operations with debt and relies on continued profitability and business cash flows to service the interest on such debt. Further, Broadspectrum relies on available cash or equity or debt funding to refinance its debt.

(B) GENERAL RISKS

Risk	Description
Markets	The market price of Broadspectrum Shares will fluctuate due to various factors, many of which are non-specific to Broadspectrum, including recommendations by brokers and analysts, Australian and international general economic conditions, inflation rates, interest rates, changes in government, fiscal, monetary and regulatory policies, commodity prices, global geo-political events and hostilities and acts of terrorism, and investor perceptions. In the future, these factors may cause Broadspectrum Shares to trade at a lower price.

Risk	Description
Exchange rates	Broadspectrum operates internationally and faces foreign exchange rate risks associated with foreign currency-denominated debt, input costs and offshore earnings.
Domestic and global economic conditions	Changes in the domestic and global economic conditions and outlook may impact the profitability of Broadspectrum. A downturn in domestic or global economic conditions could adversely affect the financial performance of both Broadspectrum and its clients.
Changes in accounting standards	Accounting standards may change. This may affect the reported earnings of Broadspectrum and its financial position from time to time.
Taxation	Future changes in Australian taxation law, including changes in interpretation or application of the law by the courts or taxation authorities in Australia, may affect the taxation treatment of an investment in Broadspectrum Shares or the holding and disposal of those shares. Further, changes in tax law, or changes in the way tax law is expected to be interpreted, in the various jurisdictions in which Broadspectrum operates, may impact the future tax liabilities of Broadspectrum.
Litigation	Broadspectrum is subject to the usual business risk that litigation or disputes may arise from time to time in the course of its business activities.

6.5 MINORITY OWNERSHIP CONSEQUENCES

If Bidder acquires more than 50% but less than 90% of the Broadspectrum Shares then, assuming all other conditions to the Offer are fulfilled or freed, Bidder will acquire a majority shareholding in Broadspectrum.

Accordingly, Broadspectrum Shareholders who do not accept the Offer will become minority shareholders in Broadspectrum. This has a number of possible implications, including:

- Bidder will be in a position to cast the majority of votes at a general meeting of Broadspectrum. This will enable it to control the composition of the Board and senior management, determine Broadspectrum's dividend policy and control the strategic direction of the businesses of Broadspectrum and its subsidiaries
- the Broadspectrum Share price may fall immediately following the end of the Offer Period
- liquidity of Broadspectrum Shares may be lower than at present, and there is a risk that Broadspectrum could be fully or partially removed from certain S&P/ASX market indices due to lack of free float and/or liquidity
- there may be limited institutional support for Broadspectrum Shares, and
- there may be fewer analysts providing coverage for Broadspectrum Shares.

ASX DELISTING

Bidder has stated that if Bidder acquires 50.01% or more but less than 90% of all Broadspectrum Shares, it intends to cause Broadspectrum to apply for removal from the official list of ASX.

In relation to the removal of Broadspectrum from the official list of ASX, Bidder stated that ASX guidance indicates that ASX would approve an application for Broadspectrum to be removed from the official list of ASX without the need for shareholder approval if:

- at the end of the Offer Period, the Ferrovial Group owns or controls at least 75% of the Broadspectrum Shares and the Offer has remained open for at least two weeks after the Ferrovial Group attained ownership or control of at least 75% of the Broadspectrum Shares, and
- the number of Broadspectrum Shareholders (other than the Ferrovial Group) having holdings with a value of at least \$500 is fewer than 150.

In addition, Bidder stated that ASX guidance indicates that ASX would approve an application for Broadspectrum to be removed from the official list of ASX with shareholder approval and, where such removal is sought later than 12 months after the close of the Offer, Bidder would be entitled to vote on the resolution approving the removal.

ASX Guidance Note 33 sets out ASX's policy in relation to a request for removal from the official list of ASX. ASX has stated that it is not required to act on an entity's request for removal from the official list and a decision to act upon a request for delisting is usually subject to the satisfaction of certain conditions.

In ASX Guidance Note 33, ASX also states that it will use its discretion to ensure that the removal of an entity from the official list is being sought for acceptable reasons. For example, a request to remove an entity from the official list of ASX that is motivated by a desire to deny minority shareholders a market for their securities, in order to coerce them into accepting an offer from a controlling shareholder to buy out their securities, would be an unacceptable reason for requesting removal from the official list.

Any decision by Broadspectrum to apply to ASX for removal from the official list would need to be made by the Board, not Bidder. The Board, including any of Bidder's nominees on the Board, could only decide to seek a delisting if it is in the interests of Broadspectrum to do so at the relevant time.

7. Key features of the Offer

7.1 REGULATORY MATTERS

(A) FIRB APPROVAL

Bidder has stated in the Bidder's Statement that it is a foreign person for the purposes of the *Foreign Acquisitions and Takeovers Act 1975* (Cth) (**FATA**), because its ultimate holding company, Ferrovial, is a foreign company. Accordingly, the Offer is subject to the approval or non-objection of the Treasurer, who receives advice from the Foreign Investment Review Board (**FIRB**), under the FATA. Approval will not be given to the Offer if the Treasurer, on advice from the FIRB, considers that the result of Bidder's acquisition of Broadspectrum Shares will be contrary to the national interest.

Bidder has also stated in the Bidder's Statement that Ferrovial and Bidder filed the necessary application, together with a detailed submission, with FIRB before the date of the Bidder's Statement, being 23 December 2015.

(B) OIO AND OTHER REGULATORY APPROVALS

Bidder has stated in the Bidder's Statement that it will require approval or clearance for the acquisition of Broadspectrum Shares under the Overseas Investment Act 2005 (New Zealand) and the Overseas Investment Regulations 2005 (New Zealand) for the acquisition of Broadspectrum Shares under the Offer due to Broadspectrum's New Zealand operations.

Bidder has also stated that Ferrovial and Bidder intend to file the necessary application, together with a detailed submission with the OIO as soon as practicable after the date of the Bidder's Statement.

7.2 CONSIDERATION PAYABLE TO BROADSPECTRUM SHAREHOLDERS WHO ACCEPT THE OFFER

The consideration being offered under the Offer is \$1.35 for each Broadspectrum Share.

7.3 CONDITIONS TO THE OFFER

The Offer is subject to a number of conditions. Those conditions are set out in full in section 7.6 of the Bidder's Statement.

By way of broad overview, the outstanding conditions to the Offer as at the date of this Target's Statement are set out below:

- (a) **(minimum acceptance)** prior to the end of the Offer Period, Bidder has a relevant interest in such number of Broadspectrum Shares which represents at least 50.01% of all the Broadspectrum Shares
- (b) **(FIRB approval)** prior to the end of the Offer Period, the Treasurer provides written notice that there are no objections under the FATA to the acquisition of Broadspectrum Shares under the Offer, and that notice is not subject to any condition, or the Treasurer becomes precluded by the passage of time from making any order or decision under Division 2 of Part 3 of the FATA in respect of the acquisition of Broadspectrum Shares under the Offer
- (c) **(OIO approval)** prior to the end of the Offer Period, Bidder has received all consents, approvals or clearances required under the Overseas Investment Act 2005 (New Zealand) and the Overseas Investment Regulations 2005 (New Zealand) for the implementation of the Offer and such consents, approvals or clearances (as the case may be) have not been withdrawn, suspended, revoked or adversely amended before the close of the Offer Period
- (d) **(no regulatory actions)** during the period from the date of the Bidder's Statement to the end of the Offer Period (each inclusive), there is no temporary restraining order, preliminary or permanent injunction, decision, decree or other order by any court of competent jurisdiction or by any Public Authority, nor is there any other legal restraint or prohibition, nor any action or investigation announced or commenced by any Public Authority, restraining, prohibiting or otherwise materially adversely impeding or impacting upon (or which could reasonably be expected to restrain, prohibit or otherwise materially adversely impede or impact upon) the making of the Offer or the completion of any transaction contemplated by the Offer or the rights of Bidder in respect of Broadspectrum or the Broadspectrum Shares, or which requires the divestiture by Bidder of any

Broadspectrum Shares or the divestiture of any assets of the Broadspectrum Group

- (e) **(no dividends)** during the period from the date of the Bidder's Statement to the end of the Offer Period (each inclusive), Broadspectrum does not declare or pay any dividends or other distributions
- (f) **(no material adverse change)** other than as publicly announced by Broadspectrum to ASX prior to the date of the Bidder's Statement, between the date of the Bidder's Statement and the end of the Offer Period (each inclusive), no event, change or condition occurs, is announced or becomes known to Ferrovia or Bidder (whether or not it becomes public) where that event, change or condition has had, or could reasonably be expected to have, either individually or in aggregate with all such events, changes or conditions:
 - (1) an adverse effect of \$10 million or more on the operating EBITDA of the Broadspectrum Group in any financial year, or
 - (2) an adverse effect of \$50 million or more on the value of the net assets of the Broadspectrum Group,

except for events, changes and conditions that are or arise from:

- (1) changes in exchange rates, or
- (2) general changes in economic, political or business conditions,

in each case which impact businesses of a similar nature to the business of Broadspectrum in a similar manner

- (g) **(no material acquisitions, disposals, new commitments or other events)** none of the following events occurs during the period from the date of the Bidder's Statement to the end of the Offer Period (each inclusive):
 - (1) **(material acquisitions or disposals)** any Broadspectrum Group entity acquires or disposes of any entities, businesses or assets (or any interest in any entities, businesses or assets) for an amount or consideration in excess of \$15 million for any individual item or in excess of \$30 million in aggregate excluding the disposal of Broadspectrum Group's interest in Ratch-Australia Corporation Limited on arm's length terms
 - (2) **(material arrangements)** any Broadspectrum Group entity enters into or varies in a material respect any joint venture or partnership, or any agreements, the result of which requires or is reasonably likely to involve payments, expenditure, or the foregoing or loss of forecast revenue, by Broadspectrum Group entities in excess of \$10 million individually, or \$20 million in aggregate
 - (3) **(loss of Potential New Major Contract)** where, after the date of the Bidder's Statement, an event occurs or is announced which materially impacts the likelihood of Broadspectrum being awarded a previously announced Potential New Major Contract (including any announcement or public statement by any Public Authority indicating that Broadspectrum has ceased or may cease to be preferred tenderer for that Potential New Major Contract). For this purpose, **Potential New Major Contract** means any new contract (including a contract renewal) which would be reasonably likely to (if awarded) deliver forecast total order book to Broadspectrum of at least \$100 million, where Broadspectrum has announced that it was in negotiations to be granted or awarded that new or renewed contract prior to the date of the Bidder's Statement

- (4) **(capital expenditure)** any commitment by Broadspectrum Group entities to capital expenditure in excess of \$10 million in aggregate
- (5) **(indebtedness)** any Broadspectrum Group entity incurs any indebtedness or issues any debt securities, where doing so would result in the value of the indebtedness incurred or debt issued by the Broadspectrum Group following the date of the Bidder's Statement exceeding \$50 million in aggregate
- (6) **(increase in remuneration)** any Broadspectrum Group entity increases the remuneration of or pays any bonus or termination or retention payments to, or otherwise enters into new or varies the existing service or employment arrangements with, any of its directors or employees whose total annual employment cost exceeds or could reasonably be expected to exceed \$1 million in aggregate
- (7) **(litigation)** any Broadspectrum Group entity becomes the subject of any litigation which is commenced or threatened, or there is an adverse development in any litigation to which any Broadspectrum Group entity is already subject (as at the date of the Bidder's Statement), which results in, or may reasonably be expected to result in, a judgment or order against any Broadspectrum Group entity that:
 - (A) is for an amount in excess of \$10 million
 - (B) would require the Broadspectrum Group to undertake expenditure in excess of \$5 million, or
 - (C) affects the rights held by or for the benefit of any Broadspectrum Group entity under any approval, licence or permit issued by any Public Authority to any Broadspectrum Group entity
- (8) **(agreements or announcements of intention)** any Broadspectrum Group entity enters into an agreement or announces an intention to do any of the matters referred to in the sub-paragraphs above
- (h) **(no change of control or other rights)** no person (including any Public Authority) has, or will have, any right (whether subject to conditions or not) as a result of any change in the shareholding or control of any Broadspectrum Group entity under or in connection with the Offer, or as a result of Bidder making the Offer or announcing its intention to make the Offer, or acquiring Broadspectrum Shares under or in connection with the Offer, to:
 - (1) acquire, or require the disposal of, or require any Broadspectrum Group entity to offer to dispose of, any material assets of any Broadspectrum Group entity which have a value of at least \$15 million individually or \$30 million in aggregate
 - (2) terminate, or vary the terms or performance of, any material agreements with any Broadspectrum Group entity
 - (3) terminate, or vary the terms of any approvals, licences or permits issued by any Public Authority to or for the benefit of any Broadspectrum Group entity which individually result in loss to revenue of the Broadspectrum Group of at least \$15 million individually or \$30 million in aggregate, or
 - (4) require repayment of any moneys borrowed by or any other indebtedness of any Broadspectrum Group entity earlier than its stated maturity date, or withdraw or inhibit the ability of any Broadspectrum Group entity to borrow moneys or incur indebtedness,

and Broadspectrum confirms in writing prior to the end of the Offer Period that this is the case. This condition will not apply to the extent that a person has, or will have,

a right described in sub-paragraph (1), (2), (3) or (4) above if Broadspectrum has, prior to the end of the Offer Period, given Bidder:

- (1) written details of that right (including in respect of the agreement, legislation or other document under which that right arises), and
 - (2) a copy of a binding written unconditional waiver or release of that right, signed by the person who holds that right
- (i) **(no Prescribed Occurrences)** during the period from the date of the Bidder's Statement to the end of the Offer Period (each inclusive), no Prescribed Occurrence occurs. These Prescribed Occurrences include:
- (1) Broadspectrum converts all or any of its shares into a larger or smaller number of shares under section 254H of the Corporations Act
 - (2) Broadspectrum or a subsidiary of Broadspectrum resolves to reduce its share capital in any way
 - (3) Broadspectrum or a subsidiary of Broadspectrum:
 - (A) enters into a buy-back agreement or
 - (B) resolves to approve the terms of a buy-back agreement under section 257C(1) or 257D(1) of the Corporations Act
 - (4) Broadspectrum or any subsidiary of Broadspectrum issues shares (other than as a result of the exercise, conversion or vesting of any Broadspectrum Performance Awards or Broadspectrum Performance Awards which are on issue as at the Register Date) or grants an option over its shares, or agrees to make such an issue or grant such an option
 - (5) Broadspectrum or any subsidiary of Broadspectrum takes any action to accelerate the exercise of any Broadspectrum Performance Awards or any other rights or options over Broadspectrum Shares before the scheduled date of exercise
 - (6) Broadspectrum or a subsidiary of Broadspectrum issues, or agrees to issue, convertible notes
 - (7) Broadspectrum or a subsidiary of Broadspectrum disposes, or agrees to dispose, of the whole, or a substantial part, of its business or property
 - (8) Broadspectrum or a subsidiary of Broadspectrum grants, or agrees to grant, a security interest in the whole, or a substantial part of, its business or property
 - (9) Broadspectrum or a subsidiary of Broadspectrum resolves to be wound up
 - (10) a liquidator or provisional liquidator of Broadspectrum or a subsidiary of Broadspectrum is appointed
 - (11) a court makes an order for the winding up of Broadspectrum or a subsidiary of Broadspectrum
 - (12) an administrator of Broadspectrum or of a subsidiary of Broadspectrum is appointed under section 436A, 436B or 463C of the Corporations Act
 - (13) Broadspectrum or a subsidiary of Broadspectrum enters into a deed of company arrangement, or
 - (14) a receiver, or a receiver and manager is appointed in relation to the whole, or a substantial part, of the property of Broadspectrum or a subsidiary of Broadspectrum.

7.4 NOTICE OF STATUS OF CONDITIONS

Section 7.7(e) of the Bidder's Statement indicates that Bidder will give a Notice of Status of Conditions to ASX and Broadspectrum on 29 January 2016.

Bidder is required to set out in its Notice of Status of Conditions:

- whether the Offer is free of any or all of the conditions
- whether, so far as Bidder knows, any of the conditions have been fulfilled, and
- Bidder's voting power in Broadspectrum.

If the Offer Period is extended by a period before the time by which the Notice of Status of Conditions is to be given, the date for giving the Notice of Status of Conditions will be taken to be postponed for the same period. In the event of such an extension, Bidder is required, as soon as practicable after the extension, to give a notice to ASX and Broadspectrum that states the new date for the giving of the Notice of Status of Conditions.

If a condition is fulfilled (so that the Offer becomes free of that condition) during the Offer Period but before the date on which the Notice of Status of Conditions is required to be given, Bidder must, as soon as practicable, give ASX and Broadspectrum a notice that states that the particular condition has been fulfilled.

7.5 OFFER PERIOD

Unless the Offer is extended or withdrawn, it is open for acceptance from 6 January 2016 until 7.00pm (Sydney time) on 8 February 2016.

The circumstances in which Bidder may extend or withdraw the Offer are set out in sections 7.6 and 7.7 respectively of this Target's Statement.

7.6 EXTENSION OF THE OFFER PERIOD

Bidder may extend the Offer Period at any time before giving the Notice of Status of Conditions (referred to in section 7.4 of this Target's Statement) while the Offer is subject to conditions. However, if the Offer is unconditional (that is, all the conditions are fulfilled or freed), Bidder may extend the Offer Period at any time before the end of the Offer Period.

In addition, there will be an automatic extension of the Offer Period if, within the last seven days of the Offer Period:

- Bidder improves the consideration offered under the Offer, or
- Bidder's voting power in Broadspectrum increases to more than 50%.

If either of these two events occurs, the Offer Period is automatically extended so that it ends 14 days after the relevant event occurs.

7.7 WITHDRAWAL OF THE OFFER

Bidder may not withdraw the Offer if you have already accepted it. Before you accept the Offer, Bidder may withdraw the Offer with the written consent of ASIC and subject to the conditions (if any) specified in such consent.

7.8 EFFECT OF ACCEPTANCE

The effect of acceptance of the Offer is set out in sections 7.4 and 7.5 of the Bidder's Statement. Broadspectrum Shareholders should read these provisions in full to understand the effect that acceptance will have on their ability to exercise the Rights attaching to their Broadspectrum Shares and the representations and warranties which they give by accepting of the Offer.

7.9 YOUR ABILITY TO WITHDRAW YOUR ACCEPTANCE

You only have limited rights to withdraw your acceptance of the Offer.

You may only withdraw your acceptance of the Offer if:

- the FIRB Condition has not, at the time of your withdrawal, been fulfilled, or
- Bidder varies the Offer in a way that postpones, for more than one month, the time when Bidder needs to meet its obligations under the Offer. This will occur if Bidder extends the Offer Period by more than one month and the Offer is still subject to conditions.

7.10 WHEN YOU WILL RECEIVE YOUR CONSIDERATION IF YOU ACCEPT THE OFFER

In the usual case, you will be issued your consideration on or before the later of:

- one month after the date the Offer becomes or is declared unconditional, and
- one month after the date you accept the Offer if the Offer is, at the time of acceptance, unconditional,

but, in any event (assuming the Offer becomes or is declared unconditional), no later than 21 days after the end of the Offer Period.

However, there are certain exceptions to the above timetable for the issuing of consideration. Full details of when you will be issued your consideration are set out in section 7.8 of the Bidder's Statement.

7.11 EFFECT OF AN IMPROVEMENT IN CONSIDERATION ON BROADSPECTRUM SHAREHOLDERS WHO HAVE ALREADY ACCEPTED THE OFFER

If Bidder improves the consideration offered under its takeover bid, all Broadspectrum Shareholders, whether or not they have accepted the Offer before that improvement in consideration, will be entitled to the benefit of that improved consideration.

7.12 LAPSE OF THE OFFER

The Offer will lapse if the Offer conditions are not freed or fulfilled by the end of the Offer Period; in which case all contracts resulting from acceptance of the Offer and all acceptances that have not resulted in binding contracts are void. In that situation, you will be free to deal with your Broadspectrum Shares as you see fit.

7.13 COMPULSORY ACQUISITION

(A) INTRODUCTION

Bidder has indicated in section 3.3 of its Bidder's Statement that if it satisfies the required thresholds, it intends to compulsorily acquire any outstanding Broadspectrum Shares (including any Broadspectrum Shares issued as a result of the exercise of Broadspectrum Performance Awards after the end of the Offer Period and in the six weeks after the Bidder gives any compulsory acquisition notices) in accordance with the provisions of Chapter 6A of the Corporations Act.

(B) COMPULSORY ACQUISITION WITHIN ONE MONTH AFTER THE END OF THE OFFER PERIOD

Bidder will be entitled to compulsorily acquire any Broadspectrum Shares in respect of which it has not received an acceptance of its Offer on the same terms as the Offer, if, during or at the end of the Offer Period, Bidder and its associates have a relevant interest in at least 90% (by number) of the Broadspectrum Shares.

If this threshold is met, Bidder will have one month after the end of the Offer Period within which to give compulsory acquisition notices to Broadspectrum Shareholders who have not accepted the Offer. Broadspectrum Shareholders have statutory rights to challenge the compulsory acquisition, but a successful challenge will require the relevant shareholder to establish to the satisfaction of a court that the consideration under the Offer is not 'fair value' for their Broadspectrum Shares. If compulsory acquisition occurs, Broadspectrum Shareholders who have their Broadspectrum Shares compulsorily acquired are likely to be issued their consideration approximately five to six weeks after the compulsory acquisition notices are dispatched to them.

(C) ALTERNATIVE COMPULSORY ACQUISITION REGIME

It is also possible that Bidder will, at some time after the end of the Offer Period, become the beneficial holder of at least 90% of the Broadspectrum Shares. Bidder would then have rights to compulsorily acquire Broadspectrum Shares not owned by it within six months of becoming the holder of at least 90% of the Broadspectrum Shares. Bidder's price for compulsory acquisition under this procedure would have to be considered in a report of an independent expert.

8. Information relating to your Directors

8.1 INTERESTS AND DEALINGS IN BROADSPECTRUM SECURITIES

(A) INTERESTS IN BROADSPECTRUM SECURITIES

As at the date of this Target's Statement, your Directors had the following relevant interests in Broadspectrum securities:

Broadspectrum Director	Number of Broadspectrum Shares	Number of Broadspectrum Performance Awards
Diane Smith-Gander	86,179	nil
Graeme Hunt	505,792	5,083,364
Katherine Hirschfeld	90,260	nil
Geoffrey Kleemann	50,000	nil
Roy McKelvie	100,000	nil
Dean Pritchard	35,000	nil
Douglas Snedden	103,285	nil

(B) DEALINGS IN BROADSPECTRUM SECURITIES

Katherine Hirschfeld's superannuation fund acquired 30,927 Broadspectrum Shares on market on 10 September 2015.

Graeme Hunt was granted 2,294,972 Broadspectrum Performance Awards on 23 November 2015 and disposed of 840,700 lapsed and unvested Broadspectrum Performance Awards on 6 January 2016.

Excluding the above, no other Broadspectrum Director has acquired or disposed of a relevant interest in any Broadspectrum Shares or Broadspectrum Performance Awards (excluding any lapsed Broadspectrum Performance Awards) in the four month period ending on the date immediately before the date of this Target's Statement.

8.2 INTERESTS AND DEALINGS IN FERROVIAL AND BIDDER SECURITIES

(A) INTERESTS IN FERROVIAL AND BIDDER SECURITIES

As at the date immediately before the date of this Target's Statement, no Broadspectrum Director had a relevant interest in any Ferrovial or Bidder securities.

(B) DEALINGS IN FERROVIAL AND BIDDER SECURITIES

No Broadspectrum Director acquired or disposed of a relevant interest in any Ferrovial or Bidder securities in the four month period ending on the date immediately before the date of this Target's Statement.

8.3 BENEFITS AND AGREEMENTS

(A) BENEFITS IN CONNECTION WITH RETIREMENT FROM OFFICE

As a result of the Offer, no person has been or will be given any benefit (other than a benefit which can be given without member approval under the Corporations Act) in connection with the retirement of that person, or someone else, from a board or managerial office of Broadspectrum or Related Body Corporate of Broadspectrum.

(B) AGREEMENTS CONNECTED WITH OR CONDITIONAL ON THE OFFER

There are no agreements made between any Broadspectrum Director and any other person in connection with, or conditional upon, the outcome of the Offer other than in their capacity as a holder of Broadspectrum Shares or Broadspectrum Performance Awards.

(C) BENEFITS FROM FERROVIAL OR BIDDER

None of the Broadspectrum Directors has agreed to receive, or is entitled to receive, any benefit from FerroviaI or Bidder which is conditional on, or is related to, the Offer, other than in their capacity as a holder of Broadspectrum Shares or Broadspectrum Performance Awards.

(D) INTERESTS OF BROADSPECTRUM DIRECTORS IN CONTRACTS WITH FERROVIAL OR BIDDER

None of the Broadspectrum Directors has any interest in any contract entered into by FerroviaI or Bidder or a Related Body Corporate of FerroviaI or Bidder.

9. Additional information

9.1 EFFECT OF THE TAKEOVER ON BROADSPECTRUM'S MATERIAL CONTRACTS

(A) CLIENT CONTRACT IMPACT

Approximately 50% of BroadSpectrum's expected FY2016 revenue is derived from material client contracts which contain provisions regarding a change of control. Of these material client contracts, some (representing approximately 15% of BroadSpectrum's expected FY2016 revenue), include a change of control provision giving a client an automatic right to terminate the contract without recourse to a consent process. Others of those material contracts contain consent processes, where clients require prior consent to be sought for a change of control. In some cases, clients reserve the right to provide the consent on terms, including the provision (to their satisfaction), of additional information about the new, controlling party. Where such consent is not received from relevant clients, this may constitute an event of default under the relevant contracts or otherwise give rise to termination rights in favour of the clients. Such outcomes may have a material adverse effect on BroadSpectrum.

(B) JOINT VENTURE ARRANGEMENT IMPACT

In addition, approximately 14.8% of BroadSpectrum's expected FY2016 net profit after tax is derived from joint venture arrangements. There are change of control clauses in certain material joint venture agreements. These joint venture agreements contain sophisticated and prescriptive change of control provisions which provide the other joint venture partner with a right to purchase BroadSpectrum's interest in the joint venture if a change of control occurs and such a right to the buy-out is not waived. Such outcomes may have a material adverse effect on BroadSpectrum.

(C) FUNDING ARRANGEMENT IMPACT

The majority of BroadSpectrum's lending agreements, including the off-balance sheet joint venture funding vehicle, provide a right for its financiers to review the lending agreement and require early repayment of the relevant drawn debt, as disclosed in BroadSpectrum financial statements, and cancellation of the agreement. Such outcomes may have a material adverse effect on BroadSpectrum.

9.2 MATERIAL LITIGATION

BroadSpectrum does not believe that it is involved in any litigation or dispute which is material in the context of BroadSpectrum and its subsidiaries taken as a whole.

9.3 DEFENCE COSTS AND IMPACT TO STATUTORY EBITDA

Statutory EBITDA is adjusted for one-off and non-recurring items to derive Underlying EBITDA. In the context of Ferrovial's Offer, defence-related costs will likely reduce statutory EBITDA. These defence costs will be incurred by BroadSpectrum Shareholders where either the Offer is not successful or where a change of control has occurred but minority BroadSpectrum Shareholders remain. BroadSpectrum estimates that defence related costs will be between \$5 million and \$20 million.

9.4 ISSUED CAPITAL

As at the date of this Target's Statement, BroadSpectrum's issued capital consisted of:

- 512,457,716 BroadSpectrum Shares, and
- 29,470,902 BroadSpectrum Performance Awards.

9.5 SUBSTANTIAL HOLDERS

As at the Last Practicable Date, Broadspectrum has been notified that the following persons have voting power in 5% or more of Broadspectrum Shares.

Substantial holder	Number of Broadspectrum Shares	Voting power
Allan Gray Australia Pty Ltd	95,849,104	18.70%
Invesco Australia Limited	54,469,409	10.63%
Dimensional Fund Advisors	30,878,244	6.02%
State Street Australia Limited as Custodian for Retail Employees Superannuation Pty Limited	25,744,036	5.02%

9.6 EFFECT OF THE OFFER ON BROADSPECTRUM PERFORMANCE AWARDS

The Offer does not extend to any Broadspectrum Performance Awards. The Offer does, however, extend to Broadspectrum Shares that may be issued during the Offer Period as a result of the vesting and exercise of Broadspectrum Performance Awards.

Bidder has noted in its Bidder's Statement at section 3.2 that after the end of the Offer Period, it may seek to acquire any outstanding Broadspectrum Performance Awards by doing one or more of the following (at its election):

- making a private offer to holders of those outstanding Broadspectrum Performance Awards to acquire them, or
- where Bidder becomes entitled under Chapter 6A of the Corporations Act to compulsorily acquire all outstanding Broadspectrum Shares, compulsorily acquiring the Broadspectrum Performance Awards.

9.7 CONSENTS

Macquarie Capital (Australia) Limited (**Macquarie**) has given, and not withdrawn before the lodgement of the Target's Statement with ASIC, its written consent to be named in this Target's Statement as Broadspectrum's financial adviser in the form and context in which it is named. Macquarie has not caused or authorised the issue of this Target's Statement, does not make, or purport to make, any statement in this Target's Statement or any statement on which a statement in this Target's Statement is based and takes no responsibility for any part of this Target's Statement other than any reference to its name. To the maximum extent permitted by law, Macquarie expressly disclaims all liability in respect of, makes no representation regarding, and takes no responsibility for, any part of the Target's Statement, other than the references to its name in the form and context in which it appears.

Herbert Smith Freehills has given, and not withdrawn before the lodgement of the Target's Statement with ASIC, its written consent to be named in this Target's Statement as Broadspectrum's legal adviser in the form and context in which it is named. Herbert Smith Freehills has not caused or authorised the issue of this Target's Statement, does not make, or purport to make, any statement in this Target's Statement or any statement on which a statement in this Target's Statement is based and takes no responsibility for any part of this Target's Statement other than any reference to its name.

Greenwoods & Herbert Smith Freehills Pty Limited has given, and not withdrawn before the lodgement of this Target's Statement with ASIC, its written consent to be named in this Target's Statement in the form and context in which it is named as the preparer of the Tax Adviser's Report in this Target's Statement and to the inclusion of the Tax Adviser's Report, as set out in appendix 2 to this Target's Statement. Greenwoods & Herbert Smith Freehills Pty Limited has not advised on the laws of any foreign jurisdiction. Greenwoods & Herbert Smith Freehills Pty Limited has not caused or authorised the issue of this Target's Statement and, other than any reference to its name and the Tax Adviser's Report, takes no responsibility for any part of this Target's Statement.

Ernst & Young Transaction Advisory Services Limited (**EY**) has given, and not withdrawn before the lodgement of this Target's Statement with ASIC, its written consent to be named in this Target's Statement in the form and context in which it is named as the Independent Expert and to the inclusion of the Independent Expert's Report, as set out in appendix 1 to this Target's Statement. EY has not authorised or caused the issue or preparation of this Target's Statement and, to the maximum extent permitted by law, expressly disclaims, and takes no responsibility for, any part of this Target's Statement other than the references specified above.

As permitted by ASIC Class Order 13/521, this Target's Statement contains statements which are made, or based on statements made, in documents lodged by Bidder with ASIC or given to ASX, or announced on the Company Announcements Platform of ASX, by Bidder. Pursuant to the Class Order, the consent of Bidder is not required for the inclusion of such statements in this Target's Statement. Any Broadspectrum Shareholder who would like to receive a copy of any of those documents may obtain a copy (free of charge) during the Offer Period by contacting the Broadspectrum Shareholder information line on 1300 361 735 (for calls made from within Australia) or +61 1300 361 735 (for calls made from outside Australia) Monday to Friday between 8.30am and 5.30pm (Sydney time). Calls to the Broadspectrum Shareholder information line may be recorded.

As permitted by ASIC Class Order 13/523, this Target's Statement may include or be accompanied by certain statements:

- fairly representing what purports to be a statement by an official person
- that are a correct and fair copy of, or extract from, what purports to be a public official document, or
- that are a correct and fair copy of, or extract from, a statement which has already been published in a book, journal or comparable publication.

In addition, as permitted by ASIC Class Order 07/429, this Target's Statement contains share price trading data sourced from IRESS without its consent.

9.8 ASIC DECLARATIONS

ASIC has made a declaration granting Broadspectrum an extension of time to lodge this Target's Statement. See appendix 5 for a copy of the ASIC instrument giving effect to that declaration.

9.9 BROADSPECTRUM PERFORMANCE AWARDS

In total 29,470,902 Broadspectrum Performance Awards remain on issue to current and former employees of Broadspectrum, a number of which would be expected to vest in the ordinary course of business in the absence of a change of control transaction occurring.

With respect to the 13,361,570 Broadspectrum Performance Awards comprising unvested 2013, 2014 and 2015 LTI grants, and the 12,689,791 unvested MTI Performance Awards, the Board has made a preliminary determination that, subject to a change of control in Broadspectrum, these would at least vest pro rata to time, on the basis the Board will make a further determination as matters develop, and retains discretion to vest additional Performance Awards (or to otherwise vary its preliminary determination) having regard to developments between now and any change of control which may occur.

The Board has further made a preliminary determination that, if a change of control occurs, the 2,967,131 vested 2015 Deferred STI Performance Awards would be released from restriction in full, in order to allow them to participate in the change of control transaction. Similarly, the 452,410 2014 Deferred STI which remain subject only to an EBITDA performance condition would vest in full and be released from restriction in order to allow them to participate in the change of control transaction.

The Board retains its discretion to determine the quantum, timing and terms of any FY2016 short term incentives which may be granted in the event of a change of control transaction.

The Board also retains its discretion on whether any vesting of Performance Awards will be settled in cash or as equity (whether through the issue of new Broadspectrum Shares or via acquisition of Broadspectrum Shares on market), having regards to developments between now and any change of control event which may occur.

9.10 NO OTHER MATERIAL INFORMATION

This Target's Statement is required to include all the information that Broadspectrum Shareholders and their professional advisers would reasonably require to make an informed assessment whether to accept the Offer, but only:

- to the extent to which it is reasonable for investors and their professional advisers to expect to find this information in this Target's Statement, and
- if the information is known to any Broadspectrum Director.

The Broadspectrum Directors are of the opinion that the information that Broadspectrum Shareholders and their professional advisers would reasonably require to make an informed assessment whether to accept the Offer is the information contained in:

- the Bidder's Statement (to the extent that the information is not inconsistent or superseded by information in this Target's Statement)
- Broadspectrum's releases to ASX, and the documents lodged by Broadspectrum with ASIC before the date of this Target's Statement, and
- this Target's Statement (including the information contained in the Independent Expert's Report).

The Broadspectrum Directors have assumed, for the purposes of preparing this Target's Statement, that the information in the Bidder's Statement is accurate (unless they have expressly indicated otherwise in this Target's Statement). However, the Broadspectrum Directors do not take any responsibility for the contents of the Bidder's Statement and are not to be taken as endorsing, in any way, any or all statements contained in it.

In deciding what information should be included in this Target's Statement, the Broadspectrum Directors have had regard to:

- the nature of the Broadspectrum Shares
- the matters that shareholders may reasonably be expected to know
- the fact that certain matters may reasonably be expected to be known to shareholders' professional advisers, and
- the time available to Broadspectrum to prepare this Target's Statement.

10. Glossary and interpretation

10.1 GLOSSARY

The meanings of the terms used in this Target's Statement are set out below.

Term	Meaning
\$, A\$ or AUD	the lawful currency of the Commonwealth of Australia
€	the lawful currency of the member states of the European Union that adopt that single currency
2014 Proposal	the indicative, non-binding and conditional proposal by Ferrovial for cash consideration of \$2.00 per Broadspectrum Share in 2014
AGL	AGL Energy Limited ABN 74 115 061 375
ASIC	Australian Securities and Investments Commission
ASX	ASX Limited ABN 98 008 624 691 and, where the context requires, the financial market that it operates
Bidder	Ferrovial Services Australia Pty Ltd ACN 609 542 556, an indirectly wholly owned subsidiary of Ferrovial
Bidder's Statement	the replacement bidder's statement of Bidder lodged with ASIC on 23 December 2015
Broadspectrum Board or Board	the board of directors of Broadspectrum
Broadspectrum or Company	Broadspectrum Limited ABN 69 000 484 417
Broadspectrum Directors or Directors	the directors of Broadspectrum
Broadspectrum Group	Broadspectrum and its Related Bodies Corporate as at the date of this Target's Statement
Broadspectrum Performance Awards	the performance awards granted under the TranShare Executive Performance Award Plan
Broadspectrum Share	a fully paid ordinary share in the capital of Broadspectrum
Broadspectrum Shareholder	a registered holder of Broadspectrum Shares
CAGR	compound annual growth rate
CGT	Australian capital gains tax
CHI-X	means CHI-X Australia, which is a stock exchange and derivatives operator licensed and regulated by ASIC
Chorus	Chorus New Zealand Limited NZBN 9429031035446
Corporations Act	the <i>Corporations Act 2001</i> (Cth) (as modified or varied by ASIC)
CSG	coal seam gas
DIBP	Australian Department of Immigration and Border Protection
DoD	Australian Department of Defence

Term	Meaning
Downer	Downer EDI Limited ACN 003 872 828
Easternwell	Easternwell Group Pty Ltd ACN 122 663 147
EBIT	earnings before interest and taxation
EBITA	earnings before interest, taxation and amortisation
EBITDA	earnings before interest, taxation, depreciation and amortisation
Enable	Enable Services Limited NZBN 9429035966890
EPS	earnings per share
EV	enterprise value, generally calculated as net debt plus the market value of equity and minority interests
Ferrovial	Ferrovial, S.A. together with (where the context requires it) Bidder
Ferrovial Group	Ferrovial and its Related Bodies Corporate as at the date of the Bidder's Statement and, a reference to a Ferrovial Group Member is a reference to Ferrovial or any of its Related Bodies Corporate
FIRB	Foreign Investment Review Board
FIRB Condition	the condition contained in section 7.6(b) of the Bidder's Statement (and summarised in section 7.3 of this Target's Statement)
FTS	Joint Venture with AECOM in Canada which provides services to the hydrocarbons sector
FY	financial year, generally ending 30 June unless otherwise stated
Independent Expert	Ernst & Young Transaction Advisory Services Limited ABN 87 003 599 844
Independent Expert's Report	the independent expert's report prepared by the Independent Expert and dated 20 January 2016 which is contained in appendix 1 to this Target's Statement
Last Practicable Date	close of trading on ASX on 15 January 2016
LNG	liquid natural gas
LTM	last 12 months
MIMA	multi technology integrated master agreement
NBN	National Broadband Network
NBN Co	NBN Co Limited ACN 136 533 741
Net Debt	total debt including finance leases, less cash, adjusted for the net position of interest rate cross currency derivatives associated with hedging debt instruments
Notice of Status of Conditions	Bidder's notice disclosing the status of the conditions to the Offer which is required to be given by section 630(3) of the Corporations Act
NSW Housing	NSW Land and Housing Corporation, an agency of the NSW Department of Family and Community Services
Offer	the offer by Bidder for the Broadspectrum Shares, details of which are contained in section 7 of the Bidder's Statement
Offer Period	the period during which the Offer will remain open for acceptance in accordance with section 7 of the Bidder's Statement
Offer Price	\$1.35 per Broadspectrum Share
OIO	New Zealand Overseas Investment Office
OIO Condition	the condition contained in section 7.6(c) of the Bidder's Statement (and summarised in section 7.3 of this Target's Statement)
Potential New Major Contract	has the meaning given in section 7.6 (g)(iii) of the Bidder's Statement
PPP	public private partnership
Prescribed Occurrence	each event or circumstance listed in section 7.6(i) of the Bidder's Statement
Public Authority	has the meaning given to it in section 8 of the Bidder's Statement
Register Date	8.00am (Sydney time) on 8 December 2015, being the date set by Bidder under section 633(2) of the Corporations Act
QUU	Central SEQ Distributor-Retailer Authority trading as Queensland Urban Utilities ABN 86 673 835 011
Related Bodies Corporate	has the meaning given in the Corporations Act

Term	Meaning
Rights	has the meaning given in section 8 of the Bidder's Statement
ROCE	return on capital employed, calculated as Underlying EBIT divided by total assets (excluding cash and tax assets) less total liabilities (excluding debt and tax liabilities)
Target's Statement	this document (including the appendices), being the statement of Broadspectrum under Part 6.5 Division 3 of the Corporations Act
Tax Adviser's Report	the tax adviser's report prepared by Greenwoods & Herbert Smith Freehills Pty Limited and set out in full in appendix 2
Transdev	Transdev Ferries Sydney Pty Limited ACN 087 535 224
Treasurer	Treasurer of the Commonwealth Government of Australia
Ultra-Fast Broadband or UFB	the New Zealand Government program of building fibre-to-the-premises networks
UFF	Ultrafast Fibre Limited NZBN 9429031271820
Underlying EBIT	EBIT adjusted for one-off and non-recurring items (including for example costs associated with Broadspectrum's response to the Offer)
Underlying EBITA	EBITA adjusted for one-off and non-recurring items (including for example costs associated with Broadspectrum's response to the Offer)
Underlying EBITDA	EBITDA adjusted for one-off and non-recurring items (including for example costs associated with Broadspectrum's response to the Offer)
Underlying EBITDA Margin	the ratio calculated as Underlying EBITDA divided by revenue
US\$	the lawful currency of the United States of America
VWAP	volume weighted average price

10.2 INTERPRETATION

In this Target's Statement:

- other words and phrases have the same meaning (if any) given to them in the Corporations Act
- words of any gender include all genders
- words importing the singular include the plural and vice versa
- an expression importing a person includes any company, partnership, joint venture, association, corporation or other body corporate and vice versa
- a reference to a section, clause, appendix and schedule is a reference to a section of, clause of and an appendix and schedule to this Target's Statement as relevant
- a reference to any legislation includes all delegated legislation made under it and amendments, consolidations, replacements or re-enactments of any of them
- headings and bold type are for convenience only and do not affect the interpretation of this Target's Statement
- a reference to time is a reference to Sydney time, and
- a reference to dollars, \$, A\$, AUD, cents, ¢ and currency is a reference to the lawful currency of the Commonwealth of Australia.

11. Authorisation

This Target's Statement has been approved by a resolution passed by the Broadspectrum Directors. All Broadspectrum Directors voted in favour of that resolution.

Signed for and on behalf of Broadspectrum:

A handwritten signature in black ink, appearing to read 'Diane Smith-Gander'.

Diane Smith-Gander

Chairman

Broadspectrum Limited



Appendix 1

Independent Expert's Report

Independent Expert's Report and Financial Services Guide

Broadspectrum Limited

Takeover Offer from Ferrovial Services (Australia) Pty Limited

20 January 2016



Ernst & Young
Transaction Advisory Services Limited
680 George Street
Sydney NSW 2000 Australia
GPO Box 2646 Sydney NSW 2001

Tel: +61 2 9248 5555
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Part 1 – Independent Expert's Report

The Directors
Broadspectrum Limited
111 Pacific Highway
Level 10
North Sydney
NSW 2060

20 January 2016

Dear Directors

Takeover Offer from Ferrovial Services (Australia) Pty Limited

Introduction

On 7 December 2015 ("Announcement Date"), Ferrovial Services (Australia) Pty Limited (the "Bidder"), a wholly owned subsidiary of Ferrovial SA (collectively referred to as "Ferrovial") announced its takeover offer ("Offer" or "Takeover Offer") for 100% of the shares in Broadspectrum Limited ("Broadspectrum" or "Company"). Under the Takeover Offer, Ferrovial will pay cash consideration of \$1.35 per Broadspectrum Share ("Offer Price"). The Offer is subject to a number of conditions including Ferrovial acquiring a minimum 50.01% of the ordinary shares of Broadspectrum ("Broadspectrum Shares") (refer to Section 1.2 of this Report for other conditions).

On 7 December 2015, Ferrovial lodged its Bidder's Statement in relation to the Offer with the Australian Securities and Investments Commission ("ASIC") and the Australian Securities Exchange ("ASX"). A Replacement Bidder's Statement was lodged with ASIC on 23 December 2015 and a Second Supplementary Bidder's Statement was lodged with ASIC on 20 January 2016 ("Bidder's Statement").

Broadspectrum is an Australian provider of services to the infrastructure, defence, social, property, resources and industrial business sectors. Broadspectrum operates in nine countries delivering services to over 200 clients, has a workforce of approximately 25,000 people and as at 4 December 2015,¹ had a market capitalisation of \$436 million.

Ferrovial is a global business operating in the design, construction, management, maintenance and operation of transport infrastructure and services to cities and other public infrastructure. The Ferrovial Group² operates in more than 25 countries, employs over 69,000 people, is listed on the Madrid stock exchange and as at 4 December 2015, had a market capitalisation of over EUR16 billion.

We note that the Board of Directors of Broadspectrum ("Broadspectrum Board" or "Board") considered the Offer to assess whether it is in the interests of Broadspectrum Shareholders³ and have unanimously recommended that Broadspectrum Shareholders reject the Offer. Each of the Directors who own or control Broadspectrum Shares also intends to reject the Offer in respect of all of the Broadspectrum Shares they own or control.

¹ Broadspectrum's market capitalisation on the last trading day prior to the announcement of the Takeover Offer

² Ferrovial and its Related Bodies Corporate as at the date of the Bidder's Statement and a reference to Ferrovial Group member is a reference to Ferrovial or any of its Related Bodies Corporate

³ A registered holder of Broadspectrum Shares

Purpose of the Report

Ernst & Young Transaction Advisory Services Limited (“Ernst & Young Transaction Advisory Services” or “we”) understand that there are, at the date of this Report, no common directors and no pre-existing Ferrovial shareholding of greater than 30% in Broadspectrum Shares and therefore, an independent expert’s report is not required either under the Corporations Act (the “Act”) or ASX Listing Rules (“ASX Listing Rules”). Nonetheless, the Directors have requested Ernst & Young Transaction Advisory Services to prepare this Independent Expert’s Report, the purpose of which is to provide an opinion as to whether the Offer is fair and reasonable to Broadspectrum Shareholders.

The Independent Expert’s Report is to be included in the Target’s Statement to be dispatched to Broadspectrum Shareholders on or around 20 January 2016 to assist them in their assessment of the Offer. We recommend that Broadspectrum Shareholders read the Target’s Statement and the Bidder’s Statement sent to them by Ferrovial on 6 January 2016 to obtain a full understanding of the Offer.

Approach

Neither the Act nor the ASX Listing Rules define the term “fair and reasonable”. In determining whether or not the Offer is fair and reasonable, Ernst & Young Transaction Advisory Services principally had regard to relevant ASIC Regulatory Guides, particularly Regulatory Guide 111: Content of expert reports (“RG 111”) and Regulatory Guide 112: Independence of experts (“RG 112”).

In the context of a takeover offer, RG 111 makes it clear that fair and reasonable are two different concepts. Under this approach:

- ▶ An offer is ‘fair’ if the value of the offer price or consideration is equal to or greater than the value of the securities that are the subject of the offer. The comparison is to be made assuming 100% ownership of the target and it is “inappropriate to apply a discount on the basis that the shares being acquired represent a minority or portfolio parcel of shares”
- ▶ An offer is ‘reasonable’ if it is fair. It might also be ‘reasonable’ if, despite being ‘not fair’, the expert believes that there are sufficient reasons for security holders to accept the offer in the absence of any higher bid before the close of the offer
- ▶ RG 111 provides that an independent expert should provide a range of values for the securities that are the subject of the offer. If the value of the consideration offered falls within the range of values of the securities, under RG 111, the offer is “fair”. RG 111 lists a number of factors which experts may consider when assessing the reasonableness of an offer

Summary of opinion

In forming our opinion, Ernst & Young Transaction Advisory Services has concluded that the fair market value of Broadspectrum is in the range of \$1.71 to \$1.98 per Broadspectrum Share. Our valuation range reflects the underlying fair market value of Broadspectrum on a controlling basis. As shown in the table below, the Offer Price is at a discount of 21% at the low end and a discount of 32% at the high end of our assessed fair market value of a Broadspectrum Share.



The following table compares our assessed range of values for a Broadspectrum Share to the Offer Price:

Comparison of values		
Currency: \$	Low	High
Fair market value per share	1.71	1.98
Offer Price	1.35	1.35
Discount to the fair value of a Broadspectrum Share (\$)	(0.36)	(0.63)
% Discount to fair market value	21%	32%

Source: EY analysis

In considering the fair values assessed for Broadspectrum and the cash consideration being offered by Ferrovial, in our opinion, the Takeover Offer is not fair.

RG 111 provides that an offer may be “reasonable” despite being “not fair”, if the expert believes there are sufficient reasons for shareholders to accept the offer in the absence of any higher bid before the close of the offer. In Section 7.3, we set out commercial and qualitative factors that we considered in assessing the Takeover Offer as well as other significant matters for Broadspectrum Shareholders to consider.

The factors we considered include:

- ▶ Premium for control
- ▶ Market reaction to the Takeover Offer
- ▶ No participation in the future growth of Broadspectrum’s business
- ▶ Limitations on acceptance
- ▶ Strategic benefits and synergies
- ▶ Consideration paid in cash
- ▶ Tax implications
- ▶ Takeover Offer being conditional
- ▶ Possible minority ownership consequences
- ▶ Share price in the absence of the Takeover Offer
- ▶ Board view
- ▶ Broadspectrum Shareholders’ alternatives
- ▶ Potential for alternative offers
- ▶ Transaction costs
- ▶ Valuation impact of the DIBP⁴ contract
- ▶ Consequences if the Takeover Offer did not proceed

While there are certain advantages to Broadspectrum Shareholders including a premium being offered to the recent trading price of Broadspectrum shares, we consider that the factors are not sufficient to conclude that the Takeover Offer is reasonable given Broadspectrum Shareholders would receive less than fair value for their shares.

Taking into consideration the matters detailed in this Independent Experts’ Report, in our opinion, the Takeover Offer is not fair and not reasonable.

Other matters

This Independent Expert’s Report has been prepared specifically for Broadspectrum Shareholders. Neither Ernst & Young Transaction Advisory Services, Ernst & Young, nor any employee thereof undertakes responsibility to any person, other than Broadspectrum Shareholders, in respect of this Report, including any errors or omissions howsoever caused.

⁴ Australian Department of Immigration and Border Protection



This Independent Expert's Report constitutes general financial product advice only and has been prepared without taking into consideration the individual circumstances of Broadspectrum Shareholders. The decision as to whether to accept or reject the Offer is a matter for individual Broadspectrum Shareholders. Broadspectrum Shareholders should also have regard to the Target's Statement prepared by Broadspectrum and the Bidder's Statement issued by Ferrovial in relation to the Offer. Broadspectrum Shareholders should also consider the taxation implications in relation to the Offer. The Target's Statement contains general information in relation to the taxation implications of the Offer. Shareholders who are in doubt as to the action they should take in relation to the Offer should consult their own professional advisers.

Our opinion is made as at the date of this letter and reflects circumstances and conditions as at that date. This letter must be read in conjunction with the full Independent Expert's Report as attached.

Ernst & Young Transaction Advisory Services has prepared a Financial Services Guide in accordance with the Act. The Financial Services Guide is included as Part 2 of this Report.

Yours faithfully
Ernst & Young Transaction Advisory Services Limited

Ishwar Madhyastha
Director and Representative

Stuart Bright
Director and Representative



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PART 2 – FINANCIAL SERVICES GUIDE

1. Introduction

1.1 Background

On 7 December 2015, Ferrovial announced a Takeover Offer for 100% of the shares in Broadspectrum for cash consideration of \$1.35 per Broadspectrum Share.

Ferrovial's Bidder's Statement was initially lodged with ASIC and the ASX on 7 December 2015 with the Replacement Bidder's Statement subsequently lodged on 23 December 2015. The Offer is subject to a number of conditions including a minimum acceptance of 50.01% and Foreign Investment Review Board ("FIRB") and the New Zealand Overseas Investment Office ("OIO") approval. Ferrovial has disclosed that they do not hold any Broadspectrum Shares.

We understand that Broadspectrum intends to lodge its Target's Statement on or around 21 January 2016 which will include a copy of this Report. In the Target's Statement, the Broadspectrum Board have unanimously recommended that Broadspectrum Shareholders reject the Offer.

We note that in October 2014, Broadspectrum received an indicative, non-binding and conditional proposal from Ferrovial to acquire 100 per cent of the issued Broadspectrum Shares for cash consideration of \$1.95 per share, less the value of any dividends or other distributions after 17 October 2014. On 19 December 2014, Ferrovial proposed a revised indicative offer price of \$2.00 per Broadspectrum Share. On 22 December 2014, discussions between Broadspectrum and Ferrovial ceased and Ferrovial did not proceed with a formal offer.

1.2 Terms of the Offer

The full details of the terms of the Offer are included in the Bidder's Statement. The consideration for the Offer is cash consideration of \$1.35 per Broadspectrum Share. The Offer is subject to a number of conditions being fulfilled or being waived by Ferrovial. These are set out in Section 7.6 of the Bidder's Statement and include:

- ▶ Ferrovial and its associates having a relevant interest at the end of the Offer Period⁵ of at least 50.01% of all Broadspectrum Shares on issue
- ▶ The Treasurer of the Commonwealth of Australia giving an approval under the *Foreign Acquisition and Takeovers Act 1975 (Cth)* to the acquisition by Ferrovial of the Broadspectrum Shares and that notice is not subject to any condition or the Treasurer of the Commonwealth of Australia becomes precluded by the passage of time from making any order or decision under Division 2 of Part 3 of the *Foreign Acquisition and Takeovers Act 1975 (Cth)* in respect of the acquisition of Broadspectrum Shares under the Offer
- ▶ Ferrovial receives all consents, approvals or clearances required under the Overseas Investment Act 2005 (New Zealand) and the Overseas Investment Regulations 2005 (New Zealand) for the implementation of the Offer and such consents approvals or clearances (as the case may be) have not been withdrawn, suspended, revoked or adversely amended before the close of the Offer Period
- ▶ Broadspectrum does not declare or pay any dividends or other distributions during the period from the date of the Bidder's Statement to the end of the Offer Period (inclusive)
- ▶ Various requirements in relation to material adverse changes, material acquisitions, disposals, new commitments or other events and prescribed occurrences as set out in Section 7.6 (f)/(g)/(i) of the Bidder's Statement

⁵ The period during which the Offer will remain open for acceptance in accordance with Section 7.2 of the Replacement Bidder's Statement



- ▶ The change in shareholding or control of any Broadspectrum Group⁶ entity in connection with the Offer does not result in any person having any of the rights specified in Section 7.6 (h) of the Bidder's Statement. This condition does not apply if Broadspectrum provides the Bidder with written details of any such right and an unconditional waiver or release of that right, signed by the relevant person who holds the right

1.3 Ferrovial's Intentions

1.3.1 Intentions upon acquisition of 90% or more of all Broadspectrum Shares

In the event that Ferrovial acquires an interest of 90% or more of the Broadspectrum Shares, as disclosed in the Bidder's Statement, Ferrovial intends to:

- ▶ Compulsorily acquire the remaining outstanding Broadspectrum Shares
- ▶ Remove Broadspectrum from the official list of the ASX
- ▶ Replace the Broadspectrum Board with its own nominees, which may include one or more of the existing Directors
- ▶ Maintain Broadspectrum's key management and the current levels of employment in its operations. Ferrovial does not intend to make material changes to the level of employment in Broadspectrum's corporate head office, other than where appropriate to reflect an unlisted company
- ▶ Conduct a broad general review of Broadspectrum's corporate structure, assets, businesses, personnel and operations. This review will apply quantitative and qualitative factors to measure performance and areas of improvement. Ferrovial does not have any specific intentions in relation to this review or its outcomes

Ferrovial may also proceed to a compulsory acquisition of the performance awards granted under the TranShare Executive Performance Awards Plan ("Broadspectrum Performance Awards") which have not been exercised and that have not lapsed, or alternatively pursue other arrangements in relation to the Broadspectrum Performance Awards.

Given its limited existing operations in Australia, Ferrovial does not envisage that there will be any material synergies resulting from this transaction.

1.3.2 Intentions upon acquisition of greater than 50.01% but less than 90% of all Broadspectrum Shares

In the event that Ferrovial gains greater than 50.01% of the shares outstanding in Broadspectrum but acquires an interest of less than 90%, as disclosed in the Bidder's Statement, Ferrovial intends to:

- ▶ Seek to remove Broadspectrum from the official list of the ASX. In this context, we note guidance from the ASX around the circumstances under which the ASX could approve an application for Broadspectrum's removal from the ASX without the need for shareholder approval
- ▶ Subject to the Act and Broadspectrum's Constitution, seek to appoint a number of nominees to the Broadspectrum Board such that the proportion which Ferrovial's nominees represent of the total number of directors on the Board equals or exceeds its proportionate ownership interest in Broadspectrum. In this scenario, Ferrovial, may, at its discretion, seek to retain one or more of the existing directors of Broadspectrum on the Board
- ▶ Seek to maintain Broadspectrum's key management and the current levels of employment in its operations. Ferrovial does not intend to make material changes to the level of employment in Broadspectrum's corporate head office, other than where appropriate to reflect an unlisted company

⁶ Broadspectrum and its related Bodies Corporate as at the date of this Target's Statement

- ▶ Seek to implement a broad general review of Broadspectrum's corporate structure, assets, businesses, personnel and operations
- ▶ Encourage the Broadspectrum Board to continue not making dividend payments in favour of retaining cash

Ferrovia has also noted that:

- ▶ At some later time, it may acquire further Broadspectrum securities in a manner consistent with the Act
- ▶ If it becomes entitled at a later stage to exercise general compulsory acquisition rights under the Act in respect of Broadspectrum securities, it may exercise those rights
- ▶ In the instance that it acquires less than 90% of Broadspectrum Shares, its intentions will be limited by and subject to the provisions of Act and the ASX Listing Rules

1.3.3 Intentions upon acquisition of less than 50.01% of all Broadspectrum Shares

The Bidder's Statement indicated that Ferrovia had no present intention to waive the condition that the Offer is subject to Ferrovia acquiring at least 50.01% of the shares outstanding in Broadspectrum. It has, however, reserved its right to waive that (and other) conditions.

In the event that Ferrovia acquires an interest of less than 50.01% of Broadspectrum, as disclosed in the Bidder's Statement, Ferrovia intends to:

- ▶ Maintain Broadspectrum's listing on the ASX, subject to the requirements for listing (including a sufficient spread of investors) continuing to be satisfied
- ▶ Subject to the Act and Broadspectrum's Constitution, seek to appoint a number of nominees to the Broadspectrum Board such that the proportion which Ferrovia's nominees represent of the total number of directors on the Board equals or exceeds its proportionate ownership interest in Broadspectrum
- ▶ Likely to propose through its nominees to implement a broad general review of Broadspectrum's corporate structure, assets, businesses, personnel and operations with the aim of pursuing, to the maximum extent possible and appropriate, the types of opportunities which might have been available to Ferrovia had it acquired 100% of Broadspectrum. However, there is no assurance that those opportunities will be available, or would deliver the same benefits for the remaining Broadspectrum Shareholders, if Broadspectrum is not 100% owned by Ferrovia
- ▶ Encourage the Broadspectrum Board to continue not making dividend payments in favour of retaining cash

Ferrovia has also noted that:

- ▶ At some later time, it may acquire further Broadspectrum securities in a manner consistent with the Act
- ▶ If it becomes entitled at a later stage to exercise general compulsory acquisition rights under the Act in respect of Broadspectrum securities, it may exercise those rights
- ▶ In the instance that Ferrovia acquires less than 50.01% of Broadspectrum Shares, its intentions will be limited by, and subject to the provisions of the Act and the ASX Listing Rules and the legal obligation of the Broadspectrum Board, to act in the best interests of Broadspectrum Shareholders as a whole



2. Scope of the Independent Expert's Report

2.1 Purpose of the report

Chapter 6 of the Act regulates takeover offers of the nature proposed by Ferrovial. Specifically, Section 640 requires an independent expert's report to be commissioned where the bidder already holds greater than 30% of a target's shares or where there are common directors between the two entities.

While there is no regulatory requirement for Broadspectrum to commission an independent expert's report, as Ferrovial does not hold a 30% shareholding in Broadspectrum and there are no common directors with Broadspectrum, the Directors have decided to commission this Independent Expert's Report to assist Broadspectrum Shareholders in assessing the merits of the Offer. This Report provides our opinion as to whether the Offer is fair and reasonable to Broadspectrum Shareholders.

The Independent Expert's Report is to be included in the Target's Statement to be sent to Broadspectrum Shareholders to assist them in their assessment of the Offer. We recommend that Broadspectrum Shareholders read the Target's Statement sent to them by Broadspectrum and the Bidder's Statement sent to them by Ferrovial to obtain a full understanding of the Offer.

The Independent Expert's Report considers the interest of shareholders as a whole and not individually. Individual shareholders may be impacted by specific issues that are not general to shareholders as a whole and this Report cannot, and does not, consider such issues.

2.2 Meaning of Fair and Reasonable

In preparing our Report, we had regard to RG 111. As the proposed acquisition by Ferrovial of the Broadspectrum Shares represents a 'control' transaction, as discussed in the aforementioned ASIC Regulatory Guide, we have considered whether the proposal is "fair and reasonable".

The meaning of "fair and reasonable" in the context of a takeover is outlined in RG 111 paragraphs 111.10 to 111.14. This guidance makes it clear that, in the context of a takeover offer, "fair" and "reasonable" are two distinct concepts. Under this approach:

- ▶ An offer is 'fair' if the value of the offer price or consideration is equal to or greater than the value of the securities that are the subject of the offer. The comparison is to be made assuming 100% ownership of the target and it is "inappropriate to apply a discount on the basis that the shares being acquired represent a minority or portfolio parcel of shares"
- ▶ An offer is 'reasonable' if it is fair. It might also be 'reasonable' if, despite being 'not fair', the expert believes that there are sufficient reasons for security holders to accept the offer in the absence of any higher bid before the close of the offer

RG 111 provides that an independent expert should usually provide a range of values for the securities that are the subject of the offer. If the value of the consideration offered falls within the range of values of the securities, under RG 111, the offer is "fair". RG 111 lists a number of factors which experts may consider when assessing the reasonableness of an offer.

2.3 Fair market value

We have assessed the value of a Broadspectrum Share on a fair market value basis.

Business valuers typically define fair market value as:

"The price that would be negotiated in an open and unrestricted market between a knowledgeable, willing but not anxious buyer and a knowledgeable, willing but not anxious seller acting at arm's length."

Fair market value does not incorporate any special value. Special value is the additional value that may accrue to a particular purchaser. In a competitive bidding situation, potential purchasers may be prepared to pay part, or all, of the special value that they expect to realise upon acquisition of the seller.

2.4 Basis of evaluation

In assessing whether the Offer is fair and reasonable, in addition to considering whether or not it is “fair”, we have considered whether the consideration being offered for a Broadspectrum Share, on a 100% basis, is higher or lower than the fair market value range of a Broadspectrum Share.

RG 111 provides that an offer may be “reasonable” despite being “not fair”, if the expert believes there are sufficient reasons for shareholders to accept the offer in the absence of any higher bid before the close of the offer.

The factors we considered include:

- ▶ Premium for control
- ▶ Market reaction to the Takeover Offer
- ▶ No participation in the future growth of Broadspectrum’s business
- ▶ Limitations on acceptance
- ▶ Strategic benefits and synergies
- ▶ Consideration paid in cash
- ▶ Tax implications
- ▶ Takeover Offer being conditional
- ▶ Possible minority ownership consequences
- ▶ Share price in the absence of the Takeover Offer
- ▶ Board view
- ▶ Broadspectrum Shareholders’ alternatives
- ▶ Potential for alternative offers
- ▶ Transaction costs
- ▶ Valuation impact of the DIBP⁷ contract
- ▶ Consequences if the Takeover Offer did not proceed

All amounts are in Australian dollars (“\$”) unless otherwise stated.

A glossary summarising the abbreviations we have used in this Independent Expert’s Report is contained in Appendix F.

2.5 Shareholders’ decisions

This Independent Expert’s Report has been prepared specifically for Broadspectrum Shareholders at the request of the Directors with respect to the Offer. As such, Ernst & Young Transaction Advisory Services, Ernst & Young and any member or employee thereof, take no responsibility to any entity other than Broadspectrum Shareholders, in respect of this Report, including any errors or omissions howsoever caused.

This Report constitutes general financial product advice only and has been prepared without taking into consideration the individual circumstances of Broadspectrum Shareholders. The decision to accept or not accept the Offer is a matter for individual shareholders. Broadspectrum Shareholders should consider the advice in the context of their own circumstances, preferences and risk profiles. Shareholders should have regard to the Bidder’s Statement, the Target’s Statement prepared by the Directors and consider the taxation implications in relation to the Offer. Appendix 2 of the Target’s Statement contains general information in relation to the taxation implications of the Offer.

Broadspectrum Shareholders who are in doubt as to the action they should take in relation to the Offer should consult their own professional adviser.

Ernst & Young Transaction Advisory Services has prepared a Financial Services Guide in accordance with the Act. The Financial Services Guide is included as Part 2 of this Report.

⁷ Australian Department of Immigration and Border Protection



2.6 Independence

Prior to accepting the engagement, we considered our independence with respect to Broadspectrum with reference to RG 112. In our opinion, we are independent of Broadspectrum. Ernst & Young Transaction Advisory Services, and its global affiliations, have not provided any services to Broadspectrum or Ferrovial in relation to the Offer. However, more generally Ernst & Young provides professional services to Broadspectrum and Ferrovial, and subsidiaries thereof. These services included the provision of tax consulting and other advisory services to Broadspectrum in respect of matters not related to the Offer. We do not consider these services to compromise our independence.

2.7 Limitations and reliance on information

In the preparation of this Independent Expert's Report, Ernst & Young Transaction Advisory Services was provided with information in respect of Broadspectrum and obtained additional information from public sources, as set out in Appendix E. Our opinion is based on economic, market and other external conditions prevailing at the date of this Report. These conditions can change over relatively short periods of time and these changes can be material.

The Independent Expert's Report is also based upon financial and other information provided by Broadspectrum in relation to the Offer. Ernst & Young Transaction Advisory Services has considered and relied upon this information. Broadspectrum has represented to Ernst & Young Transaction Advisory Services that to its knowledge the information provided is accurate and that there are no material facts which have been omitted.

The information provided to Ernst & Young Transaction Advisory Services for the preparation of this Report has been evaluated through analysis, enquiry and review for the purposes of forming an opinion as to whether the Offer is fair and reasonable. However, Ernst & Young Transaction Advisory Services does not warrant that our enquiries have identified all of the matters that an audit, an extensive examination or tax investigation might disclose.

Preparation of this Report does not imply that we have, in any way, audited the accounts or records of Broadspectrum. It is understood that the accounting information that was provided was prepared in accordance with generally accepted accounting principles including the Australian equivalents to International Financial Reporting Standards and International Financial Reporting Standards, as applicable.

In forming our opinion we have also assumed that:

- ▶ Matters such as title, compliance with laws and regulations and contracts in place are in good standing and will remain so and that there are no material legal proceedings, other than as publicly disclosed
- ▶ The information set out in the Target's Statement to be sent by Broadspectrum to Broadspectrum Shareholders is complete, accurate and fairly presented in all material respects
- ▶ The publicly available information relied upon by Ernst & Young Transaction Advisory Services in its analysis was accurate and not misleading
- ▶ The Offer will be implemented in accordance with its terms

To the extent that there are legal issues relating to assets, properties, or business interests or issues relating to compliance with applicable laws, regulations and policies, we assume no responsibility and offer no legal opinion or interpretation on any issue.

The statements and opinions given in this Independent Expert's Report are given in good faith and in the belief that such statements and opinions are not false or misleading. This Report should be read in the context of the full qualifications, limitations and consents set out in Appendix A of this Report.



We provided draft copies of this Independent Expert's Report to the Directors and management of Broadspectrum for their comments as to factual accuracy, as opposed to opinions, which are the responsibility of us alone. Amendments made to this Independent Expert's Report as a result of this review by the Directors and management of Broadspectrum have not changed the methodology and conclusions reached by Ernst & Young Transaction Advisory Services.

This Report had been prepared in accordance with APES⁸ 225: *Valuation Services (revised)* (APES 225) issued by the Accounting Professional & Ethical Standards Board in May 2012. In accordance with APES 225, we have performed a Valuation Engagement, which is defined as *"an engagement where the valuer is free to choose the valuation approaches, methods and procedures as appropriate to the circumstances. The estimate of value that results is a conclusion of value."*

⁸ Accounting Professional and Ethical Standard



3. Overview of Broadspectrum

3.1 Company Profile

3.1.1 Background

Broadspectrum, formerly Transfield Services Limited, originated from the operations and maintenance (“O&M”) services business of the Transfield Holdings Group. Following its listing in 2001, Broadspectrum grew both organically and through acquisitions increasing its service offering through its Easternwell business⁹ and its geographic footprint to North America and Chile.

By FY12¹⁰, Broadspectrum’s revenues had grown to approximately \$3.1 billion with key contracts with the National Broadband Network (“NBN”) as well as a five-year, \$200 million coal seam gas (“CSG”) contract with QGC Pty Limited for the provision of O&M services in Queensland. In FY14, Broadspectrum divested its businesses in the Middle East and India. In response to challenging business conditions and with a new executive management team in FY14, Broadspectrum initiated a strategic review resulting in a new operating model, a debt reduction strategy, a productivity improvement plan and a new opportunity governance and approval process (“Gate Process”) to ensure rigor around the pursuit and contracting of new opportunities.

Following the implementation of the strategic review, since FY14, Broadspectrum has:

- ▶ Secured a \$1.22 billion facilities management contract with the DIBP. After an extension, this contract now expires in February 2016
- ▶ Obtained preferred tenderer status for a new DIBP contract which would be for at least a further five years
- ▶ Expanded nationwide Australian Department of Defence (“DoD”) contracts
- ▶ Rebranded the business to Broadspectrum, reflecting its diverse offering across multiple service lines
- ▶ Adopted a new operating model focusing on six service lines across four distinct sectors
- ▶ Met upgraded guidance for FY15, achieving underlying revenue and EBITDA¹¹ growth in FY15
- ▶ Improved its balance sheet position, reducing net debt¹² over the three years to FY15 and thus improving key gearing ratios
- ▶ As at 31 December 2015, increased current contracted revenue in hand to approximately \$10.3 billion, of which \$1.5 billion and \$2.3 billion are in 2HFY16¹³ and FY17, respectively

Broadspectrum now positions itself as an essential and non-discretionary services provider to the Government and the private sector primarily operating in Australia, New Zealand and the US. Broadspectrum provides logistics and facilities management, consulting, care and welfare, construction, well servicing and O&M services across four internally defined sectors: Defence Social and Property (“DSP”), Infrastructure, Resources and Industrial (“R&I”) and Americas.

Broadspectrum’s sectors are described below and their operating performance is discussed in Section 3.2 of this Independent Expert’s Report.

⁹ Easternwell Group Operations

¹⁰ Financial year ended 30 June 2012

¹¹ Earnings Before Interest, Tax, Depreciation and Amortisation

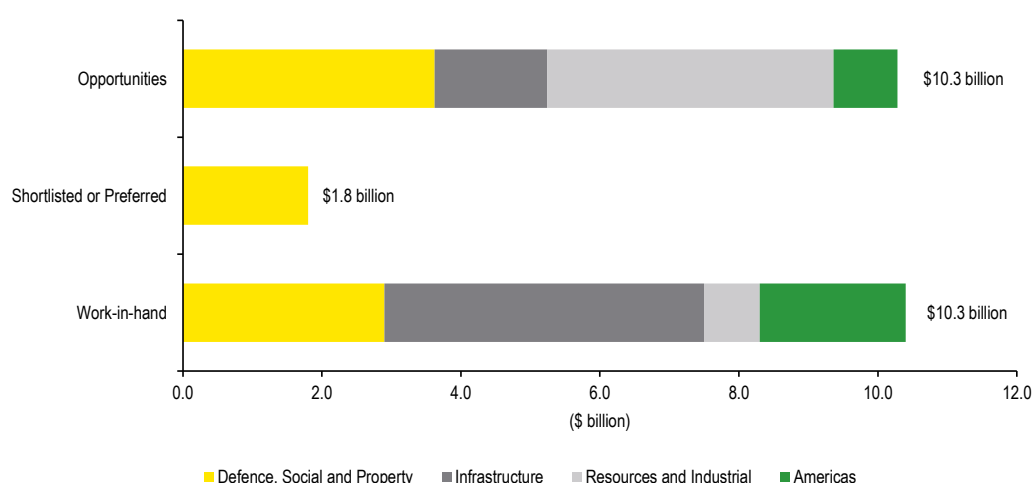
¹² Total debt including finance leases, less cash, adjusted for the net position of interest rate cross currency derivatives associated with hedging debt instruments

¹³ Second half of FY16 i.e. the six months ending 30 June 2016

3.1.2 Broadspectrum's revenue pipeline

Broadspectrum's revenues are driven by its ability to secure a pipeline of contracts targeted from a cross section of clients operating in diverse industry sectors. As at 31 December 2015, the contracted pipeline of work was approximately \$10.3 billion, of which \$1.5 billion and \$2.3 billion are expected to be delivered during 2HFY16 and in FY17 respectively. Typically, contracted revenue at the start of a financial year represents between 55% - 75% of total revenue for that year, with a further 10% - 30% derived from leveraged work and renewals and approximately 10% - 20% from additional growth.

The following chart illustrates the opportunities and work-in-hand by sector as at 31 December 2015.



Source: Broadspectrum management

3.1.3 Defence, Social and Property

The DSP sector provides logistics and facilities management services to Government clients and some corporate clients. The DSP sector's major clients include the DoD, various State and local governments, DIBP, Victorian Department of Health, Austin Health, NSW Land and Housing Corporation ("NSW Housing"), the New Zealand Police and Westpac. The DSP sector generally competes with UGL, Programmed, Decmil, Sodexo, Spotless and Serco in Australia.

During FY15 and in the past six months, the DSP sector:

- ▶ Signed new DoD contracts with expanded scope
- ▶ In August 2015, announced that it was selected as the preferred tenderer to provide welfare and garrison support services, for five years, for the DIBP, at the Regional Processing Centres ("RPCs") in Nauru and Manus Province. As part of the transition to new contract arrangements, the DIBP contract expiring in October 2015 was extended by four months on broadly similar terms on an expanded scope effective as at 1 November 2015. Any new contract arising from this preferred tenderer process is expected to be effective from March 2016
- ▶ Renewed and expanded the contract with Austin Health and extended, with an expansion, the facilities contract with Gold Coast University Hospital and Health Services ("GCUHHS")
- ▶ In December 2015, signed a contract with NSW Housing for five years with two two-year extension options with an expanded scope

The defence subsector contributed 26% of the DSP sector's FY15 revenue. Services provided in this subsector include both sustainment and support services as well as O&M. A key aspect of Broadspectrum's DSP sector is the company's long standing relationship with key stakeholders, in particular, the DoD. Broadspectrum has a proven ability to interface with the DoD having operated with them for over 25 years.

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The new DoD contract secured in July 2014, commenced in December 2014 and underpins the performance of the defence business for the next five years. This contract also includes two two-year renewal options increasing the total potential contract value to approximately \$2.7 billion.

The social subsector contributed 69% of the DSP sector's FY15 revenue. Services provided in this subsector are largely non-discretionary by nature and include logistics and facilities management services to government clients across health, education, immigration and social housing. Revenue in this subsector increased in FY15 compared to FY14 primarily due to the full year impact of the \$1.2 billion services contract with the DIBP. Other factors that have contributed to growth in this subsector include extensions or renewals of contracts with NSW Housing, Austin Health and GCUHHS.

The property subsector contributed approximately 5% of the DSP sector's FY15 revenue. Broadspectrum provides a broad range of corporate and industrial real estate services including property sales, leasing, engineering services, administration of property portfolios as well as project and program consulting. Clients of the property subsector include financial and education institutions, private investors and government agencies.

DIBP Contract

Broadspectrum is contracted by the Australian Government to provide garrison and welfare support services at the Manus Province, Papua New Guinea and Nauru RPCs. In March 2014, a 20-month contract with Broadspectrum was signed for both Manus Province and Nauru. The four-month contract extension for these centres was signed effective as at 1 November 2015. Broadspectrum has announced that it is currently the preferred tenderer for at least a five-year expanded contract with the DIBP.

Outlook

The outlook for the remainder of FY16 and in the medium term for the DSP sector is expected to be driven by:

- ▶ A track record with key clients which positions Broadspectrum competitively to both retain existing work and win similar contracts with new clients in health, justice, aged care, social housing and education
- ▶ The five-year integrated facilities management and property services contract with NSW Housing which could be worth \$950 million, excluding the possible two two-year extension options
- ▶ Targeting construction opportunities and leveraging its sustainment capability within the defence sector
- ▶ Being preferred tenderer for at least a five-year contract with DIBP to provide garrison and welfare support services at the Manus Province and Nauru RPCs

3.1.4 Infrastructure

Broadspectrum's Infrastructure sector ("Infrastructure") provides O&M and construction services to the telecommunications, transport and utilities subsectors. Broadspectrum holds a 50% interest in each of the two material joint ventures ("JVs") which form part of the Infrastructure sector, i.e. Transfield Worley Power Services Pty Ltd ("TWPS") and the Harbour City Ferries Partnership. In Australia and New Zealand, the Infrastructure sector generally competes with Downer, RCR, CIMIC, Programmed, UGL, Lend Lease and Fulton Hogan.

During FY15 and in the past six months, the Infrastructure sector:

- ▶ Saw a return of volumes from existing NBN contracts in Sydney and Melbourne
- ▶ In June 2015, signed a five-year Multi-technology Integrated Master Agreement ("MIMA") with NBN Co Limited ("NBN Co") worth up to \$140 million in the first year
- ▶ Wound up a number of contracts in electrical services and water across Australia
- ▶ Is part of the Nexus Consortium, the winning tenderer for the Second Range Crossing at Toowoomba and will deliver ongoing O&M from 2018

- ▶ In December 2015, through TWPS, renewed a five and half year contract with AGL Energy Limited ("AGL") valued at approximately \$200 million. Broadspectrum's share of the contract is worth approximately \$100 million
- ▶ Signed a new five-year contract totalling approximately \$170 million with Queensland Urban Utilities ("QUU") via a JV with Downer, Utilita Water Solutions ("UWS"), to deliver electrical, civil and mechanical maintenance services. Broadspectrum's share of the contract is worth approximately \$85 million

The telecommunications subsector contributed 42% of the Infrastructure sector's revenue in FY15. Broadspectrum's key contracts in the sector are with NBN Co in Australia and with Chorus New Zealand Limited ("Chorus") and the Ultra-Fast Broadband ("UFB") Program in New Zealand. The roll out of this telecommunications infrastructure in both Australia and New Zealand are in the form of large multi-year projects, with Broadspectrum continuing to be a contractor to these programs due to pre-existing client relationships.

The transport subsector is comprised of road, rail and public transport contracts. The subsector contributed 29% of the Infrastructure sector's revenue in FY15. Broadspectrum's key contracts in the sector are the Eastlink roads contracts, the North West Urban Road Corridor maintenance contract with Auckland Transport, the Logan and Gateway Extension motorways maintenance contract with Transurban Brisbane, the Hills M2 Motorway and Lane Cove Tunnel contracts in Sydney as well as a recently signed five-year state highway maintenance contract with the New Zealand Transport Agency.

In the utilities subsector, Broadspectrum focuses on the O&M of water and electrical transmission and distribution facilities. Both FY15 revenue and EBITDA in the utilities subsector fell from FY14 due to lower volumes and margins in the electrical services industry as well as the completion of some contracts in the water business. Broadspectrum is also a key O&M service provider to Transpower in New Zealand.

Outlook

The outlook for the remainder of FY16 and in the medium term for the Infrastructure sector is expected to be driven by:

- ▶ A focus on privatisation opportunities in the infrastructure sector and increasing scale across the subsectors in which it operates. The Company also expects to capture future growth opportunities as governments look to outsource operations in order to reduce costs
- ▶ Contracts currently with Ultrafast Fibre Limited ("UFF"), Chorus and Enable Networks Limited ("Enable") in New Zealand as well as with NBN Co in Australia which are expected to underpin telecommunications revenue to FY20, with potential O&M opportunities with NBN thereafter
- ▶ New roads contracts with a combined revenue contribution of NZ\$112 million, including a four-year (excluding two two-year options) state highway maintenance contract signed with New Zealand Transport Agency in May 2014
- ▶ The three-year, NZ\$78 million contract with Transpower, signed in July 2015, to maintain transmission lines and substations
- ▶ Being part of the consortium to deliver O&M services in regards to the Toowoomba second range crossing project
- ▶ Being shortlisted for maintenance and construction contracts on water assets across Australia

3.1.5 Resources and Industrials

The R&I sector incorporates Broadspectrum's activities in the oil and gas, mining and industrial sectors in Australia and New Zealand. The Company's major clients in the R&I subsector include Fortescue, Mobil, Santos, QGC, Woodside, BlueScope, ConocoPhillips, and ALCOA, BHP Billiton, Centennial Coal, Caltex, and Qenos. The R&I sector generally competes with UGL, Programmed, Ausdrill, Monadelphous, Downer, WorleyParsons, Jacobs, RCR and Decmil.



During FY15 and in the past six months, the R&I sector:

- ▶ Faced challenging market conditions, particularly in light of a rapid decline in oil, liquefied natural gas ("LNG"), iron ore, coal and other commodity prices
- ▶ Faced reduced work volumes in CSG in Queensland and onshore gas in Central Australia
- ▶ Pursued construction opportunities in the oil and gas sector in Western Australia and the Northern Territory
- ▶ Extended contracts with Santos (November 2015) and BlueScope Steel (November 2014)
- ▶ Signed with Woodside, in December 2014, a Master Services Agreement, to provide project implementation services for its North West Shelf offshore facilities for two years, with two one-year extension options

The oil and gas subsector represented 83% of the R&I revenues in FY15. Broadspectrum provides onshore drilling and welling services in addition to O&M of wells and surface work. The Company also offers brownfield construction and maintenance services to offshore oil and gas facilities. Broadspectrum has 50% of the well servicing market in Australia, with current business relationships with Santos, QGC and Origin Energy. Given the cyclical nature of this underlying subsector, whilst Broadspectrum expects business conditions to improve in the medium to long term, short term conditions are expected to be challenging.

The mining and industrial subsector represented 17% of the R&I revenues in FY15. Broadspectrum's mining services encompass both subsurface services such as drilling, dewatering and backfill drilling as well as asset management services such as contractor management, maintenance and shutdown, procurement and O&M. Broadspectrum's industrial services comprises of asset management, shutdown management and speciality welding, steel manufacturing optimisation and fuel storage / delivery engineering services.

Mining and industrial remains a small part of Broadspectrum's portfolio, with potential to expand in the future. Minerals rig utilisation is currently 38% compared to circa 70% historically and is positioned to respond positively when market conditions improve.

Outlook

The outlook for the remainder of FY16 and in the medium term for the R&I sector is expected to be driven by:

- ▶ Australia becoming the world's largest LNG exporter by 2020¹⁴ which is expected to trigger increasing O&M opportunities with gradually increasing production capacity. Management's current expectation of growth is in the onshore well-servicing market and the pipeline of large scale LNG projects (including onshore and offshore upstream facilities in addition to the LNG plants themselves)
- ▶ Contracts to perform O&M services at oil and gas facilities for Woodside, Santos and QGC
- ▶ Pursuing opportunities to provide more integrated services where the Company can leverage its diversified services portfolio and support the introduction of further cost efficiencies for customers
- ▶ Focusing on non-discretionary, essential and production related activity (as against construction activity), such as asset shutdown services to ensure the Company is less dependent on commodity price recovery to deliver growth from the sector
- ▶ Developing capabilities in the industrial subsector and more particularly in the light-industrial segment

¹⁴ Australian Petroleum Production & Exploration Association ("APPEA")

3.1.6 Americas

The Americas sector of Broadspectrum, which refers to Broadspectrum's operations in the United States, Canada and Chile, primarily provides O&M and asset management services to the oil and gas, mining and roads subsectors. The Company's major clients in the Americas sector are Shell, Chevron, Dow, Exxon Mobil, LyondellBasell, Tesoro, Marathon, the Departments of Transportation of several states, Valero, Codelco, ConocoPhillips, Caltrans, BHP Billiton and the Washington DC Government. The Americas sector generally competes with a number of relatively small private operators alongside a number of the larger listed market participants.

During FY15 and in the past six months, the Americas sector:

- ▶ Successfully renegotiated the terms of a number of underperforming roads contracts
- ▶ Ceased capital expenditure in the upstream and oil and gas services sector as a result of deteriorating global oil prices
- ▶ Has completed a significant shutdown program with LyondellBasell in the Gulf coast and is targeting expansion in the downstream refining business

Broadspectrum provides upstream, downstream and speciality services in the Americas sector. In the United States, the Company provides onsite and remote oil and gas maintenance services. In Canada, Broadspectrum operates under the FTS¹⁵ JV with AECOM, which provides asset maintenance services in the oil and petrochemical industry. Revenue and EBITDA declined in the sector in FY15, driven by a decline in oil prices, impacting oil producing provinces of Canada such as Alberta where Broadspectrum's oil sands business is based. However, in the past six months, the downstream business has performed in line with budgetary expectations as a result of favourable market conditions.

Through InsertTS in Chile, Broadspectrum provides mining support services such as maintenance, electrical O&M and environmental services. In the roads sector, Broadspectrum has a portfolio of 24 roads contracts in the United States and Canada. Between FY12 and FY15, several road contracts have underperformed and have subsequently been renegotiated.

Outlook

The outlook for FY16 and in the medium term for the Americas sector is expected to be driven by:

- ▶ Growth, dependent on volatile oil and gas market conditions in the future but targeted at downstream energy and petrochemical markets leveraging long-standing relationships with blue-chip clients
- ▶ Outsourcing trends in the Western Canadian oil sands market, towards provision of specialised services such as blue collar labour
- ▶ A new local management team in Chile who have recently secured a portfolio of contracts and focused efforts on mechanical and electrical outsourcing in the construction business
- ▶ A number of renegotiated roads contracts in Canada that were previously underperforming
- ▶ Increasing expenditure on road development and associated long term maintenance operations with public-private-partnerships ("PPP")
- ▶ Market conditions in Chile, which could be challenging in the near-term due to a weaker copper price

¹⁵ Joint venture with AECOM in Canada which provides services to the hydrocarbons sector



3.2 Financial information

3.2.1 Financial performance

Broadspectrum's financial performance for the three years ended FY15 is set out below.

Broadspectrum - Consolidated income statement summary				
Currency: \$million	FY13 (Restated) ¹⁶	FY14	FY15	Growth rate (FY14-15)
Statutory revenue ¹⁷	3,694.3	3,748.1	3,796.7	1.3% ¹⁸
EBITDA ¹⁹	(101.0)	210.5	242.0	15.0%
EBIT ²⁰	(207.6)	118.2	144.9	22.6%
Profit/ (loss) before tax	(259.3)	59.2	67.1	13.3%
Profit/(loss) after tax	(254.5)	52.8	48.6	(8.0%)
Revenue growth	na	1.5%	1.3%	
EBITDA growth	na	308.4%	15.0%	
EBITDA margin	(2.7%)	5.6%	6.4%	
EBIT margin	(5.6%)	3.2%	3.8%	

Source: Broadspectrum FY13 to FY15 annual reports. Note – totals may not add due to rounding

In relation to Broadspectrum's historical financial performance, we note:

- ▶ Revenue and EBITDA demonstrated positive trends with revenue increasing at a compound annual growth rate ("CAGR") of 1.4% between FY13 and FY15 to \$3.8 billion. Broadspectrum's EBITDA increased by 15% between FY14 and FY15 driven by the increase in revenue from a relatively more diverse and changing client base. The significant reported losses in FY13 are discussed below
- ▶ Revenue composition changed towards the DSP sector in FY15, based on strong contributions from the DIBP and DoD contracts. However, as recently as FY14, the Infrastructure and the R&I sectors contributed a relatively larger share to the Company's revenue compared to current expectations in FY16

¹⁶ FY13 income statement summary has been restated as per FY14 annual report to reflect the adoption of AASB 11

¹⁷ Statutory revenue in FY14 is inclusive of a gain on sale of investments of \$20.1 million

¹⁸ CAGR from FY13 to FY15 is 1.4%

¹⁹ Statutory EBITDA before normalising adjustments for gain on sale of investments, settlement of legal claims, restructuring costs and the costs associated with the exit of Chilean construction business

²⁰ Earnings before interest and tax

3.2.2 Underlying EBITDA

The statutory EBITDA adjusted for one-of items for the three years ended FY15 is set out below.

Broadspectrum - One off items				
Currency: \$million	FY13 (Restated) ²¹	FY14	FY15	CAGR (FY13-15)
EBITDA	(101.0)	210.5	242.0	
Restructuring costs	21.4	22.6	8.3	
Loss/gain on sale of assets	(27.2)	(16.4)	-	
Impairment of assets	308.5	-	-	
Settlement of legal claims	-	-	15.0	
Underlying EBITDA²²	201.7	216.7	265.3	14.7%
Underlying EBITDA margin²³	5.5%	5.8%	7.0%	

Source: Broadspectrum FY15 annual reports. Note – totals may not add due to rounding

With regard to the adjustments reflected above, we note:

- ▶ FY13 earnings included an impairment charge of \$308.5 million as a result of indicators of impairment in the Easternwell, Americas and Middle East and Asia business segments. FY13 earnings also included a \$27.2 million gain on the sale of power contracts into TWPS. Restructuring costs of \$21.4 million primarily relate to redundancies following the split of the former ANZ sector between the Infrastructure and R&I sectors
- ▶ FY14 earnings included \$22.6 million of restructuring and redundancy costs relating to the implementation of the new strategic plan. The FY14 gain on asset sales of \$16.4 million mainly related to the sale of Broadspectrum's share in the Transfield Worley New Zealand ("NZ") JV and the Hofincons business (\$20.1 million), offset by a payment of \$3.7 million to exit the Bocamina contract
- ▶ FY15 earnings included \$15 million of costs in relation to settling three legacy claims in the Americas sector. Restructuring costs of \$8.3 million mainly relate to costs incurred by the Company for the roll out of a new SAP system

3.2.3 Underlying EBITDA guidance FY16

On 21 December 2015, Management provided the following update to its FY16 full year Underlying EBITDA guidance:

- ▶ FY16 Underlying EBITDA is expected at between \$265 million and \$285 million, which compares favourably to the previous guidance of \$265 million
- ▶ Despite challenging operating conditions, during the six months ending 31 December 2015, Broadspectrum experienced growth in the DSP sector, a return to profitability in the Americas sector, increased volumes in the CSG to LNG component in the energy sector and increased activity in the US refining and petrochemicals sector
- ▶ Gearing levels in the first half of FY16 were expected to be maintained and a material improvement is anticipated in the second half of FY16

²¹ FY13 income statement summary has been restated as per FY14 annual report to reflect the adoption of AASB 11

²² EBITDA adjusted for one-off and non-recurring items

²³ Calculated as Underlying EBITDA/statutory revenue



3.2.4 Financial performance by sector

Broadspectrum's financial performance by sector for the two years ended FY15 is set out below.

Broadspectrum - Sector performance						
	Operating revenue		Underlying EBITDA		EBITDA margin ²⁴	
Currency: \$million	FY14	FY15	FY14	FY15	FY14	FY15
Defence, Social and Property	1,201.7	1,556.1	106.0	256.0	8.8%	16.5%
Infrastructure	1,099.5	1,061.7	63.0	48.2	5.7%	4.5%
Resources and Industrial	957.5	761.3	67.0	10.5	7.0%	1.4%
Americas	466.1	412.8	6.0	(10.4)	1.3%	(2.5%)
Corporate	3.3	4.8	(25.3)	(39.0)	-	-
Total	3,728.1	3,796.7	216.7	265.3	5.8%	7.0%

Source: Broadspectrum FY15 annual reports. Note – totals may not add due to rounding

In relation to Broadspectrum's financial performance by sector, we note:

- ▶ The DSP sector contributed 41% of Broadspectrum's FY15 revenue and 84% of Underlying EBITDA (excluding corporate expenses). Revenue in FY15 increased by 29% relative to FY14 and Underlying EBITDA increased by \$150 million primarily due to the full year impact of the DIBP contract and other new contract wins
- ▶ The Infrastructure sector contributed 28% of Broadspectrum's FY15 revenue and 16% of Underlying EBITDA (excluding corporate expenses). Revenue in FY15 decreased by 3% relative to FY14 but Underlying EBITDA decreased by 23% primarily due to approximately \$20 million in provisions for underperforming legacy contracts, a large proportion of which were related to the telecommunications sector in New Zealand
- ▶ The R&I sector contributed 20% of Broadspectrum's FY15 revenue and 3% of Underlying EBITDA (excluding corporate expenses). Revenue in FY15 decreased by 20% relative to FY14 but Underlying EBITDA decreased by 84% primarily due to reduced work volumes, lower margins, delayed completion and commencement of operations of large oil and gas projects and a \$3 million provision for an underperforming legacy oil and gas O&M contract
- ▶ The Americas sector contributed 11% of Broadspectrum's FY15 revenue. Whilst revenue in FY15 decreased by 11% relative to FY14, the sector incurred an Underlying EBITDA loss, primarily due to lower volumes in the upstream oil and gas subsector and the exit from several low margin contracts in the US downstream oil and gas business. Underlying EBITDA was also impacted by contract provisions relating to underperforming roads maintenance contracts in Canada and the US as well as other one-off items such as bad debt write offs and write down of JV assets all totalling approximately \$9 million
- ▶ Corporate costs primarily relate to costs incurred by head office such as group finance and taxation, legal, strategy and business planning, treasury, company secretarial, investor relations and ASX listing costs. The increase in corporate costs in FY15 was predominantly due to movements in provisions and one-off items (e.g. SAP implementation)

²⁴ Calculated as Underlying EBITDA/operating revenue

3.2.5 Financial position

Broadspectrum's financial position as at the end of FY14 and FY15 is set out below.

Broadspectrum - Consolidated financial position summary		
Currency: \$million	FY14	FY15
Cash and cash equivalents	224.8	357.9
Other assets	721.1	647.6
Total current assets	945.9	1,005.5
Intangible assets	552.1	542.8
Property, plant and equipment	479.7	478.4
Other assets	353.2	483.0
Total non-current assets	1,385.0	1,504.2
Total assets	2,330.9	2,509.7
Trade and other payables	(541.1)	(512.6)
Loans and borrowings	(84.7)	(36.0)
Other liabilities	(214.5)	(240.9)
Total current liabilities	(840.3)	(789.5)
Loans and borrowings	(673.8)	(863.3)
Other liabilities	(60.4)	(47.2)
Total non-current liabilities	(734.2)	(910.5)
Total liabilities	(1,574.5)	(1,700.0)
Net assets	756.4	809.7
Leverage ratio ²⁵	2.4x	1.8x
Gearing ratio ²⁶	41%	37%
Return on capital employed (ROCE) ²⁷	10.0%	13.7%

Source: Broadspectrum FY15 annual report. Note – totals may not add due to rounding

In relation to Broadspectrum's financial position, we note:

- ▶ Movements in cash are outlined in Section 3.2.7
- ▶ Property, plant and equipment of \$478 million as at FY15 comprised of plant and equipment (\$379.9 million), capital work in progress (\$52.9 million), leased plant and equipment (\$31.5 million) and land and leasehold improvements (\$14.1 million). The Company did not have any material capital commitments for the acquisition of property, plant and equipment as at FY15. The Company capitalised \$1.8 million in financing costs attributable to qualifying assets in FY15
- ▶ Other non-current assets included Broadspectrum's 20% interest in Ratch Australia Corporation Limited ("RACL"). This asset had been independently fair valued at FY15 using a discounted cash flow methodology at \$94.5 million. Other non-current assets also included deferred tax assets of \$110.7 million of which \$89.5 million related to tax losses and a current tax liability²⁸ of \$71.8 million at FY15

²⁵ Leverage ratio is computed for a given year as net debt/ EBITDA

²⁶ Gearing ratio is computed for a given year as net debt/ (net debt + equity)

²⁷ Calculated as Underlying EBIT divided by total assets (excluding cash and tax assets) less total liabilities (excluding debt and tax liabilities)

²⁸ Paid during the six months ending 31 December 2015



- ▶ Operating lease commitments payable not later than five years rose marginally to \$193.5 million in FY15 compared to \$179.1 million in FY14. Finance lease liabilities recognised as a liability (included in net debt) were approximately \$26.2 million at FY15 and excluded future finance charges of \$2.9 million

3.2.6 Statutory Net Debt

Broadspectrum's statutory net debt position as at the end of FY14 and FY15 is set out below.

Net debt		
Currency: \$million	FY14	FY15
Cash at bank and on hand	(224.8)	(357.9)
Restricted cash	-	-
Cash and cash equivalents	(224.8)	(357.9)
Cash advances	-	11.0
High Yield Bonds	348.0	421.6
Unsecured loans and borrowings	348.0	432.6
Cash advances	213.5	262.8
US private placement	180.4	194.6
Lease liabilities	36.2	26.2
Unsecured loans and borrowings	430.1	483.6
(-) Unamortised borrowings costs	(19.6)	(16.9)
(+) Fair value portion of Cross Currency Interest Rate Swaps	-	(70.7)
Total net debt	533.7	470.7

Source: Broadspectrum FY14 and FY15 annual report. Note – totals may not add due to rounding

In relation to Broadspectrum's statutory net debt, we note:

- ▶ Broadspectrum's net debt, from a statutory perspective, of \$471 million as at FY15, which decreased by \$63 million compared to FY14. Excluding foreign exchange movements, net debt reduced by \$102 million between FY14 and FY15
- ▶ The High Yield Bonds issued on May 2014 have been hedged using cross currency interest rate swaps ("CCIRS"). Settlement of the High Yield Bonds and CCIRS will occur at maturity on 15 May 2020
- ▶ Broadspectrum's key financial metrics improved over the past three years to FY15. The Company's leverage and gearing ratios²⁹ decreased from 2.7 times to 1.8 times and from 43% to 37% respectively
- ▶ For the purposes of this Report, EY's net debt calculation ignores the adjustment for the unamortised borrowing costs

²⁹ Leverage ratio is computed for a given year as follows: net debt/ EBITDA
Gearing ratio is computed for a given year as follows: net debt/ (net debt + equity)

3.2.7 Cash flow

Provided below is a summary of Broadspectrum's cash flow statement for the two years ended FY15.

Broadspectrum - Consolidated cash flow summary		
Currency: \$million	FY14	FY15
Receipts from customers (inclusive of goods and services tax)	4,145.4	4,248.0
Payments to suppliers, subcontractors and employees (inclusive of goods and services tax)	(4,107.5)	(3,982.5)
Distributions received from JVs	16.9	9.7
Interest received	3.7	1.9
Interest paid	(54.1)	(74.0)
Income tax (paid)/refunded	5.1	(14.8)
Net cash flow from operating activities	9.5	188.3
Payments for property, plant and equipment	(70.7)	(80.2)
Proceeds from sale of property, plant and equipment	30.6	7.6
Receipts from loan notes	3.3	1.6
Investment in and loans to JVs	(11.2)	(4.7)
Net cash (outflow)/inflow from disposal of businesses, net of transaction costs	41.7	(0.2)
Net cash flow from investing activities	(6.3)	(75.9)
Proceeds from borrowing, net of financing costs	1,081.7	517.3
Repayment of borrowings	(1,055.2)	(503.9)
Payments for acquisition of treasury shares	-	(0.7)
Net cash flow from financing activities	26.5	12.7
Net increase in cash held	29.7	125.1
Cash and cash equivalents at the beginning of financial year	196.1	224.8
Effects of changes in exchange rate rates on cash and cash equivalents	(1.0)	8.0
Cash and cash equivalents at the end of financial year	224.8	357.9

Source: Broadspectrum FY15 annual report. Note – totals may not add due to rounding

Broadspectrum's cash balance increased in FY15 compared to FY14 primarily as a result of higher cash receipts received from customers and lower cash payments to suppliers. This was slightly offset by lower cash flows towards investing activities. Capital expenditure for FY15 was \$80 million, which was related to growth capital expenditure (\$30 million), the Company's upgrade to a single SAP platform across its global operations (\$26 million) and maintenance capital expenditure predominantly in the energy subsector (\$24 million).

The Company did not pay dividends in FY14 and FY15. It was noted at the FY15 Annual General Meeting³⁰ that the Board will revisit the current prioritisation of debt pay down over dividends at the FY16 half year results.

3.3 Capital structure

As at the date of this Report, Broadspectrum had 512,457,716 fully paid ordinary shares including 310,286 shares held as Treasury shares (explained below) in accordance with the Broadspectrum incentive plans.

Treasury shares are shares in Broadspectrum held by TranShare Plan Trust for the purpose of awarding shares under the TranShare deferred retention incentive scheme and the incentive plans described below. As at the date of this Report, 310,286 shares remained in the trust, net of 794,834 shares transferred to employees during the current financial year.

³⁰ FY15 Annual General Meeting was held on the 28 October 2015



3.3.1 Broadspectrum Performance Awards

Broadspectrum operates a short term incentive ("STI") plan under which, subject to performance hurdles, eligible participants may be entitled to a cash amount for annual performance and performance rights in cases where the short term incentive earned is above a threshold. For the Chief Executive Officer, Managing Director and key management personnel, STI deferral is set at 50% of the incentive earned and applied to the full STI amount, not the balance above the threshold. For all other employees eligible for STI, STI deferral is set at 30% of the incentive earned and applied to the full STI amount, not the balance above the threshold.

The performance rights received above, which vest at the end of a two year period, have no dividend entitlements or voting rights. However, each performance right entitles the participant to receive one Broadspectrum ordinary share at the end of a two-year period. Unvested performance rights are subject to claw back and may be reduced to zero at the Board's discretion. Shares are generally sourced from on-market purchases acquired through the TranShare Plan Trust. At cessation of employment (other than due to redundancy or retirement), the unvested rights will immediately lapse on exit. In the event of a change of control, unvested awards can vest in accordance with the change of control clause in the TranShare Executive Performance Awards Plan ("TEPAP") rules.

Broadspectrum also currently operates a long term incentive ("LTI") plan under which the CEO and other key management personnel may be granted performance rights³¹ (subject to a three year performance period). Unvested performance rights have no dividend entitlements or voting rights. However, each performance right entitles the participant to receive one Broadspectrum ordinary share for nil consideration subject to the three-year performance period and granted on terms and conditions determined by the Board, including vesting conditions linked to service and performance. Unvested performance rights are subject to claw back and may be reduced to zero at Board discretion. Shares are generally sourced from on-market purchases acquired through the TranShare Plan Trust. At cessation of employment (other than due to redundancy or retirement), the unvested rights will immediately lapse on exit. In the event of a change of control, unvested awards can vest in accordance with the change of control clause in the TEPAP rules.

As at the end of FY15, 21,090,579 Broadspectrum Performance Awards were granted under the TEPAP of which 90,020 were exercisable at 30 June 2015. As at the date of this Report, EY is advised that approximately 29.5 million Broadspectrum Performance Awards were on issue under the TEPAP.

3.4 Major shareholders

Based on substantial holding notices lodged with the ASX as at the date of this Report, the following entities held 5% or more of the voting power in Broadspectrum Shares. As at the date of this Report, there were 13,083 registered shareholders in Broadspectrum.

Broadspectrum - Substantial shareholders			
Shareholder	Number of shares	Voting interest at time of notice	
Allan Gray Investment Management	95,849,104	18.70%	
Invesco Australia Limited	54,469,409	10.63%	
Dimensional Entities	30,878,244	6.03%	
State Street Australia Limited as custodian for Retail Employees Superannuation Pty Limited	25,744,036	5.02%	

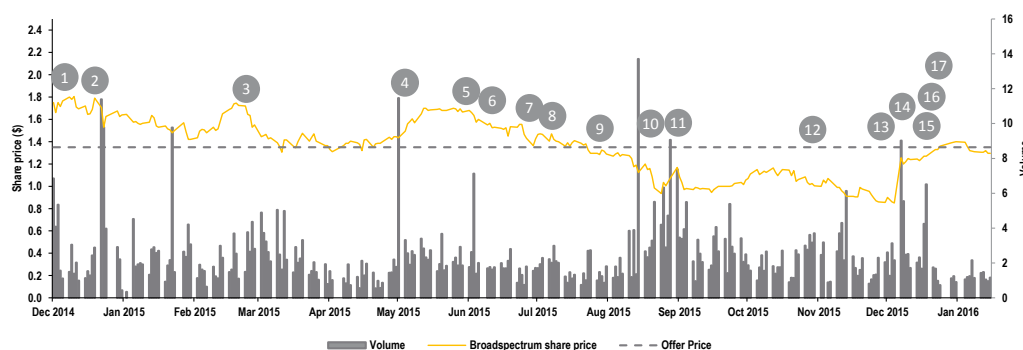
Source: Broadspectrum FY15 annual report and ASX announcements

Broadspectrum's largest single shareholder is Allan Gray Investment Management which held 18.7% as at the date of this Report.

³¹ Also granted as per the Medium Term Incentive ("MTI") plan

3.5 Share price performance

The chart below shows the closing price and trading volumes of Broadspectrum's Shares on the ASX between 1 December 2014 and 15 January 2016. Over that period, Broadspectrum's share price traded from a high of \$1.89 on 1 December 2014 to a low of \$0.83 on 27 November 2015. Broadspectrum's closing share price on 4 December 2015, being the last trading day prior to the announcement of the Offer, was \$0.85.



Source: Standard & Poor's ("S&P") Capital IQ

In addition to the regular interim and annual reporting announcements, the significant announcements made by Broadspectrum since December 2014 annotated in the chart above that may have had an impact on Broadspectrum's share price are summarised below:

1. 4 December 2014 - Broadspectrum signed a master services agreement with Woodside to provide multidiscipline implementation services at the Woodside operated North West Shelf Project offshore facilities.
2. 19 December 2014 – Ferrovial proposed a revised indicative offer price of \$2.00 per share. On 22 December 2014, discussions between Broadspectrum and Ferrovial ceased and Ferrovial did not proceed with a formal offer.
3. 26 February 2015 – Broadspectrum announced a statutory net profit after tax for the first half of FY15 of \$8.4 million, up from \$4.8 million on the prior comparable period.
4. 6 May 2015 – At an investor's conference, Broadspectrum announced a potential decline in margins in the second generation DIBP contract, which was due for renewal in October 2015, the tender for which was lodged in April 2015.
5. 1 June 2015 – Easternwell was awarded a new drilling services agreement with BHP Billiton Iron Ore.
6. 10 June 2015 – Broadspectrum signed the five-year MIMA with NBN Co, valued potentially up to \$140 million in the first year.
7. 26 June 2015 - Broadspectrum signed a five-year contract worth \$88 million with the University of Newcastle to provide integrated facilities management and property services across its metropolitan and regional campuses in NSW, with a provision to extend the scope of work.
8. 6 July 2015 – The Nexus Consortium, which comprises Broadspectrum and partners, was selected by the Queensland Government as preferred tenderer to deliver \$1.6 billion Toowoomba Second Range Crossing Project.
9. 30 July 2015 – At the sustainability investor presentation, Broadspectrum re-iterated its EBITDA expectations for FY15.



10. 17 August 2015 – Broadspectrum notified the market of a media release of 14 August 2015 where it clarified factually inaccurate information reported in the press in relation to the services provided at the RPCs for DIBP.
11. 31 August 2015 – Broadspectrum announced that it was the preferred tenderer for a new potential five-year contract with DIBP.
12. 28 October 2015 – Broadspectrum announced a Deed of Variation with the DIBP for a four-month extension to its existing contract to provide services in Manus Province and Nauru. Broadspectrum also reaffirmed its FY16 earnings guidance at \$265 million.
13. 30 November 2015 – Responding to media reports, Broadspectrum announced comfort with the commercial terms of its Deed of Variation with DIBP and that it was progressing towards the finalisation of the new five-year contract.
14. 7 December 2015 – Ferrovial announced that it intended to lodge a Bidder's Statement in connection with a takeover offer for all of the issued shares in Broadspectrum Limited for \$1.35 cash per share.
15. 17 December 2015 – Broadspectrum signed two new contracts in the power and water sectors valued at approximately \$370 million in aggregate through TWPS and UWS. Broadspectrum's share of these contracts is approximately \$185 million.
16. 18 December 2015 – A new five-year \$950 million (excluding the two two-year renewal options) NSW Housing contract was announced.
17. 21 December 2015 – Broadspectrum announced an upgrade to its full year FY16 earnings guidance to between \$265 million and \$285 million, the return to profitability of the Americas sector and final negotiations with the DIBP on a major contract with an announcement expected in 2016.

The following table summarises the monthly trading prices and liquidity of Broadspectrum's Shares on the ASX over the period 1 December 2014 and 15 January 2016.

Broadspectrum Limited - Monthly Data						
Month	High (\$)	Low (\$)	Close (\$)	VWAP ³² (\$)	Monthly volume (m)	Liquidity %
Dec-14	1.89	1.46	1.64	1.69	67.8	13.2%
Jan-15	1.68	1.40	1.42	1.53	53.2	10.4%
Feb-15	1.80	1.42	1.55	1.61	41.7	8.1%
Mar-15	1.55	1.30	1.37	1.41	55.0	10.7%
Apr-15	1.48	1.31	1.45	1.39	25.5	5.0%
May-15	1.72	1.42	1.67	1.61	59.4	11.6%
Jun-15	1.70	1.35	1.43	1.55	41.7	8.1%
Jul-15	1.50	1.24	1.29	1.38	38.2	7.5%
Aug-15	1.32	0.91	1.17	1.12	83.0	16.2%
Sep-15	1.18	0.92	1.06	1.00	64.6	12.6%
Oct-15	1.19	0.99	1.01	1.08	46.9	9.1%
Nov-15	1.09	0.83	0.86	0.95	44.5	8.7%
Dec-15	1.43	0.84	1.40	1.20	55.6	10.8%
Jan-16 ³³	1.41	1.25	1.30	1.32	12.8	2.5%

Source: S&P Capital IQ

³² Volume weighted average price

³³ Data up to 15 January 2016

Our analysis of the movements in Broadspectrum's share price and trading volumes indicates that Broadspectrum Shares are relatively liquid and:

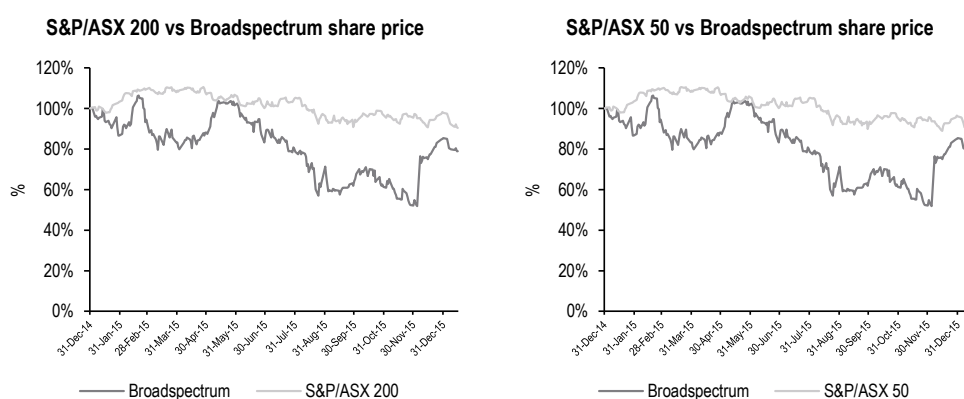
- ▶ Throughout 2015, Broadspectrum's shares have traded within the range of \$0.83 to \$1.80 and trended downwards, with a mean of \$1.32 and median of \$1.38
- ▶ Between December 2014 and December 2015, the average monthly liquidity³⁴ in Broadspectrum's shares was approximately 10.2%
- ▶ Broadspectrum's free float i.e. all shares excluding those held by substantial shareholders (being those with a 5% or more interest) and Directors is approximately 59.6%
- ▶ August 2015 witnessed high liquidity of 16.2% as HESTA divested its 3.5% stake in Broadspectrum, fully exiting its position as at close of trade on 18 August 2015³⁵

The table below summarises Broadspectrum's VWAP prior to the Announcement Date:

Broadspectrum - VWAP of Broadspectrum Shares prior to the Announcement Date	
Period	VWAP (\$)
One day prior to the announcement	0.85
One week prior to the announcement	0.87
One month prior to the announcement	0.93
Three months prior to the announcement	1.00
Six months prior to the announcement	1.13
Twelve months prior to the announcement	1.33

Source: S&P Capital IQ

The following charts illustrate the correlation between movements in Broadspectrum's share price with the S&P/ASX 200 and S&P/ASX 50 indices between 31 December 2014 and 15 January 2016.



Source: S&P Capital IQ

The graphs show that from 31 December 2014 to 15 January 2016, Broadspectrum's shares have underperformed compared to the S&P/ASX 200 and S&P/ASX 50 indices.

³⁴ Liquidity is calculated as volume traded each month divided by number of shares outstanding

³⁵ Media Statement 'HESTA's divestment from Transfield Services Pty Ltd' dated 18 August 2015



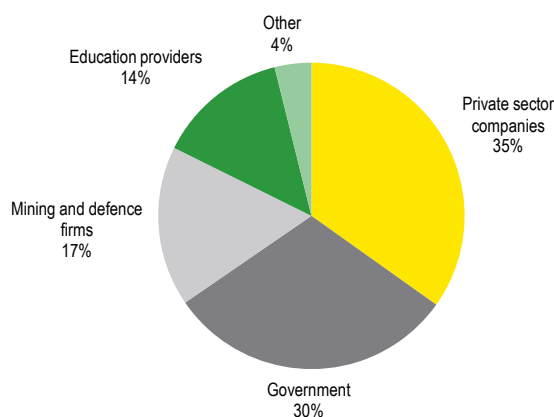
4. Industry overview

4.1 Industry overview

Broadspectrum's operations are organised across its four sectors, namely DSP, Infrastructure, R&I and Americas. Across these sectors, Broadspectrum focuses on providing a range of essential and non-discretionary services to a broad portfolio of over 200 clients. Existing secured contracts as well as leveraged work and new growth opportunities drive earnings and ultimately the market exposure of Broadspectrum. The remainder of this section provides an overview of the key activities and markets which impact Broadspectrum's sectors.

4.1.1 Defence, Social and Property

Broadspectrum's DSP sector predominantly provides facilities management and maintenance services to the defence, health and property sectors. Demand for facilities management is largely driven by the business and economic growth in Australia and an increasing appetite for outsourcing non-core business functions. Businesses are typically more willing to outsource non-core services when trying to reduce costs, improve efficiency or reduce operational risks. The facilities management industry provides a range of services to the following major market segments:



Source: IBISWorld Industry Report, "Facilities Management Services in Australia" September 2015

The facilities management services industry is fragmented with low market share concentration. IBISWorld³⁶ estimates the four largest industry participants in Australia (Spotless, Broadspectrum, Programmed and Serco) to account for an estimated 27.5% of the market, with Broadspectrum being the second largest market participant with a market share of approximately 7%.

The facilities management industry has benefited from both the private and the public sectors looking to outsource non-core services and focus on improvements and efficiencies in core services. Increased demand over the past five years, particularly from the defence, mining, health and social sectors has resulted in large scale outsourcing opportunities in Australia. Some major determinants of growth in the industry are government consumption expenditure and an appetite to simplify processes and optimise costs on a large scale. There is also growing demand for building safety and accommodation services from the health care and social subsectors driven by the need to manage both compliance with safety requirements and achieve cost efficiencies. IBISWorld estimates the facilities management industry to grow at a CAGR of 4.6% to approximately \$12.0 billion over the five years through to FY21. The key current subsectors that drive revenues in the DSP sector and their medium term outlook are set out below.

³⁶ IBISWorld Industry Report, "Facilities Management Services in Australia" September 2015

Demand for facilities management services by the defence subsector is heavily influenced by initiatives put forth by the Australian Government and the DoD. Under the FY16 Federal budget, the allocation to DoD was approximately \$31.9 billion, a \$2.9 billion or 10% rise over FY15. The allocation to DoD is expected to continue increasing at a CAGR of 4.1%, averaging approximately \$33.1 billion per year for the four years to FY19.³⁷

As part of sustainment services provided to DoD, the FY16 allocation for sustainment is approximately \$6.2 billion and is expected to grow at a CAGR of circa 4%, to approximately \$7 billion by FY19.³⁸ Defence outsourcing contracts include, but are not limited to estate maintenance and operations, support services including hospitality and catering, maintenance and upgrade of aircraft, naval ships and land based equipment and consulting, garrison support services and asset management. Large clients such as the DoD have shown a preference for integrated service providers (such as Broadspectrum) offering a wide suite of services. This preference enables such defence facility maintenance providers to leverage their existing operational footprint and target further large scale opportunities with their clients.

As part of the services provided to DIBP, the FY16 allocation to the DIBP in relation to Illegal Maritime Arrivals ("IMA") offshore management is approximately \$811 million.³⁹ In addition, the Australian Government also allocates additional monies for the implementation of refugee resettlement arrangements for IMAs who are found to be owed protection, removal arrangements for IMAs found not to be owed protection and to deliver settlement services including accommodation, health, education and case management and to increase their removals capability.

Demand for facilities management services in relation to the social subsector has increased over the past five years due to stringent health, safety and compliance regulations on hospitals, increased health care services associated with Australia's ageing population as well as the need among health and educational institutions to focus on core services. Due to the complex and diverse nature of the services typically required by these institutions, some key government and private sector clients' preference is to deal with large scale integrated facilities management providers. As such, strong client relationships resulting from a proven track-record are important in retaining and winning contracts.

The outlook for facilities management outsourcing in the health and social subsectors is positive and includes expansion of the housing subsector through new maintenance contracts with entities such as NSW Housing, NSW Schools, Universities / TAFE, aged care facilities and social justice opportunities.

Demand for facilities management services in relation to the property subsector⁴⁰ is largely influenced by construction and sales of commercial property and leasing activity which are impacted by property values, interest rates and business confidence. IBISWorld expects commercial tenants to renegotiate facilities management contracts for shorter terms due to current uncertainties in the financial and economic markets. IBISWorld also estimates the commercial property management industry to grow at a CAGR of 3.0% to \$1.2 billion over the five years through to FY21. Growth in the industry will primarily be driven by increases in commercial occupancy rates and positive consumer sentiment at the end of the period.

4.1.2 Infrastructure⁴¹

Broadspectrum's Infrastructure sector predominantly provides infrastructure construction and O&M services broadly to the utilities, transport and telecommunications sectors. Demand for O&M services is largely driven by the completion of infrastructure construction projects.

³⁷ Defence Portfolio Budget Statements 2015-16

³⁸ Ibid

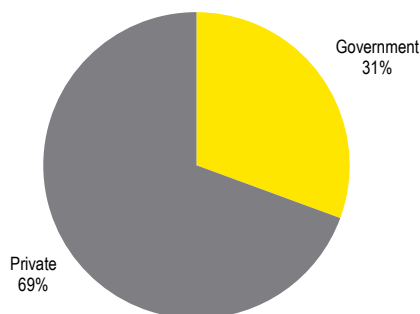
³⁹ Portfolio Budget Statements 2015-16, budget related paper No.1.11, Immigration and Border Protection Portfolio

⁴⁰ IBISWorld industry report "Commercial property management in Australia" dated July 2015

⁴¹ IBISWorld industry report "Infrastructure maintenance services in Australia", November 2015



The infrastructure maintenance services industry provides a range of services to the following major market segments:



Source: IBISWorld Industry Report, "Infrastructure Maintenance Services in Australia" dated November 2015

The infrastructure maintenance services industry is large and fragmented with low market share concentration. IBISWorld estimates the industry's two largest players (CIMIC and Downer) to account for an estimated 21% of the market. Broadspectrum is estimated to have a market share of less than 3.0% in the infrastructure maintenance services industry.

The infrastructure maintenance services industry has benefitted from rising demand in each of the above subsectors. Some major determinants of growth in the industry are growth in the heavy industry and non-building construction subsectors, especially mining, energy and transport and growth in government expenditure on public infrastructure. With the exception of mining in recent years, the other drivers of demand for infrastructure construction and maintenance have been strong.

IBISWorld⁴² estimates the infrastructure maintenance services industry revenue to grow at a CAGR of 3.5% to approximately \$24.3 billion over the five years through to FY21, driven by the Australian Government's initiative to commit approximately \$50 billion for current and future investments. Of the \$50 billion allocated for investments, approximately \$43.9 billion is in the Infrastructure Investment Programme with a total of 315 projects, considered as at 1 December 2015.⁴³ The key subsectors that drive revenues in the Infrastructure sector and their medium term outlook is set out below.

Demand from the telecommunications subsector is influenced by public and private sector investment primarily due to the construction and the roll out of the NBN in Australia. The contractors responsible for the infrastructure roll out include Broadspectrum, Silcar and Visionstream (both owned by CIMIC). The NBN's roll out is expected to continue until at least 2020, after which the network will require increased O&M services. Broadspectrum is also involved (through Chorus, Enable and UFF) in New Zealand's UFB. BIS Shrapnel⁴⁴ forecast's telecommunications maintenance spending in Australia to remain relatively flat between 2015 and 2019 at circa \$1.5 billion per annum. The telecommunications maintenance spending is then forecast to increase at a CAGR of 1% between 2020 and 2029 as the telecommunication networks (including NBN) age and require additional maintenance services.

Demand for roads maintenance is influenced by roads and bridge construction, increased government funding for maintenance and repairs, greater volatility in weather patterns putting pressures on roads and the increasing use of motor vehicles.⁴⁵ BIS Shrapnel estimates stable growth within the road maintenance industry

⁴² IBISWorld industry report "Infrastructure maintenance services in Australia", November 2015

⁴³ Department of Infrastructure and Regional Development; Infrastructure statement 2015 updated 3 December 2015.

⁴⁴ BIS Shrapnel, "Maintenance in Australia 2014-2019", October 2014

⁴⁵ IBISWorld industry report, "Road maintenance in Australia", May 2015

over the next four years, with industry revenue increasing at a CAGR of 2.3% to reach approximately \$7 billion in 2019 due to the ageing of many roads and major highways and the upgrades required to keep these facilities operational.⁴⁶

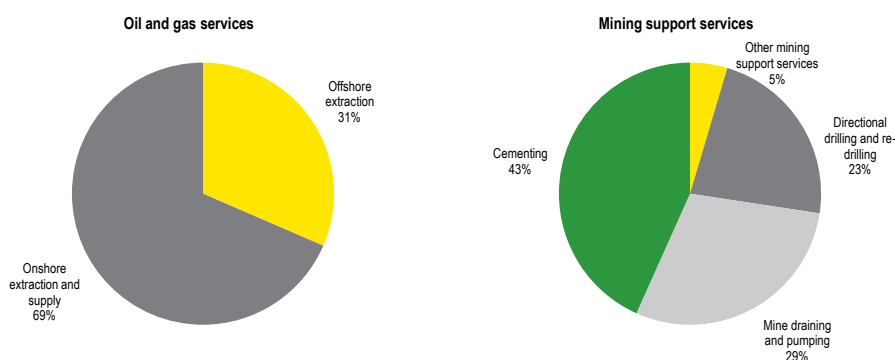
Demand for rail maintenance is set to increase in line with the utilisation of rail lines.⁴⁷ BIS Shrapnel estimates that rail maintenance spending is expected to grow at a CAGR of 2.1% over the four years through to 2019 to reach \$2.2 billion.⁴⁸ The proportion of rail versus road maintenance expenditure is projected to remain constant. However, the outsourced maintenance spending in this subsector is forecast to increase by 2.8% annually in the next four years, driven by the shift of contracts from government entities to private players such as Broadspectrum.

Demand for O&M and related services in the utilities subsector has continued at a steady but slow pace, partly due to the various political and regulatory issues impacting the utilities subsector such as utility pricing guidelines and the resultant pressure on providers' profit margins. Some trends which have emerged in the outsourcing of services to the utilities subsector include the use of outsourcing to plug skill shortages and the use of technology for performance improvement and cost control. BIS Shrapnel forecasts utilities maintenance spending in Australia to grow by 2.5% annually between 2015 and 2019 with contracted spending expected to grow by 4.8% annually over the same period, resulting in a higher proportion of outsourcing opportunities for maintenance service providers in the short to medium term.⁴⁹ The success of these outsourcing opportunities over the medium term may well determine the future for outsourcing in the utilities subsector.

4.1.3 Resources and Industrial^{50 51}

Broadspectrum's R&I sector predominantly provides upstream, midstream and downstream O&M services to the broader mining, oil and gas and industrials sectors.

Demand for O&M services in relation to the R&I sector is primarily driven by macro-economic factors such as economic activity levels at Australia's major trading partners (specifically in the Asia-Pacific region), prices of commodities, movements in currency exchange rates, anticipated levels of oil and gas extraction, increases in the level of petroleum exploration as well as the shift to outsourcing. The industry provides a range of services to the following major market segments:



Source: IBISWorld Industry Reports: "Oil and gas field services in Australia" dated November 2015; "Mining support services in Australia" dated July 2015

IBISWorld estimates the oil and gas field services industry's four largest participants to be CIMIC, WorleyParsons, KBR Holdings Pty Ltd and Bechtel Australia Pty Ltd who account for 54.7% of the market with other smaller industry participants being Clough Limited, Coffey International Limited and Ausenco Limited.

⁴⁶ BIS Shrapnel, "Maintenance in Australia 2014-2019", October 2014

⁴⁷ Infrastructure Australia

⁴⁸ BIS Shrapnel, "Maintenance in Australia 2014-2019", October 2014

⁴⁹ Ibid

⁵⁰ IBISWorld Industry Report "Oil and gas field services in Australia", November 2015

⁵¹ IBISWorld Industry Report, "Mining support services in Australia", July 2015



The mining support services industry is highly fragmented, with some of the largest industry participants being mining and exploration companies who also provide support services alongside their main activities. The key subsectors that drive revenues in the R&I sector and their medium term outlook is set out below.

The last five years has seen significant expansion in drilling and securing wells which provide access to oil, gas and water. Australia is expected to become the largest LNG exporter (shale and coal seam gas) by 2020,⁵² when in excess of approximately \$135 billion of LNG projects currently under construction⁵³ reach their operating phase. The completion of six major LNG projects is expected to drive demand from the subsector fuelling strong growth opportunities for support services in the industry. BIS Shrapnel expects that, whilst the maintenance expenditure in the resources sector is expected to rise by an annualised 4.8% over the four years through to 2019, the proportion of outsourced maintenance expenditure required by the oil and gas subsector will increase from 17% in 2015 to 30% in 2019.⁵⁴ The increase in oil and gas production capacities should increase the demand for well-servicing rigs as well. Whilst the oil and gas subsector has been recently impacted by falling oil prices, the cyclical nature of the subsector means that a potential medium term rebound in oil prices⁵⁵ could benefit the subsector.

Demand for mining support services increases as mining companies expand their asset base. Activity within the mining sector is gradually shifting to focus on production rather than expansion as global capacity expansion has caught up with the demand of developed and emerging economies⁵⁶. In Australia, although capital expenditure on mining is expected to be approximately \$63 billion in FY16, down 13.2% from the prior year, it is expected to rise at a CGAR of just 1.0% over the next five years to FY21⁵⁷.

The industrial subsector is composed of the heavy and light industrial manufacturing segments. The heavy manufacturing industry encompasses the processing of metal and mineral products, petroleum, coal, chemical and rubber products. The lights manufacturing industry focuses on the food, beverages, tobacco, machinery & equipment and printing & recorded media. BIS Shrapnel⁵⁸ forecasts the industrial maintenance spending in the overall industrial subsector to remain flat as the subsector is being challenged by declining activity levels in the mining and oil and gas subsectors.

4.1.1 Americas

Broadspectrum's Americas sector provides asset maintenance and facilities management services to the oil and gas sector, mechanical maintenance at mining sites and asset services primarily to the US road and PPP sectors as well as the mining sector in Chile. In the above areas, the Americas sector competes with a number of small and medium sized companies alongside the major industry participants. The key subsectors that drive revenues in the Americas sector and their medium term outlook is set out below.

The global demand for liquid hydrocarbons continues to grow with increases in global population and global production. While Africa and the Middle East produce approximately 34.5% of the world output of oil and gas, North America accounts for approximately 25%, with the US being the largest producer within North America.⁵⁹ However, the US is the largest global gas producer, with more than 20% of global natural gas production in 2014.⁶⁰ In December 2015, the US Congress voted to put an end on the ban on oil export from the US, which could increase production as well as stimulate the US economy.

⁵² APPEA media release "LNG exports help sustain Australia's economic growth" dated 2 December 2015

⁵³ APPEA – Australian LNG Projects

⁵⁴ BIS Shrapnel, "Maintenance in Australia 2014-2019", October 2014

⁵⁵ International Energy Agency (IEA) December 2015

⁵⁶ IBISWorld Report, "Mining Support Services in Australia", dated July 2015

⁵⁷ IBISWorld Report, "Oil and Gas Field Services in Australia", November 2015

⁵⁸ BIS Shrapnel, "Maintenance in Australia 2014-2019", October 2014

⁵⁹ IBISWorld report, "Global Oil & Gas Exploration & Production", December 2015

⁶⁰ BP Statistical Review of World Energy June 2015

While the industry has seen pressure on oil and gas prices recently due to various factors including fears of oversupply, its performance is projected to be less volatile over the next five years, although there will be some variation in price as the supply-demand balance shifts. In the five years to 2020, global industry revenue is forecast to grow at a CAGR of 4.4% to approximately \$4.6 trillion although industry forecasts remain volatile, which is consistent with prior months. Much of the demand is expected to be due to expected growth of the BRIC⁶¹ nations, industrial production in the OECD⁶² countries and the world prices of crude oil and natural gas. The potential opening up of exports from the US would also help remove market distortions globally.⁶³

Construction and maintenance of roads and highways in the US has been growing for the past few years. The increasing use of transport PPPs in the US is expected to increase roads and bridges development in the future. Based on the American Road and Transportation Builders Association, US transportation construction market is estimated to increase by 3.1% from approximately \$185.9 billion in 2014 to approximately \$191.7 billion in 2015.⁶⁴ There are significant growth prospects in this area as the current number of O&M providers in the United States is potentially insufficient to handle the expected PPP work. Moreover, the Build America Investment Initiative seeks to encourage a uniform approach to private investment and expand the use of PPPs by state governments. The Canadian PPP pipeline also continues to be strong as well, with 32 PPP projects planned for development as at June 2015.⁶⁵

BMI expects the Chilean mining sector to experience relatively flat growth between 2016 and 2019 due to the persistently weak copper and gold prices⁶⁶. The sector's output growth is expected to slow over the coming years due to low prices and rising costs, with Chile's copper production growth to average 1.6% over 2016 to 2019, with volumes only increasing from 6 million tonnes ("mt") in 2016 to 6.3 mt by 2019. The challenging outlook will continue to force miners to reduce costs through divestment, consolidation and shelving of projects.

⁶¹ Brazil, Russia, India and China

⁶² Organisation for Economic Co-operation and Development

⁶³ IBISWorld report, Global Oil & Gas Exploration & Production December 2015

⁶⁴ 2015 American Road and Transportation Builders Association's forecast of major transportation construction market activity

⁶⁵ Public Private Partnerships, KPMG Australia, June 2015

⁶⁶ BMI Research, Chile Mining Report, Q1 2016



5. Valuation methodology and approach

5.1 Required Valuations

Under the Takeover Offer, Ferrovial is offering to acquire all of the issued shares in Broadspectrum for cash consideration of \$1.35 per Broadspectrum Share. In forming our opinion as to whether or not the Takeover Offer is fair and reasonable, we have assessed the fair market value of a Broadspectrum Share in order to compare that amount with the cash consideration \$1.35 per Broadspectrum Share. The fair market value of a Broadspectrum Share has been determined based on our assessment of the fair market value of Broadspectrum as a whole.

5.2 Definition of fair value

Business valuers typically define fair market value as:

"The price that would be negotiated in an open and unrestricted market between a knowledgeable, willing but not anxious buyer and a knowledgeable, willing but not anxious seller acting at arm's length."

Fair market value does not incorporate any special value. Special value is the additional value that may accrue to a particular purchaser. In a competitive bidding situation, potential purchasers may be prepared to pay part, or all, of the special value that they expect to realise from the acquisition to the seller.

5.3 Valuation methodology and approach

We have outlined a number of commonly used valuation methodologies in Appendix B. We have adopted the following approach in assessing the fair market value of the Broadspectrum Shares:

- ▶ We have applied the capitalisation of maintainable earnings methodology as our primary method. We have then cross-checked our range of values for Broadspectrum as a whole and the implied multiples to the multiples of comparable trading companies and transactions. We have also compared the valuation range to brokers' valuations of Broadspectrum up to the Announcement Date
- ▶ A sum-of-the parts approach with separate assessments of the maintainable earnings for each sector and of an appropriate earnings multiple applied to those earnings to derive a fair market value for that sector
- ▶ In selecting this approach we have considered:
 - The continuing businesses of Broadspectrum are well established and the overall business is profitable
 - There are a significant number of other comparable listed entities or transactions involving entities having businesses that are sufficiently comparable to Broadspectrum's businesses that provide reliable information that may be used to effectively apply the capitalisation of maintainable earnings approach
 - The absence of formal long term forecasts for the various businesses of Broadspectrum
- ▶ We have adopted EBITDA as the earnings base as:
 - The depreciation policies adopted by comparable companies may be inconsistent
 - Amortisation expenses, which are generally related to the amortisation of intangible assets acquired as part of past business acquisitions can vary significantly across different comparable companies



- Different gearing levels of comparable companies impacts upon the interest expense of these comparable companies

In a control transaction, RG 111 provides that an independent expert should give a range of values for the securities that are the subject of the offer. If the value of the consideration offered falls within the range of values of the securities, under RG 111 the offer is “fair”. RG 111 also lists a number of factors which experts may consider when assessing the reasonableness of an offer. The factors that we have considered are set out in Section 7.3 below.

5.3.1 Control premium

In valuing a Broadspectrum Share, since the Takeover Offer is for 100% of the Broadspectrum Shares and to be consistent with RG 111, we have incorporated a premium for control.

5.3.2 Valuation cross checks

Prior to finalising our valuation of a Broadspectrum Share, we have cross-checked our range of values and the implied multiples to the multiples of comparable trading companies and transactions. We have also compared the valuation range to brokers' valuations of Broadspectrum up to the Announcement Date. We have not cross-checked our assessed range of values to Broadspectrum's historical share price for the six months leading to the Announcement Date for reasons mentioned in Section 7.3.1 below.



6. Valuation

6.1 Valuation of Broadspectrum Shares

As discussed in Section 5, our valuation of the Broadspectrum Shares is on a control basis using the capitalisation of maintainable earnings methodology. As Broadspectrum operates various businesses in different industry segments, we have separately considered fair market values for each of the DSP, Infrastructure, R&I and Americas sectors. We have then accumulated the fair market values of each sector and considered the capitalised value of corporate costs, net debt, surplus assets and outstanding Broadspectrum Performance Awards to determine the fair market value of Broadspectrum Shares.

When considering the future maintainable EBITDA for each of the sectors we have considered:

- ▶ Revenues and Underlying EBITDA generated by the sector generally over the years ended FY14 and FY15 and the rationale for the movement in the earnings
- ▶ Based on contracted work-in-hand, Management's current Underlying EBITDA expectations for the consolidated business and the individual sectors for FY16 and FY17
- ▶ The cyclical nature of some of the key industry sectors (where particularly relevant)
- ▶ Broadspectrum's strategic and business plans and future prospects for the sector including the status of major contracts and proposals

As a cross check to our primary valuation methodology, performed as the sum of separate valuations of Broadspectrum's business sectors, we have compared the implied multiples of Broadspectrum as a whole to the multiples of comparable trading companies and transactions. We have also compared the valuation range to brokers' valuations of Broadspectrum up to the Announcement Date.

6.2 DSP

6.2.1 Maintainable EBITDA

The table below summarises the DSP sector's Underlying EBITDA in FY14 and FY15.

Broadspectrum – DSP		
Currency: \$million	FY14	FY15
Statutory EBITDA	106.0	255.3
Restructuring costs	-	0.7
Underlying EBITDA	106.0	256.0

Source: Broadspectrum FY15 annual report, EY Analysis

In determining a maintainable EBITDA for the DSP sector, we have considered the following:

- ▶ The Underlying EBITDA of the DSP sector for FY14 and FY15 and the restructuring costs, discussed in Section 3.2.2 above
- ▶ Management's current market guidance in relation to the current status of its negotiations for the new DIBP contract for which Broadspectrum has preferred tenderer status
- ▶ The expected period of the DIBP contract, which includes an initial term of at least five years and potential two two-year extensions
- ▶ The welfare-led approach to services which requires the provision of facilities management services to maintain infrastructure at a minimum acceptable base level, albeit at lower margins

- ▶ A likely revenue reduction in the new DIBP contract due to both a decline in the number of new transferees arriving at the Nauru and Manus Province RPCs and general anticipated reduction in transferees. However, we also note that independent of the number of transferees, there is a base-level of service provision, which will be required to maintain existing infrastructure
- ▶ Broadspectrum's competitive advantage as the incumbent service provider and the expected retention of this advantage during the course of the new contract
- ▶ No significant direct or indirect changes to the Government's current policies vis-a-vis the RPCs
- ▶ The FY14 and FY15 Underlying EBITDA of the DSP sector and note that FY15 EBITDA was the first year to benefit from a full year of earnings from the DIBP contract. Broadspectrum commenced providing services to DIBP under this contract in March 2014
- ▶ The EBITDA contribution from the DSP sector is currently material to Broadspectrum. In providing guidance for FY16, Management's current EBITDA expectations from the DSP sector is marginally lower compared to FY15. The guidance reflects Management's expectations for the six months to June 2016, which includes four months of earnings from a new DIBP contract
- ▶ The on-going residual EBITDA from the non DIBP contract business (i.e. defence, social, property) underpinned by approximately \$0.5 billion per annum of contracts in hand over the next five years (excluding option periods) with key clients such as the DoD and NSW Housing
- ▶ Short to medium term analysts' estimates of EBITDA projections for the DSP sector which assume margin contraction from the DIBP contract
- ▶ The Government's planned expenditure⁶⁷ on offshore management of IMAs for the four years ending 30 June 2019 and costs associated with refugee resettlement arrangements⁶⁸
- ▶ The Australian Government's plans to provide the DoD with approximately \$32 billion of funding in 2016 and this expenditure is expected to grow at 3.9% per annum.⁶⁹ In July 2014, Broadspectrum expanded its national facilities maintenance contract (annualised value of \$270 million) with the DoD for six years (excluding a four-year option period)
- ▶ Potential for opportunities with other Government departments in health, justice, aged care, social housing and education. The Government outsources approximately \$59 billion of services annually⁷⁰ presenting Broadspectrum's DSP sector with opportunities for future growth. In December 2015, Broadspectrum signed a contract with NSW Housing for five years with two two-year extension options with an expanded scope

Based on all of the above factors, we have elected to utilise a maintainable EBITDA of \$175 million for the DSP sector.

6.2.2 EBITDA multiple

In assessing an appropriate EBITDA multiple for the DSP sector, we have considered the trading multiples of comparable listed companies⁷¹ and comparable transactions.

6.2.3 Trading multiples

There are few companies that are directly comparable to the DSP sector in Australia and New Zealand. Consequently, in our analysis, we have also considered some international businesses which have similar industry exposures albeit with different service ranges to the DSP sector.

⁶⁷ Budget 2015-16 Portfolio Budget Statements 2015-16

⁶⁸ Budget 2015-16 Paper No.2

⁶⁹ Budget 2015-2016, DoD

⁷⁰ Australian Department of Finance, Statistics on Australian Government Procurement Contracts (2014-15)

⁷¹ Calculated as at 15 January 2016



The table below summarises the trading multiples of potentially comparable companies to the DSP sector.

DSP (as at 15 January 2016)						
Currency: \$million	Country head office	Market cap (\$'m)	EBITDA (FY15) multiple	EBITDA (FY16) multiple	EBIT (FY15) multiple	EBIT (FY16) multiple
Decmil Group Limited.	Australia	170	1.8x	4.5x	2.0x	6.4x
Programmed Maintenance Services Ltd.	Australia	506	nmf ¹	7.0x ²	nmf ¹	8.5x ²
UGL Limited	Australia	403	6.4x	3.7x	7.9x	5.7x
Spotless Group Holdings Limited	Australia	1,120	5.5x	5.6x	7.1x	7.5x
Median - Australian only			5.5x	5.1x	7.1x	7.0x
Average - Australian only			4.5x	5.2x	5.6x	7.1x
Serco Group plc ³	United Kingdom	1,906	nmf	nmf	nmf	nmf
ABM Industries Incorporated	United States	2,295	10.7x	9.1x	16.8x	13.8x
Babcock International Group plc	United Kingdom	9,914	11.6x	9.8x	16.2x	11.9x
Compass Group plc	United Kingdom	38,333	13.4x	12.6x	17.1x	15.9x
Carillion plc	United Kingdom	2,555	6.5x	5.6x	7.9x	6.5x
Sodexo S.A.	France	20,750	10.4x	9.4x	12.9x	11.8x
All companies						
<i>Min</i>			1.8x	3.7x	2.0x	5.7x
Median			8.5x	7.0x	10.4x	8.5x
Average			8.3x	7.5x	11.0x	9.8x
<i>Max</i>			13.4x	12.6x	17.1x	15.9x

Source: S&P Capital IQ and Company annual reports

¹ Programmed FY15 EBITDA and EBIT multiples are not meaningful as they do not include the acquisition of Skilled.

² Programmed FY16 EBITDA and EBIT multiples do not include full-year impact of the acquisition of Skilled.

³ Serco EBITDA and EBIT multiples are not meaningful due to the current depressed earnings

The multiples shown above are minority interest multiples and therefore do not include a premium for control. Descriptions of the comparable companies presented in the table above are provided in Appendix C.

A premium for control is applicable when the acquisition of control of a company or business would give rise to benefits such as:

- ▶ The ability to realise some synergistic benefits, for example by merging the target company's operations with those of the acquiring entity
- ▶ Access to cash flows
- ▶ Access to tax benefits
- ▶ Control of the board of directors and the direction of the company

Historically, control premiums on successful takeovers have frequently been in the range of 20% to 40% with the premium varying significantly from circumstance to circumstance. However, it was observable during the global financial crisis that control premiums increased when equity markets were heavily sold down and investors became particularly risk averse. Control premiums in the current environment have been observed to be frequently in excess of 30%, particularly where there is the potential for significant synergies to be realised.

During the preparation of this Report and particularly since 4 January 2016 to 15 January 2016, both the S&P/ASX 200 and All Ordinaries indices have fallen by approximately 7%. This reflects a general decline in global equity markets primarily due to rising US interest rates, a stronger US dollar and revised growth expectations for the Chinese economy. Our calculated multiples in this report reflect the latest practicable share prices including this decline. However, in most cases, consensus earnings estimates do not fully reflect any changed views on economic growth prospects. As a result, in some cases, the reduction in multiples may be more severe than actually should be the case, until new analyst reports become available causing any revisions to consensus estimates.

RG 111 requires the independent expert to value 100% of a company and therefore incorporate a premium for control. In considering control premiums in relation to Broadspectrum, we have considered the profile of a possible acquirer of Broadspectrum or its constituent businesses and note that they could include parties such as:

- ▶ Other participants in the Australian and/or New Zealand infrastructure industry providing O&M and facilities management services. As a result of an acquisition of Broadspectrum, such parties would likely be able to derive significant operating synergies and also savings in corporate and listing costs which would support an ability to pay a reasonable premium for control
- ▶ Other international participants looking for a 'platform' acquisition in Oceania/Asia Pacific in the areas that Broadspectrum operates. Such a party seeking to acquire Broadspectrum, depending upon their own circumstances, may be able to derive some operating synergies through global arrangements and expertise and through the elimination of public company listing and some corporate costs in Australia. Premiums paid in such instances also consider the 'platform' nature of the acquisition and its strengths e.g. strong client relationships, existing pipeline of contracts, proven management team, expertise and a diverse business profile
- ▶ Financial or other investors who may be able to eliminate some costs through the privatisation of the Company but will otherwise be reliant on their ability to generate better results from the Company than incumbent management

6.2.4 Transaction multiples

The table below summarises historical transaction multiples relevant to the DSP sector.

Recent Transaction Evidence - Local currency (m)									
Date	Target	Acquirer	Transaction currency	% Acquired	Implied EV ⁷²	EBITDA	EBIT	EBITDA Multiple	EBIT Multiple
17-Oct-14	URS Corporation	AECOM Technology Corporation	USD	100%	5,395.5	679.2	530.4	7.9x	10.2x
8-Apr-13	Enterprise Group Holdings Limited	Amey plc	GBP	100%	385.0	60.0	n/a	6.4x	n/a
17-Aug-12	Spotless Group Holdings Limited	Pacific Equity Partners	AUD	100%	990.1	173.3	95.7	5.7x	10.3x

Source: S&P Capital IQ, Merger Market and Company annual reports

The multiples shown above involve control transactions and hence include a premium for control.

6.2.5 Assessment of EBITDA multiples

In the determination of an appropriate range of EBITDA multiples for the DSP sector, we have considered the following:

- ▶ Comparable listed companies and comparable transactions similar to the facilities management business of the DSP sector

⁷² Enterprise value



- ▶ A risk adjusted 'blended' EBITDA multiple having regard to the risk profile of the DSP sector impacted by both the expected ongoing contribution of the DIBP contract on the Broadspectrum business and the size and risk profile of the non DIBP contract business (i.e. other Defence, Social and Property) relative to the DSP sector
- ▶ The EBITDA multiples for comparable listed companies exclude a premium for control. Consequently, we have considered control premiums to be applied to the above listed company multiples
- ▶ Spotless and Programmed are the most comparable of the Australian listed companies to the DSP sector. We have also considered Serco's operations in Australia, which is most comparable to the DIBP contract in the DSP sector. In this context we note:
 - Spotless (trading at 5.6 times FY16 EBITDA), a predominantly facilities services provider (75% of FY15 EBITDA⁷³), had an FY15 EBITDA margin of 10% in the facility services segment. On 2 December 2015, Spotless' share price dropped by 40% following a FY16 adverse outlook announcement compared to that previously indicated due to softer markets in some sectors, a key Rio Tinto facilities management unsuccessful contract bid and significant associated bid costs and a below expectation performance of acquisitions. Prior to that announcement, Spotless was trading at 8.4 times FY16 EBITDA
 - Programmed has a large maintenance and facilities management business (Property and Infrastructure sector) which contributed 57% of FY15 EBITDA at an EBITDA margin of 5%, prior to the Skilled acquisition in October 2015. The 'normalised' EBITDA trading multiple of 4.9 times (based on FY17)⁷⁴ reflects this relatively more diverse business, a degree of certainty over \$20 million of synergies and a full year contribution from the Skilled business. The FY16F stand-alone EBITDA multiple of Programmed prior to the transaction discussion announcement⁷⁵ was 5.2 times and the independent expert on the Skilled transaction valued the business at an implied FY16F EBITDA multiple of 6.6 times to 7.4 times inclusive of synergies
 - In December 2014, Serco⁷⁶ entered into a contract with the Australian Government for the provision of garrison and welfare services at all onshore immigration facilities in Australia with an initial five-year term, with two two-year extension options. Broadspectrum also competes with Serco for other facilities management contracts in Australia. In the context of not relying on Serco's FY16 EBITDA multiple, we note that in the year ended 31 December 2014, Serco's Asia Pacific division (Australia being the largest part of the division) contributed 17% to the total group revenue. Serco operates in different geographical locations, has a diverse range of business mix, with material operational issues and is significantly larger in size compared to the DSP sector
- ▶ The DSP sector has a similar length of contracts, lower capital intensity and higher EBITDA margins (FY15 is however impacted by the full year impact of the current DIBP contract margin) compared to that of Spotless
- ▶ The observed FY16 EBITDA minority trading multiples for Australian comparable companies had an average and median of 5.2 times and 5.1 times, respectively
- ▶ We also had regard to other comparable company multiples that have exposure to similar markets as the DSP sector albeit internationally. Overall (including the international companies), the FY16 average and median EBITDA multiples of comparable companies similar to the DSP sector are 7.5 times and 7.0 times, respectively

⁷³ Excluding corporate

⁷⁴ Calculated from data sourced from S&P Capital IQ as at 15 January 2016

⁷⁵ Skilled entered into discussions with Programmed in relation to the potential acquisition on 25 May 2015

⁷⁶ Serco's operations in Australia

- ▶ We have also considered implied multiples from potentially comparable transactions. In this regard, we note we have focused our analysis on transactions whereby the target company offers services similar to the DSP sector. The August 2012 transaction multiple of 5.7 times EBITDA involving Spotless, though dated is relevant in this regard. We note that the multiples implied from the URS Corporation and Enterprise Group transactions have been considered but note their limited relevance given earnings from these two companies are generated from a much broader service offering than that of the DSP sector

In addition we have considered the following:

- ▶ Uncertainties associated with the new DIBP contract and its terms
- ▶ Ongoing geo-political, social, legal risks associated with the DIBP contract
- ▶ The relatively larger and more diverse (by geography and scope of services) nature of the international comparable companies compared to the DSP sector
- ▶ Management's recent experience with the DIBP i.e. the commencement of the provision of garrison support and welfare services at short notice at the Nauru RPC in September 2012, winning the Manus Province contract from G4S in March 2014, obtaining a four-month extension to the existing contract and currently negotiating, as preferred tenderer, another five-year contract with the DIBP
- ▶ The DSP sector's long standing relationships, prior relevant experience and track record with certain Government departments. Broadspectrum has interfaced with such Government departments for over 25 years and thus has the ability to leverage its existing operational footprint for future contract negotiations

Based on the above factors, we have selected an EBITDA multiple range of 4.25 times to 4.50 times to apply to the selected maintainable EBITDA range of DSP.

6.2.6 Valuation

Based on the factors considered above, we consider the fair market value of the DSP sector, on a controlling basis, to be between \$744 million and \$788 million.

6.3 Infrastructure

6.3.1 Maintainable EBITDA

The table below summarises the Infrastructure sector's Underlying EBITDA in FY14 and FY15.

Broadspectrum – Infrastructure		
Currency: \$million		
Statutory EBITDA	77.1	48.2
Restructuring costs	6.0	-
Loss/gain on asset sales	(20.1)	-
Underlying EBITDA	63.0	48.2

Source: Broadspectrum FY15 annual report, EY Analysis



The table above includes the financial performance of two material JVs i.e. TWPS and Harbour City Ferries Partnership.

Infrastructure - JVs			
Currency: \$million	Ownership	FY15 carrying amount	FY15 net assets
Transfield Worley Power Services Pty Ltd	50%	34.2	68.3
Harbour City Ferries Partnership	50%	8.5	17.0

Source: Broadspectrum FY15 annual report

We have considered whether the two JVs noted above should be treated separately and have ultimately decided to include the value of the JVs within the Infrastructure sector having regard to the business of TWPS which is similar to and is included within the Infrastructure sector and Harbour City Ferries Partnership, which has a remaining contractual term of four years with the potential for renewal.

In relation to the above table we note:

- ▶ Historical Underlying EBITDA of the Infrastructure sector in FY14 and FY15 and the restructuring costs and loss on asset sale adjustments discussed in Section 3.2.2 above. Moreover, the Infrastructure sector's Underlying EBITDA in FY15 decreased 23% compared to FY14, primarily due to \$20 million (FY14 \$13 million) of provisions largely on underperforming legacy telecommunication contracts in New Zealand
- ▶ Management's current Underlying EBITDA expectations for FY16 for the Infrastructure sector is broadly similar to recent years
- ▶ Maintenance spending and outsourcing opportunities in the Infrastructure (particularly power) sector which is expected to grow, given the number of large distribution and transmission assets being privatised in FY16 and beyond. Broadspectrum is a leading provider of services to such clients particularly in New Zealand with clients including Meridian Energy, Contact Energy, Trustpower, Orion, New Zealand Steel and Auckland Airport
- ▶ Increasing activity in the transport subsector with the Eastlink Roads, Lane Cove Tunnel and M2 contracts in Australia and the three new roads contracts, including a five-year state highway maintenance contract signed with New Zealand Transport Agency

Based on all of the above factors, we have elected to utilise a range of maintainable EBITDA of between \$70 million and \$75 million for the Infrastructure sector.

6.3.2 EBITDA multiple

In assessing an appropriate EBITDA multiple for the Infrastructure sector, we have considered the trading multiples of comparable listed companies⁷⁷ and comparable transactions.

6.3.3 Trading multiples

There are few companies that are directly comparable to the Infrastructure sector in Australia and New Zealand. Consequently, in our analysis we have also considered some international businesses which have similar industry exposures albeit with different service ranges to the Infrastructure sector.

⁷⁷ Calculated as at 15 January 2016

The table below summarises the trading multiples of comparable companies to the Infrastructure sector.

Infrastructure (as at 15 January 2016)						
Currency: \$million	Country head office	Market cap (\$'m)	EBITDA (FY15) multiple	EBITDA (FY16) multiple	EBIT (FY15) multiple	EBIT (FY16) multiple
Downer EDI Limited	Australia	1,435	3.1x	3.4x	5.5x	6.4x
UGL Limited	Australia	403	6.4x	3.7x	7.9x	5.7x
CIMIC Group Limited	Australia	8,088	7.7x	6.5x	16.7x	9.5x
RCR Tomlinson Limited	Australia	245	4.9x	3.4x	8.2x	4.6x
LendLease Group	Australia	7,602	11.1x	8.9x	12.3x	9.7x
Programmed Maintenance Services Ltd.	Australia	506	nmf ¹	7.0x ²	nmf ¹	8.5x ²
Median - Australia only			6.4x	5.1x	8.2x	7.5x
Average - Australia only			6.7x	5.5x	10.1x	7.4x
Jacobs Engineering Group Inc.	United States	6,738	7.6x	7.1x	9.8x	8.8x
MasTec, Inc.	United Kingdom	1,665	6.6x	6.5x	14.7x	15.7x
SNC-Lavalin Group Inc.	United States	5,723	7.3x	7.4x	10.0x	9.4x
Chicago Bridge & Iron Company N.V.	United States	5,344	5.2x	5.3x	5.7x	5.8x
Carillion plc	United Kingdom	2,555	6.5x	5.6x	7.9x	6.5x
All companies						
<i>Min</i>			3.1x	3.4x	5.5x	4.6x
<i>Median</i>			6.6x	6.5x	9.0x	8.5x
<i>Average</i>			6.6x	5.9x	9.9x	8.2x
<i>Max</i>			11.1x	8.9x	16.7x	15.7x

Source: S&P Capital IQ and Company annual reports

¹ Programmed FY15 EBITDA and EBIT multiples are not meaningful as they do not include the acquisition of Skilled.

² Programmed FY16 EBITDA and EBIT multiples do not include full-year impact of the acquisition of Skilled.

³ Serco EBITDA and EBIT multiples are not meaningful due to the current depressed earnings

The multiples shown above are minority interest multiples and therefore do not include a premium for control. Descriptions of the comparable companies presented in the table above are provided in Appendix C.



6.3.4 Transaction multiples

The table below summarises historical transaction multiples relevant to the Infrastructure sector.

Recent Transaction Evidence - Local currency (m)									
Date	Target	Acquirer	Transaction currency	% Acquired	Implied EV	EBITDA	EBIT	EBITDA Multiple	EBIT Multiple
2-Nov-15	Cardno Limited	Crescent Capital Investments Pty Limited	AUD	21%	895.1	108.4	77.6	8.3x	11.5x
22-Sep-15	Grontmij NV	Sweco AB	EUR	100%	422.0	29.4	22.8	14.4x	18.5x
28-Apr-15	Mouchel Group	Kier Group	GBP	100%	304.6	35.9	27.7	8.5x	11.0x
22-Dec-14	Pike Corporation	Court Square Capital Partners L.P.; Court Square Capital Partners III, L.P.	USD	94%	594.6	70.7	31.2	8.4x	19.1x
31-Oct-14	Tenix	Downer EDI Limited	AUD	100%	300	36.0	29.4	8.3x	10.2x
16-Oct-14	Hyder Consulting plc	ARCADIS NV	GBP	100%	279.7	23.6	19.0	11.9x	14.8x
9-May-14	Leighton Holdings Limited	HOCHTIEF Australia Holdings Limited	AUD	11%	8,034.5	1,924.0	991.0	4.2x	8.1x

Source: S&P Capital IQ, Merger Market and Company annual reports

The multiples shown above, that largely involve acquisitions of greater than 50% interest, include a premium for control.

6.3.5 Assessment of earnings multiples

In the determination of an appropriate EBITDA multiple for the Infrastructure sector, we have considered the following:

- ▶ Comparable listed companies and comparable transactions similar to the O&M business of the Infrastructure sector
- ▶ The EBITDA multiples for comparable listed companies exclude a premium for control. Consequently we have considered control premiums to be applied to the above listed company multiples
- ▶ Downer and RCR are the most comparable of the Australian listed companies to the Infrastructure sector. In this context we note:
 - Downer is a significantly larger player in the O&M outsourcing industry with FY15 revenues of \$7.0 billion. The Downer Infrastructure Australia and New Zealand business unit contributed approximately 70%⁷⁸ of total revenue and 46%⁷⁹ of total EBITDA in FY15 at an EBITDA margin of 5.5%. A 10% reduction in the NPAT⁸⁰ guidance in early August 2015 resulted in a fall of approximately 23% in its equity value over the following two weeks. Prior to this fall, Downer was trading at an FY16 EBITDA multiple of approximately 3.8 times. The contracted revenue for Downer at FY15 (approximately \$18.5 billion) as a percent of annual revenue is lower than that for the Infrastructure sector. We note that the blended earnings multiples of Downer are partially affected by its Mining division (which contributed approximately 22% of FY15 revenue and 48% of FY15 EBITDA⁸¹), negatively impacted by an expected period of sustained return declines as miners increase cost focus and its greater capital intensity via its exposure to the contract mining sector

⁷⁸ Excluding corporate

⁷⁹ Ibid

⁸⁰ Net profit after tax

⁸¹ Excluding corporate

- Of RCR's three sectors, Infrastructure and Energy made up approximately 73% of revenue and 65% of EBIT in FY15⁸² at an EBIT margin of 4.6% in FY15. Whilst RCR's business as a whole is comparable in revenue and EBITDA to Infrastructure, the contracted revenue for RCR at FY15 (approximately \$1.0 billion) as a percent of annual revenue is significantly lower than the same for the Infrastructure sector
- ▶ In the context of these businesses, the Infrastructure sector has a relatively better pipeline, comparable or better margins to RCR and Downer but a size which is smaller than Downer
- ▶ The short to medium term EBITDA outlook for the Infrastructure sector is potentially higher than that assumed in the maintainable Underlying EBITDA, largely underpinned by substantial contractual work-in-hand and growth expectations in the:
 - telecommunications sector driven by NBN Co's hybrid fibre-coaxial ("HFC") rollout expected to commence in FY17, the five-year MIMA contract signed in June 2015, O&M opportunities at NBN Co beyond 2020 and contractual opportunities from Telstra, Chorus and UFB
 - rail sector projects from clients such as Air Train, Queensland Rail and Sydney Airport Line
 - water and utilities sector from new construction and maintenance work through JVs for a number of water projects, O&M work recently secured for QUU, the December 2015 renewal of the five and a half-year contract with AGL and the three-year (with a three-year option) \$78 million Transpower contract signed in July 2015
- ▶ The observed FY16 EBITDA minority trading multiples for Australian comparable companies had an average and median of 5.5 times and 5.1 times, respectively
- ▶ We also had regard to other comparable company multiples that have exposure to similar markets as the Infrastructure sector albeit internationally. Overall (including the international companies), the FY16 average and median EBITDA multiples of comparable companies similar to the Infrastructure sector are 5.9 times and 6.5 times respectively
- ▶ Given the nature and profile of the Infrastructure sector, we have focused attention on Australian transactions relevant to the Infrastructure sector. Whilst the November 2015 transaction involving Cardno is comparable to the Infrastructure sector, it is not relevant given Cardno's recent recapitalisation plan of \$1.00/share which represents a 66.9% discount to the stock price before the capital raising was announced. We note that the October 2014 Tenix transaction at a historical EBITDA multiple of 8.3 times is relevant to the Infrastructure sector as 85% of its revenue was exposed to the utilities industry at a historical EBITDA margin 4.6%

After considering the above factors, we have selected an EBITDA multiple of 6.0 times to apply to the selected maintainable EBITDA of the Infrastructure sector.

6.3.6 Valuation

Based on the factors considered above, we consider the fair market value of the Infrastructure sector, on a controlling basis, to be between \$420 million and \$450 million.

⁸² Excluding corporate



6.4 R&I

6.4.1 Maintainable EBITDA

The table below summarises the R&I sector's Underlying EBITDA in FY14 and FY15.

Broadspectrum - R&I		
Currency: \$million	FY14	FY15
Statutory EBITDA	60.1	9.4
Restructuring costs	6.9	1.1
Underlying EBITDA	67.0	10.5

Source: Broadspectrum FY15 annual report, EY Analysis

The table above includes the financial performance of the two material JVs included in the R&I sector i.e. Easternwell Drilling Services Holdings Pty Ltd and MT Equipment Holdings Pty Ltd ("MTEH").

R&I - JVs			
Currency: \$million	Ownership	FY15 carrying amount	FY15 net assets
Easternwell Drilling Services Holdings Pty Ltd	50%	52.4	104.8
MT Equipment Holdings Pty Ltd	75%	20.7	27.6

Source: Broadspectrum FY15 annual report

We have considered if the two material JVs included in the R&I sector should be treated separately and have ultimately decided to include the value of the JVs within the R&I sector having regard to the business of Easternwell Drilling Services Holdings Pty Ltd and MTEH being similar to the core business of R&I.

In relation to the table above we note:

- ▶ Historical Underlying EBITDA of the R&I sector in FY14 and FY15, the latter adversely impacted by restructuring costs as discussed in Section 3.2.2 above. Moreover, the R&I sector's Underlying EBITDA decreased 84% in FY15 primarily due to contract scope reductions with Santos, timing delays in the Queensland LNG contracts and a \$3 million provision for an underperforming legacy oil and gas O&M contract
- ▶ FY15 was also impacted by cyclical downturns in the subsectors affecting the R&I sector. Historically (from FY12 – FY15 inclusive), the R&I sector's Underlying EBITDA has averaged circa \$50 million
- ▶ Management's current expectations, based on current year-to-date performance, for FY16, is for the R&I sector to achieve a recovery in earnings on the back of market improvements, remediation of operational issues and growth in the industrial sector offset by lower margins in Easternwell
- ▶ FY17 and beyond EBITDA will be impacted by current work-in-hand and:
 - Opportunities arising in the LNG sector as a result of increasing production capacity in the oil and gas sector offset by reduced volumes from some key customers. Increasing rig utilisation from current levels of 75% is also expected in a recovering oil market alongside the full year impact of cost reduction initiatives
 - Incremental maintenance and construction opportunities in the mining sector and a deepening pipeline of heavy industrial and service contracts and a focussed development of the light manufacturing sector

We have ultimately formed a view that we should adopt an estimate of maintainable EBITDA that exceeds the performance of the R&I sector in FY15. This reflects the inherently cyclical nature of the business and the potential for the business to significantly improve performance. Based on all of the above factors, we have elected to utilise a range of maintainable EBITDA of between \$40 million and \$50 million for R&I.

6.4.2 EBITDA multiple

In assessing an appropriate EBITDA multiple for the R&I sector, we have considered the trading multiples of comparable listed companies⁸³ and comparable transactions.

6.4.3 Trading multiples

There are few companies that are directly comparable to the R&I sector in Australia and New Zealand. Consequently, in our analysis, we have also considered some international businesses which have similar industry exposures albeit with different service ranges to the R&I sector.

The table below summarises the trading multiples of comparable companies to the R&I sector.

R&I (as at 15 January 2016)						
Currency: \$million	Country head office	Market cap (\$m)	EBITDA (FY15) multiple	EBITDA (FY16) multiple	EBIT (FY15) multiple	EBIT (FY16) multiple
UGL Limited	Australia	403	6.4x	3.7x	7.9x	5.7x
Programmed Maintenance Services Ltd.	Australia	506	nmf ¹	7.0x ²	nmf ¹	8.5x ²
Decmil Group Limited.	Australia	170	1.8x	4.5x	2.0x	6.4x
RCR Tomlinson Limited	Australia	245	4.9x	3.4x	8.2x	4.6x
Downer EDI Limited	Australia	1,435	3.1x	3.4x	5.5x	6.4x
Ausdrill Ltd.	Australia	64	3.9x	3.5x	13.5x	9.0x
WorleyParsons Limited	Australia	1,059	4.4x	4.3x	5.4x	5.8x
Monadelphous Group Limited	Australia	662	2.8x	3.7x	3.3x	4.5x
Median - Australia only			3.9x	3.7x	5.5x	6.1x
Average - Australia only			3.9x	4.2x	6.5x	6.4x
The Ensign Group, Inc.	United States	1,587	9.6x	7.6x	12.4x	9.4x
Matrix Service Company	United States	722	13.5x	4.7x	nmf	6.2x
Weatherford International plc	United States	7,015	6.3x	9.8x	nmf	nmf
All companies						
Min			1.8x	3.4x	2.0x	4.5x
Median			4.7x	4.3x	6.7x	6.3x
Average			5.7x	5.1x	7.3x	6.7x
Max			13.5x	9.8x	13.5x	9.4x

Source: S&P Capital IQ and Company annual reports

¹ Programmed FY15 EBITDA and EBIT multiples are not meaningful as they do not include the acquisition of Skilled.

² Programmed FY16 EBITDA and EBIT multiples do not include full-year impact of the acquisition of Skilled.

These multiples above are minority interest multiples and therefore do not include a premium for control. Descriptions of the comparable companies presented in the table above are provided in Appendix C.

⁸³ Calculated as at 15 January 2016



6.4.4 Transaction multiples

The table below summarises historical transaction multiples relevant to the R&I sector.

Recent Transaction Evidence - Local currency (m)									
Date	Target	Acquirer	Transaction currency	% Acquired	Implied EV	EBITDA	EBIT	EBITDA Multiple	EBIT Multiple
14-Oct-15	Coffey International Limited	Tetra Tech, Inc.	AUD	100%	171.9	23.5	14.9	7.3x	11.5x
12-Nov-14	Foster Wheeler AG	AMEC	USD	100%	2,904.1	219.9	162.3	13.2x	17.9x
31-Oct-14	Tenix	Downer EDI Limited	AUD	100%	300.0	36.0	29.4	8.3x	10.2x
17-Oct-14	URS Corporation	AECOM Technology Corporation	USD	100%	5,395.5	679.2	530.4	7.9	10.2
22-Aug-14	Kentz Corporation Ltd	SNC-Lavalin Group Inc.	GBP	100%	1,761.8	124.5	115.4	14.2x	15.3x
17-Mar-14	PPI Technology Services, LLC	Cardno Limited	USD	100%	145.0	21.5	-	6.7x	n/a
11-Dec-13	Clough Limited	Murray & Roberts Holdings Ltd.	AUD	38%	693.5	96.9	90.7	7.2x	7.6x

Source: S&P Capital IQ, Merger Market and Company annual reports

The multiples shown above largely involve control transactions and hence include a premium for control.

6.4.5 Assessment of earnings multiples

In the determination of an appropriate EBITDA multiple for the R&I sector, we have considered the following:

- ▶ Comparable listed companies and comparable transactions similar to the business of the R&I sector
- ▶ The EBITDA multiples for comparable listed companies exclude a premium for control. Consequently we have considered control premiums to be applied to the above listed company multiples
- ▶ Programmed, Ausdrill and WorleyParsons are the most comparable of the Australian listed companies to the R&I sector. In this context, we note:
 - Programmed's Resources sector contributed 30% of FY15 EBITDA⁸⁴ at an EBITDA margin of 8% prior to the Skilled acquisition in October 2015. Subsequently and due to the downturn in the sector, this unit is expected to contribute circa 6% to the new pro forma group EBIT at a margin of 4%. The normalised EBITDA multiple of 4.9 times (based on FY17F earnings)⁸⁵ reflects this relatively less risky business with a degree of certainty over \$20 million of synergies and a full year contribution from the Skilled business. The FY16F stand-alone EBITDA multiple of Programmed prior to the transaction discussion announcement was 5.2 times and the independent expert on the transaction valued the business at an implied FY16F multiple of 6.6 times to 7.4 times
 - Ausdrill's Mining Services Australia sector contributed 51% of revenue and 39% of EBITDA at an EBITDA margin of 11% in FY15. The Contract Mining Services Africa sector performs similar services and contributes a majority of the residual EBITDA. Ausdrill's current share price reflects a profit downgrade for FY15 in August 2015 after which consensus FY16 and FY17 EBITDA forecasts for Ausdrill fell at least 16%. Ausdrill's size in revenue terms is similar to R&I and its expected EBITDA margin is marginally less than R&I

⁸⁴ Excluding corporate

⁸⁵ Calculated from data sourced from Capital IQ as at 15 January 2016

- WorleyParsons's Hydrocarbons sector contributed 74% of FY15 revenue and 89% of FY15 EBIT, at an EBIT margin of 8.9% in FY15. In the months subsequent to June 2015, WorleyParsons' equity value has been adversely impacted by negative company announcements as well as a subdued market outlook for FY16. The resultant equity value is now trading at a 59% discount to the 30 June 2015 equity value. Similarly, WorleyParsons' FY16 EBITDA multiple has fallen significantly from 7.5 times in June 2015 to 4.3 times as at 15 January 2016
- ▶ We have expanded our search to other Australian comparable listed companies with an exposure to O&M outsourcing services. The observed FY16 EBITDA minority trading multiples for all the Australian comparable companies have an average and median of 4.2 times and 3.7 times respectively
- ▶ The Easternwell business, an integral and significant part of the R&I sector, has historically been a high margin business and competes in the Australian market. Given its historical track record and its competitive advantage, the business is expected to return to historical profitability in the short to medium term future. Whilst Broadspectrum competes with and provides some of the services provided by Halliburton and Schlumberger, we have not considered the trading multiples of these companies which are larger, operate in different markets and have a diverse range of activities
- ▶ We also had regard to other comparable company multiples that have exposure to similar markets as the R&I sector albeit internationally. Overall (including the international companies), the FY16 average and median trading multiples of comparable companies similar to the R&I sector are 5.1 times and 4.3 times
- ▶ We have also considered implied multiples from potentially comparable transactions. In this regard, we have focused our analysis on transactions whereby the target company offers services similar to the R&I sector. We note that whilst the Kentz Corporation, PPI Technology Services and Clough Limited transactions involve companies that offer similar service offerings, ultimately, these companies' earnings are generated from a much broader service offering and are in different geographies compared to the R&I sector

After considering the above factors, we have selected an EBITDA multiple of 5.0 times to apply to the selected maintainable EBITDA of the R&I sector.

6.4.6 Valuation

Based on the factors considered above, we consider the fair market value of the R&I sector, on a controlling basis, to be between \$200 million and \$250 million.

6.5 Americas

6.5.1 Maintainable EBITDA

The table below summarises the Americas sector's Underlying EBITDA in FY14 and FY15.

Broadspectrum – Americas			
Currency: \$million		FY14	FY15
Statutory EBITDA		2.3	(25.8)
Restructuring costs		-	0.4
Settlement legacy claims		-	15.0
Loss/gain on asset sales		3.7	-
Underlying EBITDA		6.0	(10.4)

Source: Broadspectrum FY15 annual report, EY Analysis



In relation to the above table, we note:

- ▶ The FTS and Gateway Operations Ltd ("GOL") JVs are similar to the core business of the Americas. We also note that the contribution of these two JVs to the FY2015 Underlying EBITDA is immaterial. As such, we have not carved out Broadspectrum's share of EBITDA from FTS or GOL from the Underlying EBITDA of the Americas
- ▶ Historical Underlying EBITDA of the Americas sector in FY14 and FY15 and the restructuring costs and loss on asset sales adjustments which have been discussed in Section 3.2.2 above
- ▶ FY14 Underlying EBITDA was impacted by \$20 million of provisions from legacy roads contracts. FY15 Underlying EBITDA was impacted by contract provisions, bad debt write offs and write down of JV assets, all totalling \$31 million
- ▶ In contrast, Underlying EBITDA for the business for the three years ended FY13 were \$60 million, \$33 million and \$27 million, respectively, giving a five-year average to FY15 of approximately \$20 million
- ▶ In their guidance for FY16, Management noted an expected turnaround in the Americas sector (as indicated by current year to date results) and in particular the downstream businesses. This dynamic is expected to continue into FY17 driven by higher-volumes in the refinery space due to competitive input costs, sans any significant recovery in oil prices, which would also benefit the Broadspectrum upstream business should it occur. The Chilean mining business has also recovered in the past six months due to new management and its consequent improvement in earnings

We also had regard to the cyclical nature of the oil and gas market and the impact of a softening market on the FY15 performance as well as the adverse impact of two consecutive severe winters on the Canadian roads business. Based on all of the above factors, we have selected a maintainable EBITDA range of between \$20 and \$30 million for the Americas sector.

6.5.2 EBITDA multiple

In assessing an appropriate EBITDA multiple for the Americas sector, we considered the trading multiples of comparable listed companies and comparable transactions.

6.5.3 Trading multiples

We have considered some international businesses which have similar industry exposures, albeit with different service ranges to the Americas sector. The table below summarises the trading multiples of companies comparable to the Americas sector.

Americas (as at 15 January 2016)						
Currency: \$million	Country head office	Market cap (\$'m)	EBITDA (FY15) multiple	EBITDA (FY16) multiple	EBIT (FY15) multiple	EBIT (FY16) multiple
Jacobs Engineering Group Inc.	United States	6,738	7.6x	7.1x	9.8x	8.8x
Chicago Bridge & Iron Company N.V.	United States	5,344	5.2x	5.3x	5.7x	5.8x
Matrix Service Company	United States	722	13.5x	4.7x	nmf	6.2x
SNC-Lavalin Group Inc.	United States	5,723	7.3x	7.4x	10.0x	9.4x
Min			5.2x	4.7x	5.7x	5.8x
Median			7.4x	6.2x	9.8x	7.5x
Average			8.4x	6.1x	8.5x	7.6x
Max			13.5x	7.4x	10.0x	9.4x

Source: S&P Capital IQ and Company annual reports

The multiples shown above are minority interest multiples and therefore do not include a premium for control. Descriptions of the comparable companies presented in the table above are provided in Appendix C.

6.5.4 Transaction multiples

The table below summarises historical transaction multiples relevant to the Americas sector as at the date of this Report.

Recent Transaction Evidence - Local currency (m)									
Date	Target	Acquirer	Transaction currency	% Acquired	Implied EV	EBITDA	EBIT	EBITDA Multiple	EBIT Multiple
22-Dec-14	Pike Corporation	Court Square Capital Partners L.P.; Court Square Capital Partners III, L.P.	USD	94%	594.6	70.7	31.2	8.4x	19.1x
17-Oct-14	URS Corporation	AECOM Technology Corporation	USD	100%	5,395.5	679.2	530.4	7.9x	10.2x
12-Nov-14	Foster Wheeler AG	AMEC	USD	100%	2,904.1	219.9	162.3	13.2x	17.9x
17-Mar-14	PPI Technology Services, LLC	Cardno Limited	USD	100%	145.0	21.5	n/a	6.7x	n/a

Source: S&P Capital IQ, Mergermarket and Company annual reports

The multiples shown above implicitly involve control transactions and hence include a premium for control.

6.5.5 Assessment of earnings multiples

In the determination of an appropriate EBITDA multiple for the Americas sector, we have considered the following:

- ▶ Comparable listed companies and comparable transactions similar to the business of the Americas sector
- ▶ The EBITDA multiples for comparable listed companies exclude a premium for control. Consequently we have considered control premiums to be applied to the above listed company multiples
- ▶ Matrix and SNC are the most comparable of the above mentioned listed companies. In this context we note:
 - Matrix's Oil and Gas & Chemical sector performs similar services to that of the Americas sector's oil and gas operations, is of similar size to the Americas sector and is exposed to similar cyclical macroeconomic and political influences that the Americas sector faces. Matrix's Oil and Gas & Chemical business sector contributed USD \$305.9 million of revenues and USD \$11.9 million of Matrix's FY15 EBITDA, representing 37 % of total EBITDA for the company
 - SNC's O&M sector is comparable to the Americas sector and provides O&M solutions for transit systems, bridges, power plants, highways, airports and oil and gas facilities. SNC's O&M sector contributed CAD⁸⁶ \$1.3 billion of revenues and CAD \$40.4 million of EBIT in FY14
- ▶ We have expanded our search to other US comparable listed companies with an exposure to services generally similar to the Americas sector. The observed FY16 EBITDA minority trading multiples for all the US comparable companies have an average and median of 6.1 times and 6.2 times, respectively

⁸⁶ Canadian dollar



- ▶ We have also considered implied multiples from potentially comparable transactions. In this regard we note we have focused our analysis on transactions whereby the target company provides services to the North American oil and gas, mining and infrastructure sectors. We note that whilst transactions such as the Pike Corporation and Foster Wheeler transactions involve companies that offer similar service offerings, the timing of these transactions and the broader service offerings of the target companies makes them less relevant
- ▶ In our assessment of an appropriate earnings multiple, we have considered the relatively smaller size of the Americas sector when compared to the potentially comparable companies and potentially comparable transactions. In this regard, we note that in FY14 the Americas reported Underlying EBITDA of \$6.0 million and in FY15 the sector reported a loss of \$10.4 million at EBITDA level. All of the comparable listed companies generated positive EBITDA, at much higher levels compared to the Americas in FY14

After considering the above factors, we have selected an EBITDA multiple of 5.0 times to apply to the selected maintainable EBITDA of the Americas sector.

6.5.6 Valuation

Based on the factors considered above, we consider the fair market value of the Americas sector, on a controlling basis, to be between \$100 million and \$150 million.

6.6 Corporate costs

There is approximately between \$35 million and \$40 million of corporate overhead costs that have not been allocated to the individual Broadspectrum businesses. We have estimated ongoing corporate overhead costs on a maintainable basis and deducted the capitalised amount of these costs from the aggregate value of the individual businesses. We have used the weighted average of the EBITDA multiples applied to the individual businesses of between 4.8 times and 5.0 times to capitalise these costs.

6.7 Net debt

Based on the current year to date performance, we estimate the net debt position as at 31 December 2015 at approximately \$473 million^{87 88}.

6.8 Broadspectrum Performance Awards

As at the date of our Report, the Board of Broadspectrum has rejected the proposal from Ferrovial of \$1.35 per share as materially undervaluing the Company. The Board has retained its discretion and will determine the quantum of Broadspectrum Performance Awards that will vest to employees in the event that the Takeover Offer or an alternate change of control transaction is successful. We note that in total, approximately 29.5 million Broadspectrum Performance Awards remain on issue to employees of Broadspectrum, a number of which would vest in the ordinary course of business in the absence of a change of control transaction occurring.

For the purposes of this Report, we have assumed an after-tax cost associated with the vesting of these Broadspectrum Performance Awards assuming 100% of these awards vest at a range of values to be paid by the company to acquire the shares.

⁸⁷ Net debt of \$473 million (based on EY calculation) does not adjust for unamortised loan establishment costs of \$14.2 million.

⁸⁸ Unaudited 1H FY16 net debt as per Management accounts is \$459 million.

6.9 Other assets and liabilities

6.9.1.1 Investment in RACL

Broadspectrum has a 20% interest in RACL which was independently valued at approximately \$90 million for financial reporting purposes as at 30 June 2015. The valuation was determined using a discounted cash flow method and assessed against comparable multiples for reasonableness. Dividends from RACL have ranged from between \$1.6 million and \$6.4 million during the four years ended FY15. We have retained the above range of values for the 20% interest in RACL based on the following:

- ▶ The valuation was recently conducted in relation to the accounts for Broadspectrum as at 30 June 2015
- ▶ During a recent strategic review of the business, management received indicative bids at values consistent with its book value as at 30 June 2015
- ▶ Management has advised that there are no material matters in the current year-to-date performance of the business or any other commercial issues which may have a negative impact on the value of its interest in the business

Consequently, we have no reason to believe that the value of Broadspectrum's 20% interest in RACL is not similar to the value determined as at 30 June 2015 for financial reporting purposes.

6.10 Tax losses

As at 30 June 2015, Broadspectrum had recognised a deferred tax asset ("DTA") of approximately \$90 million associated with tax losses, of which approximately \$50 million pertain to Australian tax losses with the balance relating to the US, Chile and NZ. In order for the losses of Broadspectrum to be able to be transferred to Ferrovial or any other acquirer (to shelter future amounts of taxable income), certain loss transfer and utilisation tests are required to be satisfied. Only a detailed technical analysis on a case by case basis can confirm whether these losses can be utilised and the rate of such utilisation. We have attributed no value to these tax losses in our valuation analysis.



6.11 Valuation of Broadspectrum Shares

We have valued Broadspectrum based on the sum of the fair values of its underlying net assets and liabilities, on a controlling, going concern basis. Our sum-of-the-parts valuation is summarised in the following table.

Broadspectrum - Valuation							
Currency: \$million		Maintainable EBITDA		Assessed EBITDA multiple		Market value	
	Reference	Low	High	Low	High	Low	High
Defence, Social and Property	Section 6.2	175	175	4.25x	4.50x	744	788
Infrastructure	Section 6.3	70	75	6.00x	6.00x	420	450
Resources & Industrial	Section 6.4	40	50	5.00x	5.00x	200	250
Americas	Section 6.5	20	30	5.00x	5.00x	100	150
Corporate	Section 6.6	(35)	(40)	4.80x	5.00x	(168)	(200)
		270	290				
Enterprise value						1,296	1,438
Net debt	Section 6.7					(473)	(473)
Broadspectrum Performance Awards (vesting adjustment)	Section 6.8					(35)	(40)
Other assets and liabilities (RACL)	Section 6.9					90	90
Equity value						878	1,015
Number of outstanding shares						512,457,716	
Price per share (\$)						1.71	1.98

Source: EY analysis

The above valuation reflects the value of 100% of Broadspectrum Shares inclusive of a premium for control. This is in accordance with the requirements of RG 111.

6.12 Valuation cross check

We compared our valuation of a Broadspectrum Share:

- ▶ And the relevant implied valuation multiples to those calculated for comparable listed entities and transactions
- ▶ To brokers' valuations of Broadspectrum up to the Announcement Date

6.12.1 Overall Broadspectrum business implied EBITDA multiple

We have compared the EBITDA and EBIT multiples implied by our overall valuation range of Broadspectrum, based on our estimate of Broadspectrum's maintainable EBITDA and management's current guidance for FY16.

Broadspectrum - Implied multiples										
	EBITDA Multiple		EBITDA		EBIT Multiple		EBIT ²		Enterprise Value	
	Low	High	Low	High	Low	High	Low	High	Low	High
Implied EV/maintainable earnings ¹	4.8x	5.0x	270	290	7.6x	7.6x	170	190	1,296	1,438
Implied EV/FY16 earnings company guidance ¹	4.9x	5.0x	265	285	7.9x	7.8x	165	185	1,296	1,438
Implied offer EV/FY15 earnings	4.4x	4.4x	265	265	6.9x	6.9x	168	168	1,165	1,165
Implied offer EV/FY16 earnings	4.4x	4.1x	265	285	7.1x	6.3x	165	185	1,165	1,165

Source: EY analysis

¹ Valuation multiples exclude investment in RACL.

² FY16 EBIT has been adjusted for depreciation and amortisation based on the depreciation and amortisation expense profile from FY13 to FY15.

We note the following in relation to the above:

- ▶ The implied EBITDA/EBIT multiples are within the range of observed listed Australian comparable company multiples whose average and median FY16 EBITDA multiples (excluding a premium for control) are 5.0 times and 4.3 times, respectively, and FY16 EBIT multiples are 7.1 times and 6.4 times, respectively
- ▶ Of all the Australian listed companies, Downer and Spotless are most relevant to Broadspectrum. Accordingly, we have cross-checked our implied EBITDA/EBIT multiples to Downer and Spotless
- ▶ Downer is significantly exposed to the Infrastructure sector with circa 70%⁸⁹ of FY15 revenue generated in the telecommunications, transport and utilities subsectors. Downer is larger (by revenue) than Broadspectrum and has EBIT margins similar to Broadspectrum. However, Downer is exposed to the resources sector through a 21% exposure in FY15 revenue and circa 48% exposure in FY15 EBITDA.⁹⁰ Broadspectrum also has similar visibility over short to medium term revenues by way of its work-in-hand (as a percentage of annual revenue) but is marginally less capital intensive than Downer. Spotless' circa 90% of FY15 revenue was generated in the facilities management sector. Spotless is similar (by revenue) compared to Broadspectrum but has EBIT margins higher than Broadspectrum. Broadspectrum is also marginally more capital intensive than Spotless
- ▶ Given the similarities in depreciation and capital expenditure as a percentage of revenues between the three companies discussed above, we note that Downer and Spotless exhibited FY16 EBIT multiples (excluding a premium for control) of 6.4 and 7.5 times respectively based on consensus FY16 EBIT

⁸⁹ Excluding corporate

⁹⁰ Ibid



- The implied FY16 EBITDA/EBIT multiples also fall within the range of observed Australian transactions as noted in this Report, with average and median EBITDA multiples of approximately 7.0 times and EBIT multiples of approximately 10.0 times

Therefore, we consider that this cross-check tends to support the overall reasonableness of our fair market valuation determined using the capitalisation of maintainable earnings methodology.

6.12.2 Comparison to broker valuations

Broadspectrum is followed by a number of brokers on a regular basis. Prior to the Announcement Date, between 31 August 2015 and 7 December 2015, at least nine brokers had issued reports, one of which is restricted due to their involvement in the transaction. The brokers have valued Broadspectrum at target prices ranging from \$1.10 to \$1.43, with average and median trading prices of \$1.31 and \$1.33⁹¹. We note that the target price generally represents a 12 month price target for a minority parcel of shares rather than a current valuation and by definition excludes any control premium which we are required to include within our valuation.

⁹¹ Sourced from ThomsonOne

7. Assessment of Offer

7.1 Approach

In forming our opinion as to whether or not the Takeover Offer is fair and reasonable, in Section 7.2, we have considered whether the consideration being offered for a Broadpectrum Share is higher or lower than the fair market value range, on a 100% basis, of a Broadpectrum Share.

RG 111 provides that an offer may be “reasonable” despite being “not fair”, if the expert believes there are sufficient reasons for shareholders to accept the offer in the absence of any higher bid before the close of the offer. In Section 7.3, we set out commercial and qualitative factors that we considered in assessing the Takeover Offer as well as other significant matters for Broadpectrum Shareholders to consider.

7.2 Fairness

In determining whether the Takeover Offer is fair and reasonable, we have compared the fair market value of the Broadpectrum Shares with the cash consideration being offered by Ferrovial. In assessing the fair market value of a Broadpectrum Share, we have assumed 100% ownership, which implicitly includes a control premium.

The comparison of values, based on the fair market values assessed for a Broadpectrum Share in Section 6.11, is summarised in the following table:

Broadpectrum – Fairness assessment		
Currency: \$	Low	High
Fair market value per share	1.71	1.98
Offer Price	1.35	1.35
Discount to fair market value	21%	32%

Source: EY analysis

As shown in the above table, the Offer Price is below our assessed fair market value of a Broadpectrum Share. Accordingly we consider the Offer to be not fair for Broadpectrum Shareholders.

7.3 Reasonableness

In Section 7.2, we concluded that the Takeover Offer is not fair. Consequently, other matters that we believe are relevant for Broadpectrum Shareholders to consider as part of a consideration as to the reasonableness of the Offer are set out below:

- ▶ Premium for control
- ▶ Market reaction to the Takeover Offer
- ▶ No participation in the future growth of Broadpectrum’s business
- ▶ Limitations on acceptance
- ▶ Strategic benefits and synergies
- ▶ Consideration paid in cash
- ▶ Tax implications
- ▶ Takeover Offer being conditional
- ▶ Possible minority ownership consequences
- ▶ Share price in the absence of the Takeover Offer
- ▶ Board view
- ▶ Broadpectrum Shareholders’ alternatives
- ▶ Potential for alternative offers
- ▶ Transaction costs
- ▶ Valuation impact of the DIBP contract
- ▶ Consequences if the Takeover Offer did not proceed

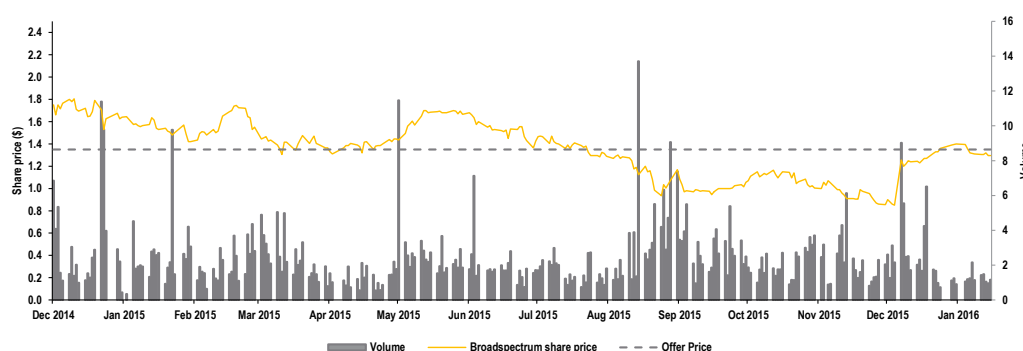


While there are certain advantages to Broadspectrum Shareholders including the Offer Price representing a premium to the trading price of Broadspectrum's Shares during the six months up to the Announcement Date, we consider that this factor alone is insufficient to conclude that the Takeover Offer is reasonable, given Broadspectrum Shareholders would receive less than the fair market value for their Broadspectrum Shares along with the other factors summarised below. We note that individual Broadspectrum Shareholders may interpret these factors differently depending on their specific circumstances and risk profiles.

7.3.1 Premium for control

The analysis in Section 7.2 shows that the Offer Price is less than our assessed fair market value of a Broadspectrum Share. However, the Offer Price does provide Broadspectrum Shareholders with the opportunity to realise value for their Broadspectrum Shares in excess of the price at which they traded on the ASX for the three months prior to the Announcement Date.

As part of our analysis, we considered the historical closing share prices of Broadspectrum over the period between 1 December 2014 and 15 January 2016 and the cash consideration being offered by Ferrovial. We also calculated the implied premium between the closing trading price of a Broadspectrum Share and the cash consideration to be received by Broadspectrum Shareholders over the period up to 12 months prior to Announcement Date.



Broadspectrum Limited - VWAP and implied premium

Trading price	VWAP	Implied premium
Offer price	1.35	n/a
One day prior to announcement	0.85	59%
One week prior to announcement	0.87	55%
One month prior to announcement	0.93	45%
Three months prior to announcement	1.00	35%
Six months prior to announcement	1.13	19%
Twelve months prior to announcement	1.33	2%

Source: S&P Capital IQ

The analysis shows that with the exception of the period where Broadspectrum's share price had increased as a result of the Takeover Offer, the Offer Price of \$1.35 per Broadspectrum Share has been higher than the prices at which Broadspectrum's Shares have traded since 23 July 2015.⁹² We also note that Broadspectrum's closing share price on 4 December 2015 of \$0.85 per share was the lowest closing share price in more than 18 months.

⁹² The market prices of companies listed on a stock exchange usually reflect the prices paid for small parcels of shares representing minority interests and as such do not include a control premium relevant to a significant parcel of shares. Prior to 23 July 2015, the Broadspectrum Share closed at a price higher than the Offer Price

While for the period of up to 90 days prior to the Announcement Date the implied premium between the Offer Price and the Broadspectrum share price ranges from 35% to 59%, the Takeover Offer is at a discount of between 21% and 32% to our assessed fair market value range. It is important that the implied 90 day premiums noted above be taken into account with reference to the following points, each of which are discussed in further detail below:

- ▶ Factors that may have contributed to the downward share price movement from May 2015 to the Announcement Date
- ▶ Key business fundamentals between the last approach from Ferrovial received by Broadspectrum in December 2014 and the Announcement Date
- ▶ Broadspectrum's share price since the Announcement Date

Factors that may have impacted the share price from May 2015 to the Announcement Date

Management believes that some of the factors for the downward pressure on the Broadspectrum share price between May 2015 and December 2015 include:

- ▶ Press in relation to operational matters at the Nauru and Manus Province RPCs at and around the time of on-going contract extension discussions with the DIBP. While Management addressed the matters in communications with shareholders, uncertainty (whether real or perceived) existed in relation to the results of the Senate Committee hearing which reported on 31 August 2015 and the contract negotiations with the DIBP
- ▶ Leading up to 30 November 2015, a key uncertainty around the underlying value of Broadspectrum and its share price was the likelihood of an extension of the DIBP contract beyond the four-month extension to February 2016, announced on 28 October 2015. At the Announcement Date, the market was aware Broadspectrum was progressing towards agreeing a new five-year contract with the DIBP as preferred tenderer. However the commercial terms were uncertain and subject to market speculation including in relation to expected reduction in both margin and volumes. Broadspectrum on 21 December 2015, released a statement that an announcement in relation to the new DIBP contract was expected in the new year (i.e. 2016)

Key business fundamentals between the last approach from Ferrovial received by Broadspectrum in December 2014 and the Announcement Date

The Takeover Offer is approximately 33% lower compared to the indicative, non-binding and conditional proposal to acquire Broadspectrum Shares received from Ferrovial in December 2014 for consideration of \$2.00 per Broadspectrum Share. In this context, we note that in the past 12 months and since the last offer, Broadspectrum has:

- ▶ Relatively more certainty over the medium term future of its DIBP contract, i.e. now being the preferred tenderer for a five-year contract compared to having no clarity over the future of the contract beyond October 2015 in December 2014
- ▶ Reduced debt levels and improvement in its key gearing ratios
- ▶ Moderately improved revenue visibility i.e. contracted revenue for FY2017 (\$2.3 billion) as at 31 December 2015 compared to FY2016 (\$2.1 billion) as at 31 December 2014
- ▶ Delivered on its upgraded profit guidance for FY15 and has marginally revised guidance upwards for FY16
- ▶ Despite challenging operating conditions in many of its sectors, witnessed the positive impacts of having a diversified portfolio of businesses, such that its reliance on relatively cyclical businesses (e.g. R&I and the Americas sectors) is lower today compared to December 2014. Moreover, the Company also announced that the Americas sector had returned to profitability as at December 2015



- ▶ Initiated productivity improvement and cost reduction programs and improved financial discipline, the full impact of which is expected to be reflected from FY17 onwards, in either an improvement in the operating cost base or the ability to maintain and win work
- ▶ Received negative press in regards to its garrison support and welfare services provided at Nauru and Manus Province
- ▶ Seen some institutional shareholders exit the Company's share register

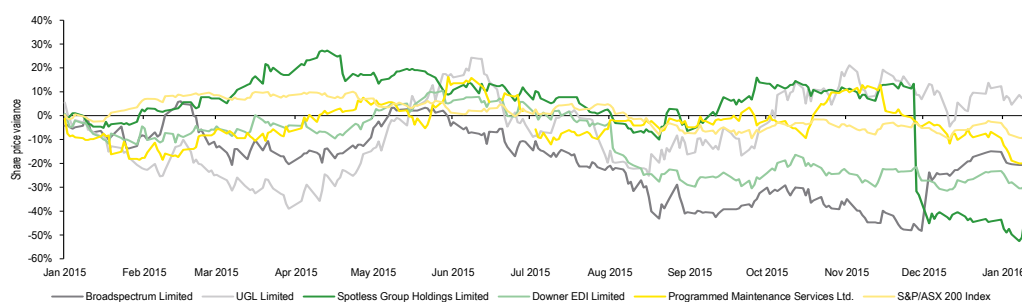
Broadspectrum's share price trading since the Announcement Date

Since the Announcement Date and up to 16 December 2015, the Broadspectrum share price closed between \$1.20 per share and \$1.26 per share on a daily basis. Since 16 December 2015, Broadspectrum made the following announcements:

- ▶ New contracts over five years in the power and water sectors worth approximately \$185 million on 17 December 2015
- ▶ The new NSW Housing \$950 million five-year (excluding two two-year options) contract on 18 December 2015
- ▶ Increased Underlying EBITDA guidance for FY16 to between \$265 million to \$285 million compared to consensus market estimates of \$256 million on 21 December 2015
- ▶ Reiteration on 21 December 2015, that it was the preferred tenderer on a major contract with the DIBP and that it was in final negotiations with the Department with an announcement expected in 2016
- ▶ Increased focus on the US operations resulted in a return to profitability

The Broadspectrum share price from 17 December 2015 (i.e. since these announcements) and to the date of this Report has closed as high as \$1.40 per share i.e. a 15 cents or 12% rise since 16 December 2015. It is not possible to isolate the impact of the above announcements separately from the announcement of the Takeover Offer on the Broadspectrum share price. However, had the Takeover Offer not been received on 7 December 2015, it is not unreasonable to assume that Broadspectrum's share price would have reacted positively due to relatively higher levels of certainty over the short to medium term profitability of the business and in particular, the Company's further updates in relation to the DIBP contract and the positive update to its Underlying EBITDA guidance.

As shown below, Broadspectrum's share price performance between 1 January 2015 and the Announcement Date was below that of its ASX-listed peers, partly and possibly due to the company specific matters listed above. We note that since the Announcement Date and given the Company announcements noted above, the movement in Broadspectrum's share price has more closely mirrored those of its peers and the S&P/ASX 200 more generally.



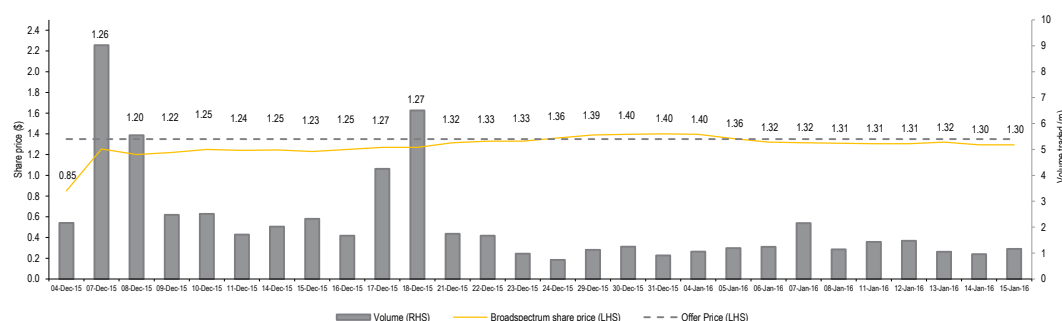
Source: S&P Capital IQ

In considering the implied premium between the Takeover Offer and Broadspectrum's share price at or around the Announcement Date, Broadspectrum Shareholders should consider the points noted above, specifically the various short-term factors influencing the share price.

Further considerations related to the likely impact on Broadspectrum's share price in the absence of the Takeover Offer are outlined in Section 7.3.10 below.

7.3.2 Market reaction to the Offer

The last trading price of a Broadspectrum Share on 4 December 2015, being the last trading day prior to the Announcement Date, was \$0.85. Based on the daily closing price of the Company's shares, the following chart illustrates the prices and volumes at which Broadspectrum's shares traded over the period 4 December 2015 to 15 January 2016.



Source: S&P Capital IQ

Since the Announcement Date, the Broadspectrum share price increased on 7 December 2015 to an intraday high of \$1.31, a 54% increase on the 4 December 2015 closing price. Since then, the Company's shares have closed in the range of \$1.20 to \$1.40 and closed at \$1.30 on 15 January 2016.

Based on movements in Broadspectrum's share price following the announcement of the Takeover Offer and the Company announcements noted above, the market appears to have reacted positively to the Takeover Offer and with the share price trading at times closer or higher to the Offer Price may indicate the market's expectation of either an increased Ferrovial offer or an alternative offer to eventuate. In this context, we note that Ferrovial has not declared its Takeover Offer as being final. As at the date of this Independent Expert's Report we note Ferrovial does not have a material interest in the shares of Broadspectrum, which could otherwise be a deterrent for an alternative acquirer.

7.3.3 No participation in the future of Broadspectrum's business

By accepting the Takeover Offer, assuming the Offer becomes unconditional, Broadspectrum Shareholders are giving up the right to participate in the future upside, if any, associated with Broadspectrum's portfolio of businesses.

7.3.4 Limitations on acceptance

As discussed in Section 7.8 of the Target's Statement, once Broadspectrum Shareholders have accepted the Takeover Offer, they will not be able to revoke/withdraw their acceptance or dispose of their Broadspectrum Shares unless withdrawal rights exist. We note that because of the nature of some of the conditions attaching to the Takeover Offer, it is possible, that the period between Broadspectrum's shareholders accepting the Takeover Offer and the Takeover Offer being declared unconditional, upon which Shareholders would be paid for their Broadspectrum Shares, could be relatively long.



7.3.5 Strategic benefits and synergies

We have considered the information contained in the Bidder's Statement and precedent acquisitions in the infrastructure and maintenance sectors to assess the level of synergies that could typically be realised by certain acquirers.

According to Section 3.3 of the Bidder's Statement, given Ferrovial's limited existing operations in Australia, it does not envisage that there will be any material synergies. We note that the only certain "synergy" to be realised, should the Takeover Offer be successful on a 100% control basis, is the elimination of listed public company costs if Broadspectrum is delisted and some minor synergies with Broadspectrum's US operations.

We note that in a transaction involving companies such as Broadspectrum and other potential acquirers of a similar size and with similar or complimentary businesses in similar geographies, synergies (before any costs) could result from areas such as integrating back office functions, pursuing operational efficiencies, corporate and divisional overheads, shared services, property optimisation and listing costs. In the determination of its earnings multiples, EY has given consideration to synergies potentially available to multiple such acquirers in general rather than to any unique acquirer.

The acquisition, if it succeeds, would allow Ferrovial to gain a platform for operations in Australia and New Zealand and certain business operations in the US. Broadspectrum provides Ferrovial with a diverse business and a reasonable breadth of capabilities with relationships with both Federal and State Governments and the private sector in Australia, New Zealand and the US.

7.3.6 Consideration will be paid in cash

While we consider the Takeover Offer to be not fair, with the Offer Price to be paid in cash, the Takeover Offer allows Broadspectrum Shareholders to realise their investment in Broadspectrum at a premium to the trading price prior to the Announcement Date and without incurring transaction costs, provided all conditions are satisfied or waived. As discussed further below, the Offer Price is also at a premium to the price that Broadspectrum's Shares are likely to trade in the absence of the Takeover Offer.

7.3.7 Tax implications

EY has not considered the specific taxation implications for individual Broadspectrum Shareholders. If the Takeover Offer is approved, Broadspectrum Shareholders may be liable to pay capital gains tax on the disposal of their Broadspectrum Shares. The specific tax consequences of the Takeover Offer will vary depending on the circumstances of each individual Broadspectrum Shareholder.

Broadspectrum Shareholders should consider the information contained in the Target's Statement (Appendix 2) in relation to taxation implications. These specific tax consequences need to be borne in mind by each Broadspectrum Shareholder in weighing up the merits of the Takeover Offer. Broadspectrum Shareholders who are in doubt as to the action they should take in relation to the Takeover Offer should consult their own professional advisers.

7.3.8 Takeover Offer Conditional

The Takeover Offer from Ferrovial is conditional and the Bidder's Statement (Section 7.6) lists individual conditions in this regard. Securing FIRB and OIO approval prior to the end of the Offer Period is amongst these conditions. The Takeover Offer is also subject to no material adverse changes to the Broadspectrum business and no material acquisitions, disposals, new commitments or other events impacting the Broadspectrum business. The Takeover Offer conditions seek to impact certain aspects of the business such as certain contracts, JV agreements and lending agreements and change of control provisions contained therein.

Approximately 50% of Broadspectrum's expected FY16 revenue is derived from clients whose contracts have change of control provisions which may be triggered in the event that a change of control in Broadspectrum occurs. In some cases, these provisions give the client an automatic right to terminate the contract without recourse by a consent process. Other contracts contain consent processes, where a client's prior consent is to be sought for a change of control. We understand that as at the date of this Report, there have been no discussions with the relevant clients and no feedback has been received that gives an indication as to how they would respond to a request for a consent in relation to the contractual change of control obligations.

Shareholders should be aware that if they accept the conditional Offer they will be exposed to the risk that the Takeover Offer conditions cannot be satisfied e.g. if change of control consents are not received, the Takeover Offer conditions may not be met and the Takeover Offer may not become unconditional. In the interim, they may otherwise not be able to sell their Broadspectrum Shares once they have accepted the Offer unless withdrawal rights exist.

7.3.9 Possible minority ownership consequences

If, as a result of the Takeover Offer, Ferrovia acquires 90% or more of the Broadspectrum Shares, Ferrovia would have the right to compulsorily acquire the remaining Broadspectrum Shares.

Since the Takeover Offer is conditional on 50.01% acceptance, the ultimate ownership percentage to be held by Ferrovia is uncertain. Section 3.4 of the Bidder's Statement presents Ferrovia's intentions in the event it holds greater than 50.01% but less than 90% of all Broadspectrum Shares.

There are potential adverse consequences of remaining as a minority interest shareholder in Broadspectrum if Ferrovia acquires a controlling (50.01% or more) interest in Broadspectrum but does not achieve the 90% compulsory acquisition threshold. In these circumstances, Broadspectrum Shareholders who do not accept the Takeover Offer will remain minority shareholders in Broadspectrum. This has a number of potential implications, including:

- ▶ Ferrovia intends to seek appropriate board representation. Depending on the level of its majority shareholding, Ferrovia, through its representatives, will control the outcome of any ordinary resolution (50% of votes cast) and possibly any special resolution (75% of votes cast). While Ferrovia has stated that it intends to continue the current operations of Broadspectrum, it will consider an appropriate board structure which may include the replacement of existing Broadspectrum Directors. Further, Ferrovia may be able to determine the future dividend policy and has indicated that it will encourage the Board to continue not making dividend payments in favour of debt reduction
- ▶ Ferrovia has stated that it will seek to delist the Company if it acquires greater than 50.01% of Broadspectrum but less than 90%, subject to complying with ASX guidance on this matter. If this occurs, Broadspectrum Shareholders who do not accept the Takeover Offer may be left with shares in an unlisted company. If Broadspectrum was delisted, the marketability of shares in the Company would be significantly reduced which may also have an adverse impact on the price at which shares transact
- ▶ If Broadspectrum remains listed, the Broadspectrum share price would be expected to decrease immediately following the end of the Offer Period. This would reflect the fact that at that stage the attraction of Broadspectrum as a takeover target will be diminished should Ferrovia be a controlling shareholder. Any prospect of ongoing shareholders realising a control value for their shares would depend upon Ferrovia or another suitor offering a further proposal in the future
- ▶ The reduced free float of Broadspectrum's Shares is likely to reduce the Company's weighting or even inclusion in key stock market indices. This, together with the reduced number of available shares and potentially reduced institutional support is likely to reduce the liquidity of and potentially the trading prices of Broadspectrum's Shares
- ▶ Ferrovia would be entitled to acquire additional Broadspectrum Shares under the 'creeping' acquisition provisions which allow for up to 3% of Broadspectrum Shares to be acquired every six months. Such an approach would not provide minority Broadspectrum Shareholders with the opportunity of realising a control value for their shares



7.3.10 Share price in the absence of the Takeover Offer

The Takeover Offer provides Broadspectrum's Shareholders with an opportunity to realise value for their Broadspectrum Shares in excess of the price at which they traded on the ASX prior to the Announcement Date.

In the event that the Offer does not proceed, there will be uncertainty with respect to whether an alternative proposal will emerge from either Ferrovial or any other party. In these circumstances, we expect that a portion of the premium that now appears to attach to the Broadspectrum share price since the Announcement Date would cease to be priced into the Broadspectrum share price, causing it to decline, with some of the decrease likely to be offset to some degree by the positive impacts of the positive announcements noted above.

We note that our controlling interest valuation of a Broadspectrum Share of between \$1.71 and \$1.98 is higher than the price at which Broadspectrum Shares traded prior to the announcement of the Takeover Offer⁹³. This does not imply, and shareholders should not expect, that Broadspectrum's share price will trade at or around this level if the Takeover Offer is not successful. Our valuation range is on a control basis and the share price is also unlikely to reflect a control value of the Company in the absence of this Offer or the prospect of an alternative transaction. Consequently, if Broadspectrum Shareholders do not accept the Takeover Offer and there is no superior alternative offer, it is likely that the Company's share price would trade at levels below the Offer Price.

7.3.11 Board view

As set out in the Target's Statement, we note that the Broadspectrum Board considered the Offer to assess whether it is in the interests of Broadspectrum Shareholders and have unanimously recommended that Broadspectrum Shareholders reject the Offer. Each of the Directors who own or control Broadspectrum Shares also intends to reject the Offer in respect of all of the Broadspectrum Shares they own or control.

7.3.12 Broadspectrum Shareholders' Alternatives

As an alternative to accepting the Takeover Offer, Broadspectrum Shareholders can do nothing and continue to hold their Broadspectrum Shares anticipating either realising greater value through continuing to hold the Broadspectrum Shares, through a superior proposal emerging or through selling their Broadspectrum Shares on the ASX and incurring transaction costs (e.g. brokerage).

7.3.13 Potential for alternative offers

It is possible that an alternative proposal involving Broadspectrum may emerge in the future either during the Offer Period or subsequently, if the Takeover Offer is unsuccessful. In this context:

- ▶ As at the date of this Report, we have discussed with the Directors of Broadspectrum the likelihood of alternative offers emerging. The Independent Directors of Broadspectrum have advised that they are not aware of any alternative or superior offer for the Company
- ▶ Since the initial approach from Ferrovial in December 2014, no other alternative offers apart from this Takeover Offer, for Broadspectrum Shares (as a whole) have emerged
- ▶ Ferrovial is able to increase the Offer Price if it wishes to do so. It is possible but not certain that it may choose to do so given the positive announcements by Broadspectrum between the Announcement Date and the date of the Independent Expert's Report and the Broadspectrum share price reaction to those announcements

⁹³ When the comparison is made with or without the application of a 30% control premium

As a result of the above factors, it is possible that an alternative proposal could emerge either from Ferrovial or another party that could be superior to the terms of the Takeover Offer. This position is however not certain and Broadspectrum Shareholders should consider any updates to the above position announced by either Broadspectrum or Ferrovial up until close of the Takeover Offer.

7.3.14 Transaction Costs

Broadspectrum Management has estimated that the Company will incur approximately between \$5 million and \$20 million in transaction costs in responding to the Takeover Offer.

7.3.15 Valuation impact - DIBP contract

Our valuation of Broadspectrum includes an assessment of future maintainable earnings which is in part dependent upon existing contracts, contract renewals and extensions and entirely new business both contemplated and not contemplated at the date of this Report. We have formed our assessments based on the most current available information as provided by the Company. Notwithstanding the assessments that we have made, it is possible that future events may not eventuate as anticipated and the associated valuation impacts may be significant (either positive or negative).

In the current case, we note that Broadspectrum is the preferred tenderer in relation to a new DIBP contract. This contract is significant to both the DSP sector and Broadspectrum. While we have incorporated various risk allowances into our treatment and inclusion of this potential contract in our valuation, we do assume that Broadspectrum is successful in being awarded this contract. Shareholders should be aware that until such point that the contract is executed and is unconditional this position is not certain. Shareholders rejecting the Takeover Offer should be aware that they are retaining exposure to this risk. While the Takeover Offer is not conditional upon winning a new DIBP contract, any material negative current developments could be construed as one of the defeating conditions⁹⁴ causing the Takeover Offer to potentially not proceed.

7.3.16 If the Takeover Offer does not proceed

In the event that the Takeover Offer does not proceed, unless another alternative emerges and is implemented, Broadspectrum will continue to operate in its existing form and Broadspectrum Shares will continue to be listed on the ASX. Points to note in relation to this circumstance include:

- ▶ Broadspectrum Shareholders will continue to have exposure to the underlying business. The Company will have incurred approximately between \$5 million and \$20 million in transaction costs in responding to the Takeover Offer
- ▶ As noted above, we believe that, at least initially, the Broadspectrum share price may trade significantly below current levels

7.3.17 Other considerations

This Independent Expert's Report has been prepared to assist Broadspectrum Shareholders in assessing the merits of the Takeover Offer. In doing so, the Report provides general information only and does not consider the individual situation, objectives and needs of each Broadspectrum Shareholder. On this basis, Broadspectrum Shareholders should consider whether this Report is appropriate for their circumstances, having regard to their own situation, objectives and needs before relying on or taking action based on this Report. If there is any doubt, Broadspectrum Shareholders should seek their own professional advice.

Whether individual Broadspectrum Shareholders should accept the Takeover Offer depends upon their own individual situation, objectives and needs, as well as their view as to the reasonableness factors associated with whether or not to accept the Takeover Offer.

7.3.18 Conclusion

Having considered the various matters outlined in our Report, in the opinion of Ernst & Young Transaction Advisory Services, the Takeover Offer by Ferrovial is not fair and not reasonable.

⁹⁴ Section 7.6 (g)(iii) of the Bidder's Statement



Appendix A Statement of qualifications and disclaimers

Ernst & Young Transaction Advisory Services, which is wholly owned by Ernst & Young, holds an Australian Financial Services Licence under the Act and its representatives are qualified to provide this Report. The directors of Ernst & Young Transaction Advisory Services responsible for this Report have not provided financial advice to Broadspectrum.

Prior to accepting this engagement, Ernst & Young Transaction Advisory Services considered its independence with respect to Broadspectrum with reference to RG 112.

This Report has been prepared specifically for Broadspectrum Shareholders in relation to the Offer. Neither Ernst & Young Transaction Advisory Services, Ernst & Young and any employee thereof undertakes responsibility to any person, other than Broadspectrum Shareholders, in respect of this Report, including any errors or omissions howsoever caused.

The statements and opinions given in this Report are given in good faith and the belief that such statements and opinions are not false or misleading. In the preparation of this Report, Ernst & Young Transaction Advisory Services has relied upon and considered information believed after due inquiry to be reliable and accurate. Ernst & Young Transaction Advisory Services has no reason to believe that any information supplied to it was false or that any material information has been withheld from it. Ernst & Young Transaction Advisory Services has evaluated the information provided to it by Broadspectrum, its advisors, as well as other parties, through inquiry, analysis and review, and nothing has come to its attention to indicate the information provided was materially mis-stated or would not afford reasonable grounds upon which to base its Report. Ernst & Young Transaction Advisory Services does not imply and it should not be construed that it has audited or in any way verified any of the information provided to it, or that its inquiries could have verified any matter which a more extensive examination might disclose.

The information relied upon in the preparation of this Report is set out in Appendix E to this Report.

Broadspectrum has provided an indemnity to Ernst & Young Transaction Advisory Services for any claims arising out of any mis-statement or omission in any material or information provided to it in the preparation of this Report.

Ernst & Young Transaction Advisory Services provided draft copies of this Report to Broadspectrum for comments as to factual accuracy, as opposed to opinions, which are the responsibility of Ernst & Young Transaction Advisory Services alone. Changes made to this Report as a result of this review by the Directors and management of Broadspectrum have not changed the methodology or conclusions reached by Ernst & Young Transaction Advisory Services.

Ernst & Young Transaction Advisory Services will receive a professional fee based on time spent in the preparation of this Report estimated at approximately \$280,000 (exclusive of GST). Ernst & Young Transaction Advisory Services will not be entitled to any other pecuniary or other benefit whether direct or indirect, in connection with the making of this Report.

Mr Ishwar Madhyastha, a director and representative of Ernst & Young Transaction Advisory Services and a partner of Ernst & Young and Mr Stuart Bright, a director and representative of Ernst & Young Transaction Advisory Services and a partner of Ernst & Young have assumed overall responsibility for this Report. Both have the necessary experience and professional qualifications appropriate to the advice being offered. Other staff has been consulted in the preparation of this Report where appropriate.

It is not intended that the Report should be used for any other purpose other than to be included in the Target's Statement to be sent to Broadspectrum Shareholders with respect to the Offer. In particular, it is not intended that this Report should be used for any other purpose other than as an expression of its opinion as to whether or not the Offer by Ferrovia is fair and reasonable to Broadspectrum Shareholders.

Ernst & Young Transaction Advisory Services consents to the issue of this Report in the form and context in which it is included in the Target's Statement.

Appendix B Valuation methodologies

RG 111 provides guidance on the valuation methods that an independent expert should consider when valuing a company. These methods include the:

- ▶ Discounted cash flow method and the estimated realisable value of any surplus assets.
- ▶ Application of earnings multiples (appropriate to the business or industry in which the entity operates) to the estimated future maintainable earnings or cash flows of the entity, added to the estimated realisable value of any surplus assets.
- ▶ Amount that would be available for distribution to security holders on an orderly realisation of assets.
- ▶ Quoted price for listed securities, when there is a liquid and active market and allowing for the fact that the quoted price may not reflect their value, should 100% of the securities be available for sale.
- ▶ Recent genuine offers, if any, received by the target for any business units or assets as a basis for valuation of those business units or assets, and
- ▶ Amount that any alternative acquirer might be willing to offer if all the securities in the target were available for purchase.

Each methodology is appropriate in certain circumstances. The decision as to which methodology to apply generally depends on the nature of the asset being valued, the methodology most commonly adopted in valuing such an asset and the availability of appropriate information.

The discounted cash flow methodology involves calculating the net present value of cash flows that are expected to be derived from future activities. The forecast cash flows are discounted by a discount rate that reflects the time value of money and the risk inherent in the cash flows. This methodology is particularly appropriate in valuing projects, businesses and companies that are in a start-up phase and are expecting considerable volatility and/or growth in earnings during the growth phase, as well as businesses with a finite life (such as oil and gas projects). The utilisation of this methodology generally requires that the asset be sufficiently advanced to enable management to provide long term cash flows with some degree of robustness.

The capitalisation of earnings methodology involves capitalising the earnings of a project, a business or a company at an appropriate multiple, which reflects the risks underlying the earnings together with growth prospects. This methodology is theoretically most appropriate where a company or business is expected to generate a relatively stable level of earnings but in practice, is also frequently used in a range of other circumstances.

The net asset backing methodology involves consideration of the net realisable value of the assets of a business or company on a going concern basis, assuming an orderly realisation of those assets. This value includes a discount to allow for the time value of money and for reasonable costs of undertaking the realisation. It is not a valuation on the basis of a forced sale, where assets may be sold at values materially different to their fair value.

Market based assessments relate to the valuation of companies, the shares of which are traded on a stock exchange. While the relevant share price would, prima facie, constitute the market value of the shares, such market prices usually reflect the prices paid for small parcels of shares and as such do not include a control premium relevant to a significant parcel of shares.



Appendix C Comparable trading multiples

Brief descriptions of each of the comparable companies referred to our Report are set out below:

ABM Industries Incorporated

ABM Industries Incorporated ("ABM") was founded in 1909 and is based in New York, United States. ABM operates in the US and internationally through electrical and lighting, energy, facilities engineering, heating, ventilation and air-conditioning ("HVAC") and mechanical, cleaning services, landscaping and garden maintenance, parking and transportation and security. ABM operates through commercial, governmental, industrial, institutional, residential, and retail sectors.

Ausdrill Ltd.

Ausdrill Ltd ("Ausdrill") was founded in 1987 and is based in Canning Vale, Australia. Ausdrill operates in Australia and Africa through four segments, namely Mining Services Australia, Contract Mining Services Africa, Manufacturing and Supply and Logistics. The services are offered to resources, telecommunications and utilities sectors. Mining Services Australia and Contract Mining Services Africa provide various mining services such as drilling and blasting, sales, hiring, exploration and production as well as mineral analysis. Manufacturing provides manufacturing services of drill rigs, rods, hammers, bits and consumables, drill pipes, and truck trays. Supply and Logistics provides services such as the provision of mining supplies and logistics which extends to financing and administration services.

Babcock International Group plc

Babcock International Group plc ("Babcock") was founded in 1891 and is based in London, United Kingdom. Babcock operates in the UK and internationally through four segments, namely Marine and Technology, Defence and Security, Support Services and International. Marine and Technology provides services such as naval engineering support services. Defence and Security provides services such as infrastructure, engineering and equipment support services as well as technical training. Support Services provide asset management and provides programs and skills training services for energy, transport, mobile, education, and government. International provides assistance services for helicopter and fixed wing emergency services as well as engineering support, construction and crew changes for oil and gas companies. These services are offered to the defence, energy, emergency services, transportation and education sectors.

Carillion plc

Carillion plc ("Carillion") was founded in 1999 and is based in Wolverhampton, United Kingdom. Carillion operates in the UK, Middle East, North Africa, Canada and various other countries through four segments, namely Support Services, PPP, Middle East Construction Services and Construction Services. The services are offered to aviation, infrastructure, government, engineering, commercial, defence, education, energy, financial services, health, justice and utilities. Support Services provides facilities management and property services to the aforementioned sectors. PPP provides services such as financial returns on assets in PPP. Middle East Construction and Construction provide services such as civil engineering, development and construction services.

Chicago Bridge & Iron Company N.V.

Chicago Bridge & Iron Company N.V. ("CBI") was founded in 1889 and is based in The Hague, Netherlands. CBI operates internationally through Engineering, Construction and Maintenance ("EC&M"), Fabrication Services, Technology and Environmental Solutions. CBI offers these services to various energy infrastructure and government sectors. EC&M provides engineering procurement and construction for infrastructure and maintenance services. Fabrication Services provides metal fabrication and fitting for resources and energy markets. Technology provides services such as licenced technologies, engineering products and project development for resource entities. Environmental Solutions provide service such as remediation and restoration as well as preparation and response for government bodies.



CIMIC Group Limited

CIMIC Group Limited ("CIMIC"), formerly Leighton Holdings, was founded in 1949 and is based in St Leonards, Australia. CIMIC operates in Australia, Asia Pacific, Middle East and Southern Africa through five segments namely, Construction, Contract Mining, Habtoor Leighton Group, Commercial & Residential and Corporate. Construction provides services building and infrastructure construction, as well as, resort and residential. Contract Mining provides services for a variety of different resource operations. Other service offerings include O&M, facilities management, infrastructure maintenance and clean up services. These services are offered to the resources, government and private sectors.

Compass Group plc

Compass Group plc ("Compass") was founded in 1941 and is based in Chertsey, United Kingdom. Compass operates in the US, Europe, Japan and various emerging countries. Compass provides services such as various meal catering options, hospitality, cleaning, reception, O&M, logistics, project management and security. The services are offered to corporate, industrial, education, health care, aged-care, sports, defence, offshore and remote location sectors.

Decmil Group Limited

Decmil Group Limited ("Decmil") was founded in 1979 and is based in Perth, Australia. Decmil operates in Australia and internationally through three segments, namely Construction and Engineering, Accommodation and Other. These services are offered to mining, oil and gas, infrastructure and government sectors. Specifically, Construction provides services such as non-process and social infrastructure, health, defence, accommodation, education, commercial and industrial projects. Engineering provides services such as civil, fuel and tanks, oil and gas, structural, mechanical and piping, fabrication and maintenance. Accommodation provides services to Gladstone Homeland, a site located in Queensland, Australia with 1,392 rooms and other facilities.

Downer EDI Limited

Downer EDI Limited ("Downer") is based in Ryde, Australia. Downer operates in Australia, New Zealand, Asia-Pacific, South America and South Africa through six segments, namely Transport Services, Technology and Communications Services, Utilities Services, EC&M, Mining and Rail. Transport Services provide construction, development, management and maintenance of the various rail and road assets. Technology and Communications provide services such as infrastructure management solutions. Utilities Services provide lifecycle services to various resource entities. EC&M provides services such as infrastructure maintenance for resource, industrial and utilities sectors. Mining provides services such as contract mining, operational drilling and blasting. Rail provides services such as supply, maintenance, overhaul and parts supply to the rail industry. These services are offered to the transportation, resource and industrial engineering, utilities, communications, and facilities sectors.

Jacobs Engineering Group Inc.

Jacobs Engineering Group Inc ("Jacobs") was founded in 1947 and is based in Pasadena, United States. Jacobs operates in the Americas, Europe, Middle East, Australia, Africa and Asia through two segments, namely Technical Professional Services and Field Services. Technical and Professional Services include project, process, system and scientific services. Field services include construction as well as O&M. These services are offered to industrial, commercial, aerospace, science and biotechnology, defence, resources, utilities, telecommunications and government sectors.

Lend Lease Group

Lend Lease Group ("Lend Lease") was founded in 1958 and is based in Millers Point, Australia. Lend Lease operates in Australia, Asia, Europe and the Americas through four segments namely, Property Development, Infrastructure Development, Construction and Investment Management. These services are offered to a wide variety of sectors across its business segments including government, commercial, education, health care, hotels, aged-care and private infrastructure.



MasTec, Inc.

MasTec Inc ("Mastec") was founded in 1929 and is based in Florida, United States. Mastec operates in the US and internationally through five segments, namely Communications, Oil and Gas, Electrical Transmission, Power Generation and Other. These services are offered to resource, utilities, telecommunications and other sectors. These segments provide services such as constructing infrastructure for distribution and transmission of utility and resource assets and facilities including cable and pipeline networks. Additionally these services extend to operation and maintenance of the systems.

Matrix Service Company

Matrix Service Company ("Matrix") provides engineering, fabrication, infrastructure, construction, and maintenance services primarily to the oil, gas, power, petrochemical, industrial, and mining and minerals markets in the United States and Canada. The Oil Gas and Chemical segment provides turnaround, plant maintenance, and construction services in the downstream petroleum industry; and industrial cleaning services, such as hydro blasting, hydro excavating, chemical cleaning, and vacuum services, as well as performs work in the petrochemical, natural gas, gas processing and compression, and upstream petroleum markets.

Monadelphous Group Limited

Monadelphous Group Limited ("Monadelphous") was founded in 1972 and is based in Victoria Park, Australia. Monadelphous operates in Australia through two segments namely, Engineering Construction and Maintenance and Industrial Services. The services are offered to resources, energy and infrastructure sectors. Engineering Construction provides project management and construction services. Maintenance and Industrial Services provides operational, improvement and maintenance solutions and facilities management.

Programmed Maintenance Services Ltd.

Programmed Maintenance Services ("Programmed") was founded in 1951 and is based in Perth, Australia. Programmed operates in Australia and New Zealand through three segments, namely Property and Infrastructure, Resources, and Integrated Workforce. These services are offered to infrastructure, education, manufacturing, logistics, commercial, tourism and recreation sectors. Property and Infrastructure provide services such as building, maintenance and operational services. Resources provide services such as construction, maintenance and operational services. Integrated Workforce provides services such as recruitment and labour hire.

RCR Tomlinson Limited

RCR Tomlinson Limited ("RCR") is based in Perth, Australia. RCR operates in Australia and internationally through three segments, namely RCR Infrastructure, RCR Resources and RCR Energy. These services are offered to the resources, transportation, utilities, construction in both public and private sectors. RCR Infrastructure provides services such as management services, transportation, resources and HVAC. RCR Resources provides services such as engineering, construction, maintenance, and shutdown services. RCR Energy provides services such as integrated solutions for utilities, servicing and maintenance services and various other specialist resource related services.

Serco Group plc

Serco Group plc ("Serco") was founded in 1929 and is based in Hook, United Kingdom. Serco operates in the UK, US, Europe, Middle East, Australia and New Zealand. It offers justice-related operations, immigration, and border security services for defence and home affairs sectors, health care services and transport services. These services are offered to defence and home affairs, health care and transport sectors. Serco's segments also provide services such as environmental and leisure services, infrastructure services including facilities management; welfare support services and business process outsourcing. Additionally, Serco provides professional, technology, and management services.



SNC-Lavalin Group Inc.

SNC-Lavalin Group Inc. ("SNC") provides engineering and construction, and O&M services worldwide. It provides operations, maintenance, and logistics solutions for buildings, power plants, postal services, broadcasting facilities, highways, bridges, light rail transit systems, airports, and ships. The Infrastructure Concession Investments segment invests in infrastructure concessions for public services, such as airports, bridges, cultural and public service buildings, highways, mass transit systems, power, and water treatment facilities.

Sodexo S.A.

Sodexo S.A. ("Sodexo") was founded in 1966 and is based in Issy-les-Moulineaux, France. Sodexo operates in Europe and internationally through two segments, namely Onsite Services and Benefits and Rewards Services. The services are offered to corporate, remote location, defence, justice, sports, health care, aged-care and education sectors. Onsite Services include a variety of different roles including construction, medical equipment sterilisation, cleaning, food catering, reception, prisoner rehabilitation, and concierge and amenities services. Benefits and Rewards provide services such as employee benefits including vouchers, cards, gifting, incentive and recognition and public benefit solutions.

Spotless Group Holdings Limited

Spotless Group Holdings Limited ("Spotless") was founded in 1946 and is based in Melbourne, Australia. Spotless operates in Australia and New Zealand through two segments, namely Facility services and Laundry and Linen services. These services are offered to business, defence, education, government, health, laundry, resources, and sports and entertainment sectors. Facility services provide multi-faceted facilities management, cleaning and catering services to various customer groups. Laundry and Linen services provide provides linen and uniform laundry services to a wide range of customers.

The Ensign Group, Inc.

The Ensign Group Inc ("Ensign") was founded in 1999 and is based in Mission Viejo, United States. Ensign operates in the US through two segments namely, Transitional, Skilled and Assisted Living Services and Home, Health and Hospice Services. Transitional, Skilled and Assisted Living Services provides services such as operation of skilled nursing facilities and training, as well as, assisted and independent living facilities. Home, Health and Hospice Services provides services such as nursing, medical, physical and social service workers, extending to palliative and clinical care, education, and counselling services. Additionally, Ensign offers administration, accounting, financial, IT and legal services. These services are offered to the health care in both public and private sectors.

UGL Limited

UGL Limited ("UGL") was founded in 1970 and is based in North Sydney, Australia. UGL operates in Australia and internationally through five segments, namely Rail and Defence, Asset Services, Technology Systems, Engineering and Construction. These services are offered to rail, transport and technology entities in the public and private sectors. Rail and Defence provide services such as passenger and freight build and maintenance, parts manufacture, sales and distribution, as well as naval ship maintenance. Asset Services provide services such as maintenance and shutdowns/turnarounds services to the resource sector. Technology Systems segment provide services such as road and rail-tunnel mechanical, electrical, controls, signalling, and communications systems. UGL also offer international services including engineering design, procurement, construction, and commissioning services for water treatment and oil and gas entities.

Weatherford International plc

Weatherford International plc ("Weatherford") was founded in 1972 and is based in Baar, Switzerland. Weatherford operates internationally through equipment and services used in the oil and natural gas sector. Specifically, these services include drilling, evaluation, completion, production, and intervention of oil and natural gas wells. Weatherford offer a variety of project management services relating to the operation and maintenance of the various oil and gas equipment and processes. Additionally, Weatherford provides lift and pumping services for oil and gas wells.

**WorleyParsons Limited**

WorleyParsons Limited ("WorleyParsons") provides professional services to the resources, energy, and industrial sectors. It provides engineering design and project delivery services, including maintenance, reliability support, and advisory services. The company operates through Hydrocarbons; Minerals, Metals & Chemicals; and Infrastructure segments. It offers engineering and project management services, engineering and project services, infrastructure solutions and professional services to coal-fired power, gas-fired power, nuclear, renewable energy, and resource power industries, as well as power networks.

Appendix D Transaction multiples

Brief descriptions of each of the target companies referred to in Section 6 are set out below:

Cardno Limited

Cardno Limited ("Cardno"), an infrastructure and environmental services company, provides professional services in the development and improvement of physical and social infrastructure. Its services include the assessment of the technical and economic feasibility of a project, in depth planning services as well as construction management, facilities management and infrastructure services.

CIMIC

CIMIC operates in the infrastructure, resources, and property markets primarily in Australia Pacific, Asia, the Middle East, and Southern Africa. It is involved in infrastructure construction activities, contract mining services, operation and maintenance, and facilities management services. The company was formerly known as Leighton Holdings Limited and changed its name to CIMIC Group Limited in April 2015.

Clough Limited

Clough Limited provides engineering, procurement, construction, commissioning, and asset support services to oil and gas and minerals sectors in Australia and internationally. It offers engineering, procurement, construction, commissioning, and asset support services for upstream, downstream, offshore, onshore, oil, gas, LNG, and petrochemical facilities and assists clients in extraction, processing, storage and export of various minerals.

Coffey International Limited

Coffey International Limited provides consulting services in the geoservices, international development, and project management areas worldwide. It also provides development assistance services, environmental monitoring, performance management, project planning and scheduling, design and risk management, value management, contract administration and project commissioning and handover management services, and building information Modelling. The company also offers soil, rock, materials, geotechnical, concrete, aggregate, and earthworks testing services. It serves the International development, mining, oil and gas, property, and transport infrastructure industries.

Enterprise Group Holdings Limited

Enterprise Group Holdings Limited engages in the provision of infrastructure maintenance support services for the public sector and utilities markets in the United Kingdom. Its Government Services division provides various environmental services and maintenance, repair, safety and infrastructure management services. It also provides facilities management, security, transport and fleet management, property management services. The company's Utilities & Defence division offers design and construction, maintenance, repair, etc. for water facilities; design and construction, cabling services, etc. for power substations and gas facilities; smart meter and solar panel installation services; and facilities management services at service family accommodations, buildings, and infrastructure assets for the defence infrastructure organization.

Foster Wheeler AG

Foster Wheeler AG operates as an engineering, procurement, and construction contractor worldwide. Its services include the construction and maintenance of onshore and offshore upstream oil and gas facilities as well the construction and maintenance of power generation facilities and processing facilities for the mining sector.



Grontmij NV

Grontmij NV offers services for the Utilities (Energy and Water), Highways and Roads as well as the sustainable buildings sector. The company engages in the creation and maintenance of highways and roads; offers transport systems, such as light rails for moving people, goods, and other materials; undertakes projects for new and existing buildings; and provides management and design services for water, wastewater treatment, and industry and sustainable industrial processes, as well as water management, such as coastal and flood protection.

Hyder Consulting plc

Hyder Consulting plc provides consultancy and engineering solutions with particular specialisation in the transport, utilities and the environmental sectors. The company's solutions include building and infrastructure consultancy, information communications technology advisory, environmental services, including environmental assessment and management, corporate environmental risk assessment, waste and resources efficiency and sustainability services.

Kentz Corporation Limited

Kentz Corporation Limited provides engineering, procurement, and construction (EPC) services, as well as construction and technical support services. It offers EPC contract services for onshore oil and gas, non-process infrastructure, turnkey utilities and port facilities, project management consultancy and general engineering services. The company also provides construction services consisting of structural, mechanical, and piping construction and electrical and instrumentation construction. In addition, its technical support services include front end and detailed engineering, project and construction management, etc. Further, the company is engaged in property investment and management activities as well as training services.

Mouchel Group

Mouchel Group is an infrastructure and business services company headquartered in the United Kingdom. It provides its infrastructure services to a broad range of private and public sector clients offering solutions in highway design, asset management, property consulting, operations maintenance, development planning and transportation planning.

Olbia Pty Limited (Tenix Holdings Australia Pty Limited)

Olbia Pty Limited ("Tenix") is a leading provider of long term O&M services to owners of electricity, gas, water, wastewater, industrial and resources assets in Australia and New Zealand. The company also provides consulting, technology and outsourcing services to cover the end-to-end management of compliance programs.

Pike Corporation

Pike Corporation provides construction and engineering services for investor-owned, municipal, and co-operative electric utilities in the United States as well as independent power providers. The company provides engineering, construction and maintenance for distribution and transmission power lines and substations and storm restoration, or EPC for turn-key and renewable energy projects.

PPI Technology Services, LLC

PPI Technology Services, LLC ("PPI Technology Services") is involved in drilling and production, engineering, project management, quality assurance, regulatory compliance, inventory management, mechanical testing, and software for quality assurance, regulatory compliance, incident investigations and equipment inventory management. In addition, the company's construction services include pipeline design, right-of-way and inspection.



Spotless

Spotless is an international services company operating an Australasian focused facility services business and an international retail services business. Whilst operating in over 30 countries, the majority of earnings were generated through facility services in Australia and New Zealand. The facilities services business comprised four operating businesses: managed services (including integrated facilities management and asset maintenance services), cleaning services, food services and laundry services.

URS Corporation

URS Corporation provides engineering, construction, and technical services to public agencies and private sector clients worldwide. The company provides operational and logistics support to the military. It offers services to build, expand, and modernize infrastructure. In addition, the company develops oil and gas resources and constructs and maintains power-generating and transmitting facilities. The company's services primarily include front-end studies, engineering and process design, procurement, construction and construction management, facility management, and program management; planning, design, and engineering; construction and construction management; O&M; decommissioning and closure; and IT services.



Appendix E Sources of information

In arriving at our views, we have had regard to the following sources of information:

- ▶ Target's Statement dated 21 January 2016 provided by Broadspectrum in relation to the Offer
- ▶ Replacement Bidder's Statement lodged on 23 December 2015 issued by Ferrovial in relation to the Offer
- ▶ Bidder's Statement lodged on 7 December 2015 issued by Ferrovial in relation to the Offer
- ▶ Company websites for Broadspectrum, Ferrovial and comparable companies
- ▶ Various ASX announcements for Broadspectrum and Ferrovial
- ▶ Broadspectrum and Ferrovial results presentations
- ▶ Broadspectrum and Ferrovial annual reports for the years ended 30 June 2013 through to 30 June 2015
- ▶ Budget 2015-16 and Portfolio Budget Statements 2015-16
- ▶ FY16 and FY17 outlook for Broadspectrum prepared by Management
- ▶ Business overview for Broadspectrum dated December 2015 prepared by Management
- ▶ Analyst reports for Broadspectrum, Ferrovial and comparable companies
- ▶ Market and industry data obtained from sources including BIS Shrapnel, IBISWorld, BMI Research, ThomsonOne, S&P Capital IQ, Merger Market, DatAnalysis and Factiva

In addition, we held discussions with various members of senior management of Broadspectrum.

Appendix F Glossary

Abbreviation	Full Title / Description
\$	The lawful currency of the Commonwealth of Australia
2HFY16	Second half of FY16 i.e. the six months ending 30 June 2016
ABM	ABM Industries Incorporated
Act	The Corporations Act 2001 (Cth) (as modified or varied by ASIC)
AGL	AGL Energy Limited ABN 74 115 061 375
Americas	The Americas sector of Broadspectrum
Announcement Date	7 December 2015, the day that Ferrovial announced the Offer
ANZ	Australia and New Zealand
APES	Accounting Professional and Ethical Standard
APPEA	Australian Petroleum Production & Exploration Association
ASIC	Australian Securities and Investments Commission
ASX	ASX Limited ABN 98 008 624 691 and, where the context requires, the financial market that it operates
ASX Listing Rules	Australian Securities Exchange Listing Rules
Ausdrill	Ausdrill Ltd.
Babcock	Babcock International Group plc
Bidder	Ferrovial Services Australia Pty Limited CAN 609 542 556, an indirectly wholly owned subsidiary of Ferrovial
Bidder's Statement	The Replacement Bidder's Statement of Bidder lodged with ASIC on 23 December 2015 and the Second Supplementary Bidder's Statement of lodged with ASIC on 20 January 2016
BRIC	Brazil, Russia, India and China
Broadspectrum Board or Board	The board of directors of Broadspectrum
Broadspectrum Directors or Directors	The directors of Broadspectrum
Broadspectrum Group	Broadspectrum and its related Bodies Corporate as at the date of this Target's Statement
Broadspectrum or Company	Broadspectrum Limited ABN 69 000 484 417
Broadspectrum Performance Awards	the performance awards granted under the TranShare Executive Performance Awards Plan
Broadspectrum Share	A fully paid ordinary share in the capital of Broadspectrum
Broadspectrum Shareholders	A registered holder of Broadspectrum Shares
CAD	The lawful currency of Canada
CAGR	Compound annual growth rate
Cardno	Cardno Limited
Carillion	Carillion plc
CBI	Chicago Bridge & Iron Company N.V.
CCIRS	Cross currency interest rate swaps
Chorus	Chorus New Zealand Limited
CIMIC	CIMIC Group Limited
Compass	Compass Group plc
CSG	Coal seam gas
Decmil	Decmil Group Limited
DIBP	Australian Department of Immigration and Border Protection
DoD	Australian Department of Defence
Downer	Downer EDI Limited ACN 003 872 828
DSP	Defence Social and Property
DTA	Deferred tax asset
Easternwell	Easternwell Group Operations Pty Ltd CAN 128 179 313
EBIT	Earnings before interest and tax
EBITDA	Earnings before interest, tax, depreciation and amortisation
EC&M	Engineering, construction and maintenance
Enable	Enable Networks Limited NZBN 942 903 107 4162
Ensign	The Ensign Group, Inc.
Ernst & Young Transaction Advisory Services, "we" or "us", Independent Expert	Ernst & Young Transaction Advisory Services Limited
EUR	The lawful currency of the Eurozone



Abbreviation	Full Title / Description
EV	Enterprise value, generally calculated as net debt plus market value of equity and minority interests
Ferrovial	Ferrovial SA together with (where the context requires it) Bidder
Ferrovial Group	Ferrovial and its Related Bodies Corporate as at the date of the Bidder's Statement and, a reference to Ferrovia Group Member is a reference to Ferrovia or any of its Related Bodies Corporate
FIRB	Foreign Investment Review Board
FSG	Financial Services Guide
FTS	JV with AECOM in Canada which provides services to the hydrocarbons sector
FYXX	Financial year, generally ending 30 June unless otherwise stated
Gate Process	A new opportunity governance and approval process
GCUHHS	Gold Coast University Hospital and Health Services
GOL	Gateway Operations Ltd
HFC	Hybrid fibre-coaxial
HVAC	heating, ventilation and air-conditioning
IMA	Illegal Maritime Arrivals
Independent Expert's Report or Report	This report prepared by us and dated 20 January 2016
Infrastructure	The infrastructure sector of Broadspectrum
Jacobs	Jacobs Engineering Group Inc.
JV	Joint venture
Lend Lease	Lend Lease Group
LNG	Liquefied natural gas
LTi	Long term incentive
Mastec	MasTec, Inc.
Matrix	Matrix Service Company
MIMA	Multi technology integrated master agreement
Monadelphous	Monadelphous Group Limited
mt	Million tonnes
MTEH	MT Equipment Holdings Pty Ltd
MTI	Medium Term Incentive
NBN	National Broadband Network
NBN Co	NBN Co Limited CAN 136 533 741
Net debt	Total debt including finance leases, less cash, adjusted for the net position of interest rate cross currency derivatives associated with hedging debt instruments
NPAT	Net profit after tax
NSW Housing	NSW Land and Housing Corporation, an agency of the NSW Department of Family and Community Services
NZ	New Zealand
NZ\$	The lawful currency of New Zealand
O&M	Operations and maintenance
OECD	Organisation for Economic Co-operation and Development
Offer, or "Takeover Offer"	The offer by Bidder for the Broadspectrum Shares, details of which are contained in Section 7 of the Bidder's Statement
Offer Period	The period during which the Offer will remain open for acceptance in accordance with Section 7 of the Bidder's Statement
Offer price	\$1.35 per Broadspectrum Share
OIO	New Zealand Overseas Investment Office
PPP	Public private partnerships
Programmed	Programmed Maintenance Services
QUU	Central SEQ Distributor-Retailer Authority trading as Queensland Urban Utilities
R&I	Resources and Industrial
RACL	Ratch Australia Corporation Limited
RCR	RCR Tomlinson Limited
Related Bodies Corporate	Has the meaning given in the Corporations Act
RG 111	Regulatory Guide 111: Content of expert reports
RG 112	Regulatory Guide 112: Independence of experts

Abbreviation	Full Title / Description
ROCE	Return on capital employed, calculated as Underlying EBIT divided by total assets (excluding cash and tax assets) less total liabilities (excluding debt and tax liabilities)
RPC	Refugee Processing Centre
S&P	Standard & Poor's
Serco	Serco Group plc
SNC	SNC-Lavalin Group
Sodexo	Sodexo S.A.
Spotless	Spotless Group Holdings Limited
STI	Short term incentive
Target's Statement	The statement of Broadspectrum under Part 6.5 Division 3 of the Corporations Act
Tenix	Olbia Pty Limited (Tenix Holdings Australia Pty Ltd)
TEPAP	TranShare Executive Performance Award Plan
TWPS	Transfield Worley Power Services Pty Ltd
UFB	Ultra-Fast Broadband, the New Zealand Government program of building fibre-to-the-home networks
UFF	Ultrafast Fibre Limited
UGL	UGL Limited
Underlying EBITDA	EBITDA adjusted for on-off and non-recurring items (including for example costs associated with Broadspectrum's response to the Offer)
US\$ or USD	The lawful currency of the United States of America
UWS	Utilita Water Solutions
VWAP	Volume weighted average price
Weatherford	Weatherford International plc
WorleyParsons	WorleyParsons Limited



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THIS FINANCIAL SERVICES GUIDE FORMS PART OF THE INDEPENDENT EXPERT'S REPORT

20 January 2016

PART 2 - FINANCIAL SERVICES GUIDE

1. Ernst & Young Transaction Advisory Services

Ernst & Young Transaction Advisory Services Limited ("Ernst & Young Transaction Advisory Services" or "we," or "us" or "our") has been engaged to provide general financial product advice in the form of an Independent Expert's Report ("Report") in connection with a financial product of another person. The Report is set out in Part 1.

2. Financial Services Guide

This Financial Services Guide ("FSG") provides important information to help retail clients make a decision as to their use of the general financial product advice in a Report, information about us, the financial services we offer, our dispute resolution process and how we are remunerated.

3. Financial services we offer

We hold an Australian Financial Services Licence which authorises us to provide the following services:

- financial product advice in relation to securities, derivatives, general insurance, life insurance, managed investments, superannuation, and government debentures, stocks and bonds; and
- arranging to deal in securities.

4. General financial product advice

In our Report we provide general financial product advice. The advice in a Report does not take into account your personal objectives, financial situation or needs.

You should consider the appropriateness of a Report having regard to your own objectives, financial situation and needs before you act on the advice in a Report. Where the advice relates to the acquisition or possible acquisition of a financial product, you should also obtain an offer document relating to the financial product and consider that document before making any decision about whether to acquire the financial product.

We have been engaged to issue a Report in connection with a financial product of another person. Our Report will include a description of the circumstances of our engagement and identify the person who has engaged us. Although you have not engaged us directly, a copy of the Report will be provided to you as a retail client because of your connection to the matters on which we have been engaged to report.

5. Remuneration for our services

We charge fees for providing Reports. These fees have been agreed with, and will be paid by, the person who engaged us to provide a Report. Our fees for Reports are based on a time cost or fixed fee basis. Our directors and employees providing financial services receive an annual salary, a

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performance bonus or profit share depending on their level of seniority. The estimated fee for this Report is \$280,000 (inclusive of GST).

Ernst & Young Transaction Advisory Services is ultimately owned by Ernst & Young, which is a professional advisory and accounting practice. Ernst & Young may provide professional services, including audit, tax and financial advisory services, to the person who engaged us and receive fees for those services.

Except for the fees and benefits referred to above, Ernst & Young Transaction Advisory Services, including any of its directors, employees or associated entities should not receive any fees or other benefits, directly or indirectly, for or in connection with the provision of a Report.

6. Associations with product issuers

Ernst & Young Transaction Advisory Services and any of its associated entities may at any time provide professional services to financial product issuers in the ordinary course of business.

7. Responsibility

The liability of Ernst & Young Transaction Advisory Services, if any, is limited to the contents of this Financial Services Guide and the Report.

8. Complaints process

As the holder of an Australian Financial Services Licence, we are required to have a system for handling complaints from persons to whom we provide financial services. All complaints must be in writing and addressed to the AFS Compliance Manager or Chief Complaints Officer and sent to the address below. We will make every effort to resolve a complaint within 30 days of receiving the complaint. If the complaint has not been satisfactorily dealt with, the complaint can be referred to the Financial Ombudsman Service Limited.

9. Compensation Arrangements

The Company and its related entities hold Professional Indemnity insurance for the purpose of compensation should this become relevant. Representatives who have left the Company's employment are covered by our insurances in respect of events occurring during their employment. These arrangements and the level of cover held by the Company satisfy the requirements of section 912B of the Corporations Act 2001.

Contacting Ernst & Young Transaction Advisory Services	Contacting the Independent Dispute Resolution Scheme:
AFS Compliance Manager Ernst & Young 680 George Street Sydney NSW 2000 Telephone: (02) 9248 5555	Financial Ombudsman Service Limited PO Box 3 Melbourne VIC 3001 Telephone: 1300 78 08 08

This Financial Services Guide has been issued in accordance with ASIC Class Order CO 04/1572.



Appendix 2

Tax Adviser's Report

The Directors
Broadspectrum Limited
Level 10
111 Pacific Highway
North Sydney, NSW 2060

21 January 2016

Dear Directors

**Takeover bid by Ferrovial Services Australia Pty Limited (Bidder)
in relation to Broadspectrum Limited (Broadspectrum)
Australian Taxation Implications**

We have been instructed by Broadspectrum to prepare this letter to be included in the Target's Statement.

Capitalised terms not otherwise defined in this letter have the meaning given in the Target's Statement.

1 Scope

This letter is a general description of the Australian income tax and goods and services (**GST**) consequences for Broadspectrum Shareholders who either accept the Offer or whose Broadspectrum Shares are compulsorily acquired in accordance with Part 6A.1 of the Corporations Act.

This letter deals only with Broadspectrum Shareholders who hold their Broadspectrum Shares on capital account for income tax purposes. This letter does not deal with Broadspectrum Shareholders who:

- hold their Broadspectrum Shares for the purposes of speculation or a business of dealing in securities (e.g. as trading stock);
- acquired their Broadspectrum Shares pursuant to an employee share, option or rights plan; or
- are subject to the taxation of financial arrangement rules in Division 230 of the *Income Tax Assessment Act 1997* (Cth) in relation to gains and losses on their Broadspectrum Shares.

The information in this letter is based upon the Australian law and administrative practice in effect at the date of this Target's Statement, but is general in nature and is not intended to be an authoritative or complete statement of the laws applicable to the particular circumstances of a Broadspectrum Shareholder. Broadspectrum Shareholders should seek independent professional advice in relation to their own particular circumstances.

Broadspectrum Shareholders who are tax residents of a country other than Australia (whether or not they are also residents, or are temporary residents, of Australia for tax purposes) should take into account the tax consequences of the Offer under the laws of their country of residence, as well as under Australian law.

2 Australian resident shareholders

2.1 Pre-CGT shares

If a Broadspectrum Shareholder acquired (for capital gains tax (**CGT**) purposes) their Broadspectrum Shares before 20 September 1985, then in general no CGT consequences will arise on a disposal of those Broadspectrum Shares.



2.2 Post-CGT shares

(a) *Broadspectrum Shareholders who accept the Offer*

Acceptance of the Offer will involve the disposal by Broadspectrum Shareholders of their Broadspectrum Shares by way of transfer to the Bidder. This change in the ownership of the Broadspectrum Shares will constitute a CGT event for Australian CGT purposes.

The date of disposal for CGT purposes will be the date the contract to dispose of the Broadspectrum Shares is formed.

If the Offer is accepted before the FIRB Condition is satisfied, the date the contract to dispose of the Broadspectrum Shares is formed will be the date that the FIRB Condition is satisfied.

If the Offer is accepted after the FIRB Condition is satisfied, the date the contract to dispose of the Shares is formed will be the date that the Offer is accepted by a Broadspectrum Shareholder.

(b) *Compulsory Acquisition*

If a Broadspectrum Shareholder does not dispose of their Broadspectrum Shares under the Offer and their Broadspectrum Shares are compulsorily acquired in accordance with Part 6A.1 of the Corporations Act, those Broadspectrum Shareholders will also be treated as having disposed of their Broadspectrum Shares for CGT purposes.

The date of disposal for CGT purposes will be the date when the Broadspectrum Shareholder ceases to be the owner of the Broadspectrum Shares.

(c) *Calculation of capital gain or capital loss*

Broadspectrum Shareholders will make a capital gain to the extent that the capital proceeds from the disposal of the Broadspectrum Shares are more than the cost base of those Broadspectrum Shares.

Conversely, Broadspectrum Shareholders will make a capital loss to the extent that the capital proceeds are less than the reduced cost base of those Broadspectrum Shares.

(d) *Cost base*

The cost base of the Broadspectrum Shares generally includes the purchase price paid for the shares and certain non-deductible incidental costs of their acquisition and disposal. The reduced cost base of the Broadspectrum Shares is usually determined in a similar, but not identical, manner.

If the Broadspectrum Shares were acquired (for CGT purposes) at or before 11.45am on 21 September 1999, a Broadspectrum Shareholder who is an individual, a complying superannuation entity or the trustee of a trust may choose to adjust the cost base of their Broadspectrum Shares to include indexation by reference to changes in the consumer price index from (generally) the calendar quarter in which their Broadspectrum Shares were acquired until the quarter ended 30 September 1999.

Broadspectrum Shareholders that are companies will include that indexation adjustment in their cost base if their Broadspectrum Shares were acquired (for CGT purposes) at or before 11.45am on 21 September 1999.

Indexation adjustments are taken into account only for the purposes of calculating capital gains; they are ignored when calculating capital losses.

(e) *Capital proceeds*

The capital proceeds received in respect of the disposal of each Broadspectrum Share should be A\$1.35 per Broadspectrum Share.

(f) *Other issues*

Individuals, complying superannuation entities or trusts that have held their Broadspectrum Shares for at least 12 months before the CGT event but do not index the cost base of the Broadspectrum Shares (refer above) may be entitled to discount the

amount of the capital gain (after application of capital losses) from the disposal of Broadpectrum Shares by 50% in the case of individuals and trusts or by 33⅓% for complying superannuation entities. For trusts, the ultimate availability of the discount for beneficiaries of the trust will depend on the particular circumstances of the beneficiaries.

Capital gains (prior to any CGT discount) and capital losses of a taxpayer in an income year are aggregated to determine whether there is a net capital gain. Any net capital gain is included in assessable income and is subject to income tax. Capital losses may not be deducted against other income for income tax purposes, but may be carried forward to offset against future capital gains (subject to satisfaction of loss recoupment tests for certain taxpayers).

3 Non-resident shareholders

For a Broadpectrum Shareholder who:

- is not a resident of Australia for Australian tax purposes; and
- does not hold their Broadpectrum Shares in carrying on a business through a permanent establishment in Australia;

the disposal of Broadpectrum Shares will generally only result in Australian CGT implications if:

- (a) that Broadpectrum Shareholder together with its associates held 10 percent or more of the Broadpectrum Shares at the time of the CGT event or for any continuous 12 month period within 2 years preceding the CGT event (referred to as a 'non-portfolio interest'); and
- (b) more than 50% of Broadpectrum's value at the time of the CGT event is attributable to direct or indirect interests in Australian real property (as defined in the income tax legislation).

Non-resident Broadpectrum Shareholders who hold a 'non-portfolio interest' in Broadpectrum should obtain independent advice as to the tax implications of sale.

A non-resident individual Broadpectrum Shareholder who has previously been a resident of Australia and chose to disregard a capital gain or loss on ceasing to be a resident will be subject to Australian CGT consequences on disposal of the Broadpectrum Shares as set out in section 2.

4 GST

Broadpectrum Shareholders should not be liable to GST in respect of a disposal of their Broadpectrum Shares.

Broadpectrum Shareholders may be charged GST on costs (such as advisor fees relating to their participation in the Offer) that relate to the Offer. Broadpectrum Shareholders may be entitled to input tax credits or reduced input tax credits for such costs, but should seek independent advice in relation to their individual circumstances.

Yours sincerely

Greenwoods + Herbert Smith Freehills Pty Ltd

Greenwoods & Herbert Smith Freehills Pty Limited

Appendix 3

Average broker forecasts

The selection criteria for the average broker forecast numbers used in this Target's Statement has been based on using those broker forecasts that Broadspectrum had access to and released forecasts following the latest full year or half year results announcements of the relevant company. This selection criteria has been modified where a company has subsequently announced a change to their earnings guidance, in which case the average broker forecast numbers used for that company has been based on using those broker forecasts that Broadspectrum has access to and who released forecasts following any such change in earnings guidance. The selection criteria for each company and each broker forecast number used is set out in the last column of the tables below.

The Directors do not adopt any broker forecast or average calculated from more than one broker forecast, for Broadspectrum or any other company. The broker forecasts have been included solely as an indication of market views.

Broadspectrum comparable trading peers average broker forecast FY2016 EBIT

Peer	Financial year end	Number of broker forecasts used in average	Range of broker forecasts used in average	Date range of broker forecasts used in average	Selection criteria for inclusion in average
UGL	30 June	8	\$60m to \$71m	7 September 2015 to 14 January 2016	FY2015 results announcement date, being 24 August 2015
Downer	30 June	9	\$269m to \$289m	6 August 2015 to 16 November 2015	FY2015 results announcement date, being 6 August 2015
WorleyParsons	30 June	9	\$300m to \$351m	26 August 2015 to 7 December 2015	FY2015 results announcement date, being 26 August 2015
Programmed	31 March	5	\$68m to \$79m	19 November 2015 to 22 December 2015	First half FY2016 results announcement date, being 19 November 2015
Spotless	30 June	4	\$212m to \$238m	2 December 2015 to 22 December 2015	Announcement of revised FY2016 earnings guidance, being 2 December 2015
CIMIC	31 December	8	\$627m to \$938m	9 September 2015 to 7 January 2016	First half FY2015 results announcement date, being 23 July 2015
Lend Lease	30 June	9	\$787m to \$1,077m	8 October 2015 to 23 December 2015	FY2015 results announcement date, being 24 August 2015

Broadspectrum comparable trading peers average broker forecast FY2017 EBIT

Peer	Financial year end	Number of broker forecasts used in average	Range of broker forecasts used in average	Date range of broker forecasts used in average	Selection criteria for inclusion in average
Programmed	31 March	5	\$116m to \$128m	19 November 2015 to 22 December 2015	First half FY2016 results announcement date, being 19 November 2015

Broadspectrum comparable trading peers average broker forecast FY2015 EBIT

Peer	Financial year end	Number of broker forecasts used in average	Range of broker forecasts used in average	Date range of broker forecasts used in average	Selection criteria for inclusion in average
CIMIC	31 December	8	\$738m to \$929m	9 September 2015 to 7 January 2016	First half FY2015 results announcement date, being 23 July 2015

Broadspectrum average broker forecasts

	Financial year end	Number of broker forecasts used in average	Range of broker forecasts used in average	Date range of broker forecasts used in average	Selection criteria for inclusion in average
FY2016 depreciation and amortisation	30 June	9	\$91m to \$100m	27 August 2015 to 7 December 2015	FY2015 results announcement date, being 27 August 2015. Broadspectrum announced upgraded Underlying EBITDA guidance on 21 December 2015. Broadspectrum is aware of five brokers who have published reports since that date. As such, the average broker forecast depreciation and amortisation has been calculated using broker forecasts available since the FY2015 results announcement and before the announcement of upgraded Underlying EBITDA guidance.
FY2016 Underlying EBITDA	30 June	10	\$228m to \$274m	27 August 2015 to 7 December 2015	
FY2016 net profit after tax	30 June	10	\$53m to \$82m	27 August 2015 to 7 December 2015	
FY2017 net profit after tax	30 June	10	\$45m to \$88m	27 August 2015 to 7 December 2015	

Ferrovial average broker forecasts

	Financial year end	Number of broker forecasts used in average	Range of broker forecasts used in average	Date range of broker forecasts used in average	Selection criteria for inclusion in average
FY2016 net profit after tax	31 December	17	€347m to €628m	15 September 2015 to 4 December 2015	First half FY2015 results announcement date, being 30 July 2015. Broker forecasts released after 4 December 2015 have not been included in calculating the average FY2016 net profit after tax of Ferrovial as this was the last trading date prior to the announcement of the Offer. Any broker forecasts released after this date may therefore include an estimation of the impact to Ferrovial resulting from an acquisition of Broadspectrum.
FY2015 Underlying EBIT	31 December	15	€781m to €923m	15 September 2015 to 4 December 2015	
FY2016 Underlying EBIT	31 December	15	€736m to €933m	15 September 2015 to 4 December 2015	

Appendix 4

Broadspectrum historical financials

The selected statements of comprehensive income, financial position and statement of cash flows information for Broadspectrum have been extracted from the audited consolidated financial statements of Broadspectrum for the years ended 30 June 2013, 2014 and 2015.

The financial information has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, and the Corporations Act. The financial information also complies with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

The financial information presented in the tables below does not represent complete financial statements and should therefore be read in conjunction with the financial statements for the respective periods, including the description of accounting policies contained in those financial statements and the notes to those financial statements.

Broadspectrum Shareholders may view complete copies of the audited consolidated financial statements of Broadspectrum for the year ended 30 June 2013, 2014 and 2015 on the ASX website at www.asx.com.au or on the Broadspectrum website at www.broadspectrum.com.

Consolidated Statement of Profit or Loss

\$'m	FY2013	FY2014	FY2015
Revenue	3,694.3	3,748.2	3,796.7
Expenses	(3,512.5)	(3,554.9)	(3,560.2)
Impairment of assets	(308.5)		
Share of net profit from Joint Ventures	25.7	17.2	5.5
D&A	(106.6)	(92.3)	(97.1)
Results from continuing operating activities	(207.6)	118.2	144.9
Net Finance costs	(51.7)	(59.0)	(77.8)
Profit Before Tax (PBT)	(259.3)	59.2	67.1
Income tax (expense)/benefit	15.4	7.2	(18.5)
Profit from Continuing Operations after tax	(243.9)	66.4	48.6
Loss from discontinued operations, net of tax	(10.6)	(13.6)	-
Profit after tax	(254.5)	52.8	48.6
Members of the Parent Entity	(250.0)	55.0	48.6
Non-controlling interest	(4.5)	(2.2)	-
Profit after tax	(254.5)	52.8	48.6
Attributable to members of the Parent Entity:			
- basic and diluted earnings per share - continuing operations	(46.7)	13.4	9.5
- basic and diluted loss per share - discontinued operations	(2.1)	(2.7)	-
Basic and diluted earnings per share (cents per share)	(48.8)	10.7	9.5

Consolidated Statement of Financial Position

\$m	FY2013	FY2014	FY2015
Cash and Cash equivalents	196.1	224.8	357.9
Trade and other receivables	524.6	500.5	440.2
Inventories	241.3	209.5	188.2
Derivatives	3.4	1.8	-
Other assets	23.3	9.3	19.2
Total current assets	988.7	945.9	1,005.5
Intangible Assets	562.6	552.1	542.8
PP&E	503.8	479.7	478.4
Interests in Joint Ventures	131.6	129.1	128.6
Other financial assets	93.6	93.6	95.3
Deferred tax assets	53.2	79.2	110.7
Derivatives	-	0.5	90.1
Other assets	35.4	50.8	58.3
Total non-current assets	1,380.2	1,385.0	1,504.2
TOTAL ASSETS	2,368.9	2,330.9	2,509.7
Trade and other payables	(677.6)	(541.1)	(512.6)
Employee benefits	(129.1)	(123.1)	(124.6)
Other provisions	(35.8)	(61.9)	(43.1)
Loans and borrowings	(179.1)	(84.7)	(36.0)
Current tax liabilities	(6.1)	(29.0)	(71.8)
Derivatives	(0.8)	(0.5)	(1.4)
Total current liabilities	(1,028.5)	(840.3)	(789.5)
Loans and borrowings	(559.5)	(673.8)	(863.3)
Employee benefits	(29.4)	(29.0)	(33.9)
Other provisions	(16.7)	(10.7)	(4.9)
Deferred tax liabilities	(6.7)	(4.8)	(2.5)
Derivatives	(3.7)	(15.9)	(5.9)
Total non-current liabilities	(616.0)	(734.2)	(910.5)
TOTAL LIABILITIES	(1,644.5)	(1,574.5)	(1,700.0)
NET ASSETS	724.4	756.4	809.7
Contributed equity	1,131.3	1,131.4	1,131.5
Other reserves	(69.8)	(90.7)	(94.0)
Accumulated losses	(330.4)	(275.4)	(226.8)
Total equity attributable to members of the Parent Entity	731.1	765.3	810.7
Non-controlling interest	(6.7)	(8.9)	(1.0)
TOTAL EQUITY	724.4	756.4	809.7

Consolidated Statement of Cash Flows

\$m	FY2013	FY2014	FY2015
Receipts from customers (inclusive of GST)	3,811.6	4,145.4	4,248.0
Payments to suppliers, subcontractors and employees (inclusive of GST)	(3,580.1)	(4,107.5)	(3,982.5)
	231.5	37.9	265.5
Distributions received from Joint Ventures	31.7	16.9	9.7
Net interest	(48.2)	(50.4)	(72.1)
Income tax (paid)/refunded	5.9	5.1	(14.8)
NET CASH FLOW FROM OPERATING ACTIVITIES	220.9	9.5	188.3
Payments for PP&E	(159.1)	(70.7)	(80.2)
Proceeds from sale of PP&E	17.2	30.6	7.6
Receipts from loan notes	2.0	3.3	1.6
Investment in and loans to Joint Ventures	(25.6)	(11.2)	(4.7)
Net cash (outflow)/inflow from disposal of businesses, net of transaction costs	26.5	41.7	(0.2)
Payments for acquisition of subsidiaries, net of cash acquired	(22.7)	-	-
NET CASH FLOW FROM INVESTING ACTIVITIES	(161.7)	(6.3)	(75.9)
Proceeds from borrowings, net of financing costs	483.2	1,081.7	517.3
Repayments of borrowings	(353.1)	(1,055.2)	(503.9)
Payments for acquisition of treasury shares	-	-	(0.7)
Share buy back	(19.8)	-	-
Dividends paid (inclusive of payments to non-controlling interest holders)	(61.7)	-	-
NET CASH FLOW FROM FINANCING ACTIVITIES	48.6	26.5	12.7
NET INCREASE IN CASH AND CASH EQUIVALENTS	107.8	29.7	125.1
Cash and cash equivalents at beginning of reporting period	84.9	196.1	224.8
Effects of changes in exchange rates on cash and cash equivalents	3.4	(1.0)	8.0
CASH AND CASH EQUIVALENTS AT THE END OF THE REPORTING PERIOD	196.1	224.8	357.9



Appendix 5

ASIC instrument

**Australian Securities and Investments Commission
Corporations Act 2001 – Subsection 655A(1) – Declaration**

Enabling legislation

1. The Australian Securities and Investments Commission (**ASIC**) makes this instrument under subsection 655A(1) of the *Corporations Act 2001* (the **Act**).

Title

2. This instrument is ASIC Instrument 16-0008.

Commencement

3. This instrument commences on 7 January 2016.

Declaration

4. Chapter 6 of the Act applies to Broadspectrum Limited ACN 000 484 417 (**Target**) as if items 11 and 12 of the table in subsection 633(1) of the Act were modified or varied by omitting the words “15 days” and substituting the words “22 days”.

Where this instrument applies

5. This instrument applies to the off-market takeover bid by Ferrovia Services Australia Pty Ltd ACN 609 542 556 for all of the fully paid ordinary shares in the Target (**Bid**) where:
 - (a) a bidder’s statement was lodged with ASIC on 7 December 2015 and a supplementary bidder’s statement was lodged with ASIC on 23 December 2015;
 - (b) the Target makes an announcement to ASX Limited ACN 008 624 691 (**ASX**), by 7.30pm (AEDT) on 8 January 2016:
 - (i) explaining the effect of this declaration;
 - (ii) recommending that shareholders in the Target take no action in relation to the Bid until they have considered the target’s statement; and
 - (iii) stating that the target’s statement will be provided to ASIC and ASX, and sent to Target shareholders on or before 28 January 2016.

Dated this 7th day of January 2016



Signed by Kwan Leung
as a delegate of the Australian Securities and Investments Commission



Appendix 6

Corporate Directory

BROADSPECTRUM

Broadspectrum Limited
Lvl 10, 111 Pacific Highway
North Sydney NSW 2060
Australia

BROADSPECTRUM SHAREHOLDER INFORMATION LINE

Broadspectrum has established a Broadspectrum Shareholder information line which Broadspectrum Shareholders may call if they have any queries in relation to the Offer.

You can call the Broadspectrum Shareholder information line on the following numbers:

- 1300 361 735 (for calls made from within Australia), or
- +61 1300 361 735 (for calls made from outside Australia),

Monday to Friday between 8.30am and 5.30pm (Sydney time). Calls to the Shareholder information line may be recorded.

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BROADSPECTRUM