This document is a supplementary target's statement under section 644 of the *Corporations Act 2001* (Cth). It is the first supplementary target's statement (**Supplementary Target's Statement**) issued by Broadspectrum Limited ABN 69 000 484 417(**Broadspectrum**) in relation to the off market takeover bid for all the ordinary shares in Broadspectrum by Ferrovial Services Australia Pty Ltd ACN 609 542 556 (**Ferrovial**). This Supplementary Target's Statement supplements, and should be read together with, Broadspectrum's target's statement dated 21 January 2016 (**Target's Statement**).

This Supplementary Target's Statement prevails to the extent of any inconsistency with the Target's Statement.

A copy of this Supplementary Target's Statement has been lodged with ASIC. Neither ASIC nor any of its officers take any responsibility for its contents.

Unless the context otherwise requires, terms defined in the Target's Statement have the same meaning as in this Supplementary Target's Statement.

Supplementary Target's Statement

This Supplementary Target's Statement provides an update on certain material information relevant to Broadspectrum Shareholders in their consideration of the Offer.

A Supplementary Independent's Expert Report is also attached to this Supplementary Target's Statement, which was prepared by Ernst and Young Transaction Advisory Services Limited (**Independent Expert**), in response to the Australian Department of Immigration and Border Protection (**DIBP**) contract extension and amended tender process.

Executive summary

1. Your Directors' recommendation remains that you **REJECT THE OFFER**
2. Current DIBP contract extended for a further 12 months and tender process for new five year contract extended
    - Extension of current contract will apply on existing expanded scope on substantially similar terms, with two options each for an additional four-months
    - Existing tender process to be extended with a new contract with at least a five year term expected to be awarded later this year; Broadspectrum and one other party to submit amended tender. The Company believes its incumbency and strong track record leave it well placed to secure the new contract
3. Broadspectrum further upgrades its earnings guidance and now expects to deliver Underlying EBITDA in the range of $280 million to $300 million for FY2016
4. Broadspectrum has provided an outlook on FY2017 Underlying EBITDA which, subject to no further material deterioration in current macro-economic conditions, is expected to be in excess of $300 million[1]
5. Net debt expected to reduce to between $370 million and $390 million by 30 June 2016 with Net Debt / Underlying EBITDA of 1.3x at 30 June 2016[2], continuing a strong three year debt reduction and deleveraging trend
6. The continued strong operational performance and cash generation of the business further enhances Broadspectrum's ability to consider a range of capital management options including debt repayment, dividends or other capital returns
7. To provide shareholders additional clarity, Broadspectrum has decided to provide guidance on its segmental earnings contributions for both FY2016 and FY2017
8. The Independent Expert has issued a Supplementary Independent Expert's report with no change to its opinion and with an updated **valuation range of between $1.60 and $1.85 per Broadspectrum Share**
    - The Independent Expert's opinion **is that the Offer is not fair and not reasonable**
9. Broadspectrum has provided responses to certain claims Ferrovial made in its Fourth Supplementary Bidder's Statement, including:
    - Broadspectrum's exposure to oil & gas and mining
    - Worsening peer outlook
    - Assessment of maintainable EBITDA
    - Implied EBIT multiples
    - Assertions regarding net debt

[1] The FY2017 outlook for Underlying EBITDA is subject to changes in macro-economic conditions and other contingencies which may be outside of the control of Broadspectrum. It is important to note that the actual FY2017 Underlying EBITDA will not be known for more than 16 months and there is the possibility for it to be materially higher or lower than $300 million.

[2] Net Debt / Underlying EBITDA of 1.3x at 30 June 2016 calculated using mid-point of both FY2016 Underlying EBITDA guidance and anticipated Net Debt position at 30 June 2016.

1. Directors' recommendation remains unchanged

Your Directors' recommendation remains that you **REJECT THE OFFER.**

To **REJECT THE OFFER – DO NOTHING AND TAKE NO ACTION.**

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.

The reasons for your Directors' recommendation are set out in full in section 2 of the Target's Statement and include:

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 Ferrovial 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**
6	**Broadspectrum is a diversified portfolio business, providing flexibility to deliver sustained performance and earnings through industry and sector cycles**

2. DIBP contract extension

Broadspectrum has been advised that its contract with the DIBP to provide welfare and garrison support services at the regional processing centres in Nauru and Manus Province is to be extended for a further 12 months from 29 February 2016. The Company will continue to operate on the existing expanded scope of services as has been the case since 1 November 2015 and on substantially similar terms. The contract extension is an indication of the strength of the client relationship and Broadspectrum's delivery performance. In addition to the initial 12 month extension, the contract includes two options, each for an additional four month period. These options are exercisable at the DIBP's discretion.

Further to the extension of Broadspectrum's existing contract referenced above, the DIBP has advised the Company that the existing tender process in relation to the granting of a new contract with at least a five year term will be extended due to increases in scope from the original tender. It is understood that Broadspectrum and one other party will receive a request to submit an amended tender under the framework of the existing tender process. The Company believes its incumbency and strong track record in Nauru and Manus Province means it remains well placed to secure the new contract with the DIBP when it is awarded.

3. Update to FY2016 Underlying EBITDA guidance

As a result of continued strong operational performance and improved revenue visibility for FY2016, the Company expects to exceed its previous upgraded FY2016 Underlying EBITDA guidance range of $265 million to $285 million. Broadspectrum now expects to deliver Underlying EBITDA in the range of $280 million to $300 million in FY2016.

4. Positive FY2017 outlook

The outlook for FY2017 remains positive with contracted revenue for FY2017 having increased from $2.3 billion as at 31 December 2015 to $2.8 billion as at 5 February 2016 (vs $2.1 billion at the corresponding period last year). This is discussed further below.

Broadspectrum has provided an outlook on FY2017 Underlying EBITDA which, subject to no further material deterioration in current macro-economic conditions, is expected to be in excess of $300 million[3].

5. Net Debt anticipated to be materially lower at 30 June 2016

Broadspectrum noted in the Target's Statement that unaudited Net Debt as at 31 December 2015 was $459 million, with a further material reduction in Net Debt anticipated at 30 June 2016.

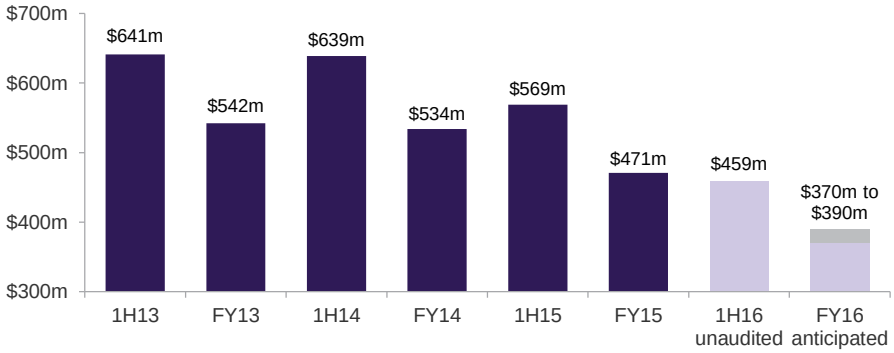
Given the continued strong cash generation of the business, Broadspectrum is now able to provide further guidance on Net Debt, which is expected to reduce to between $370 million and $390 million at 30 June 2016[4] based on cash flows from ordinary operations. This excludes any cash realisations from the sale of assets and is based on the underlying cash generation of the business.

This represents a material reduction of between approximately $69 million and $89 million from the unaudited balance as at 31 December 2015, and continues the strong trend of debt reduction over the last three years. As shown in figure 1 below (updated from figure 13 in the Target's Statement), the anticipated Net Debt balance at 30 June 2016 represents a $251 million to $271 million reduction from 31 December 2012.

[3] The FY2017 outlook for Underlying EBITDA is subject to changes in macro-economic conditions and other contingencies which may be outside of the control of Broadspectrum. It is important to note that the actual FY2017 Underlying EBITDA will not be known for more than 16 months and there is the possibility for it to be materially higher or lower than $300 million.

[4] Anticipated Net Debt at 30 June 2016 assumes no dividend paid prior to 30 June 2016.

Figure 1: Half yearly Net Debt profile



Source: Company announcements and analysis.

Notes:

1. Assumes constant foreign exchange rate for US private placement.

At the mid-point of both the 30 June 2016 anticipated Net Debt balance and FY2016 Underlying EBITDA guidance, Broadspectrum's leverage ratio (calculated as Net Debt / Underlying EBITDA) would be 1.3x. This continues a strong three year deleveraging of the business, which has been achieved despite challenging end market conditions in some segments.

Given the continued strong cash generation, it is anticipated that the Board will be in a position to re-instate a dividend at the full year and / or assess capital return alternatives (possibly earlier than the full year).

In accordance with the FY2017 outlook provided in section 4, Broadspectrum expects further significant free cash flow generation in FY2017 of at least $100 million, which may be used for any combination of debt repayment, dividends or other capital returns. This free cash flow generation, outlined in Table 1 below, has the potential to result in the further material debt reduction and deleveraging of Broadspectrum.

Table 1: Indicative FY2017 net free cash flow ($m)

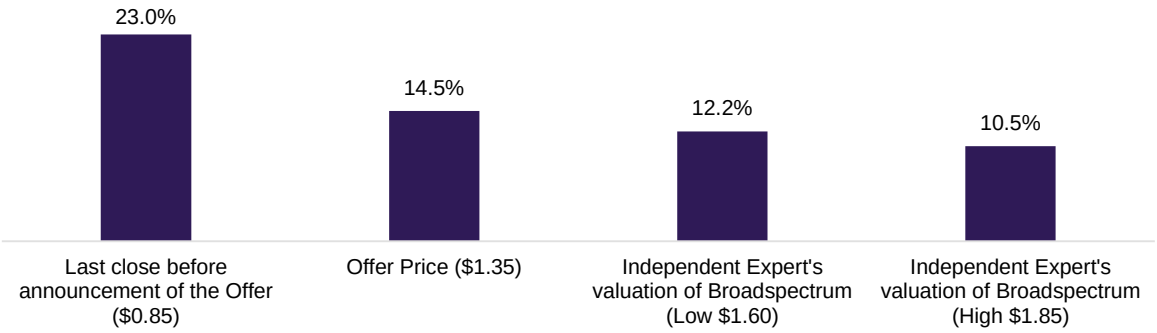
Underlying EBITDA[5]	300
Working Capital	0
Capital expenditure	(50-75)
Interest expense	(60-65)
Tax expense (cash)	(60)
Indicative net free cash flow	**100-130**

[5] FY2017 Underlying EBITDA outlook of at least $300 million.

6. Broadspectrum offers shareholders an attractive net free cash flow yield

The indicative FY2016 net free cash flow yield (post capital expenditure, working capital, interest and tax) of $100 million is attractive based on the Offer Price and the Independent Expert's valuation range. This net free cash flow further enhances Broadspectrum's ability to consider a range of capital management options including debt repayment, dividends or other capital returns.

Figure 2: Indicative FY2016 net free cash flow yield[6]

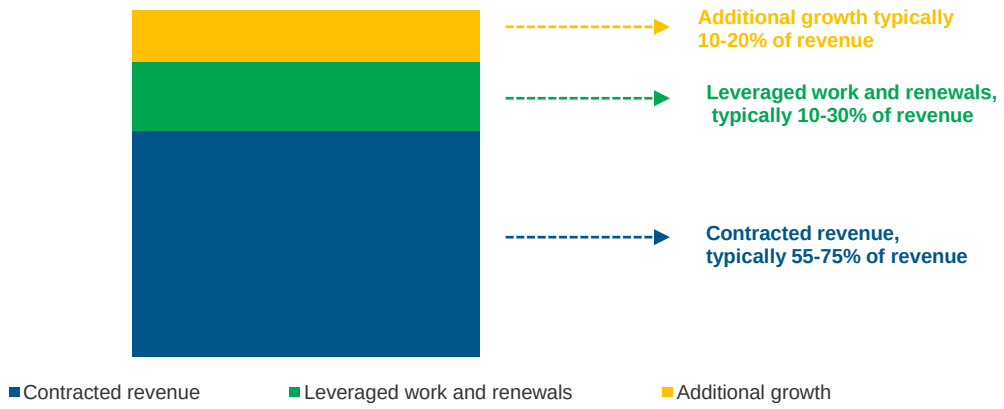


[6] FY2016 net free cash flow of $100 million

7. Improved medium term revenue visibility

Broadspectrum has a track record of delivering earnings greater than its contracted earnings at the start of the fiscal year. As outlined in figure 3 below (presented as figure 17 of the Target's Statement), Broadspectrum's revenue in any given year is comprised of contracted revenue, leveraged work and renewals, and additional growth. Ferrovial has previously asserted that Broadspectrum's earnings outlook post FY15 is materially lower than the earnings guidance. We believe this may be due to a misinterpretation of the leverage and growth components of our earnings. Please refer to figure 3 below for further detail on Broadspectrum's indicative revenue profile.

Figure 3: Typical revenue composition at start of year

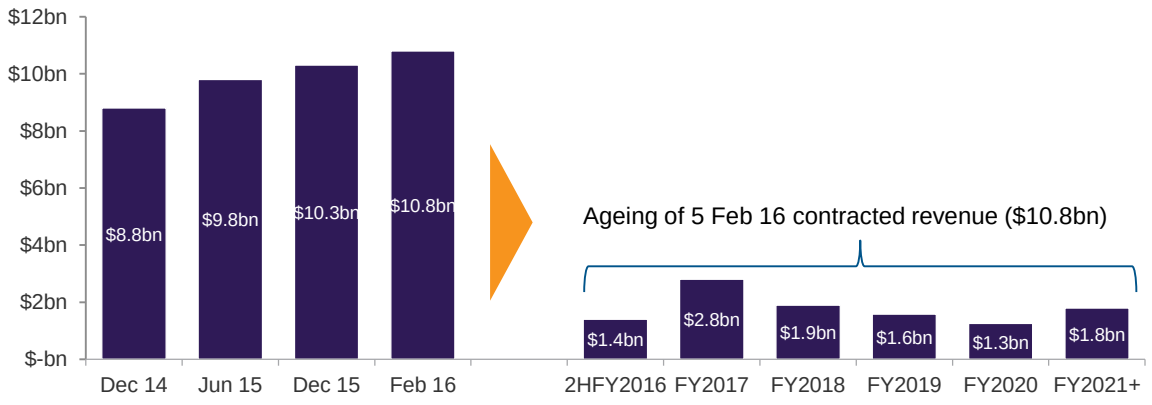


Source: Company announcements.

The extension of the existing DIBP contract for a further 12 months has resulted in a significant improvement in both Broadspectrum's total and FY2017 contracted revenue.

Figure 4 below provides an update to figure 18 of the Target's Statement, showing total contracted revenue as at 5 February 2016 has increased to $10.8 billion, up from $10.3 billion at 31 December 2015.

Figure 4: Growth in contracted revenue



Source: Company announcements and analysis.

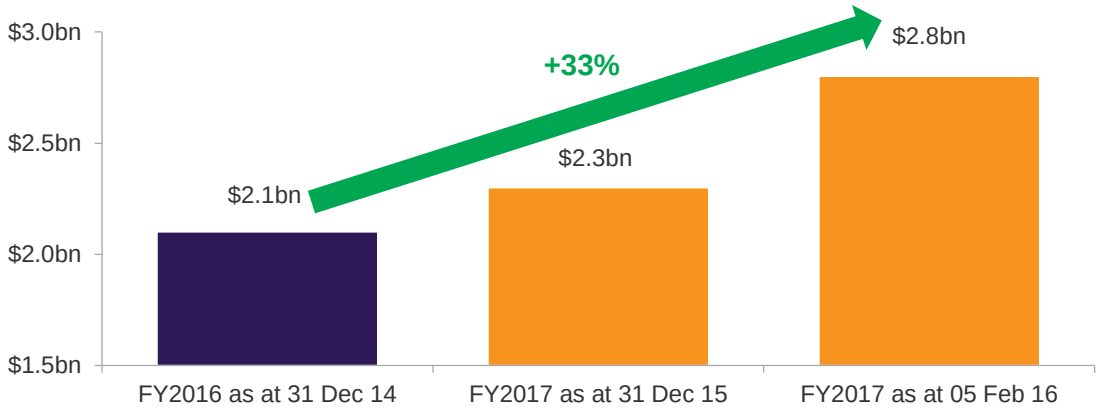
Notes:

1. Total contracted revenue values are as at the end of the respective stated month, except Feb 16 which is as at 5 February 2016.

Likewise, figure 5 below provides an update to figure 19 of the Target's Statement, showing contracted revenue for FY2017 as at 5 February 2016 has increased to $2.8 billion (from $2.3 billion as at 31 December 2015). This compares favourably to the contracted revenue for FY2016 as at 31 December 2014 ($2.1 billion), a similar point in time in advance of the commencement of the relevant financial year. Of the $2.8 billion FY2017 contracted revenue, $2.3 billion relates to contracts with clients other than the DIBP.

Broadspectrum considers this provides a high level of visibility in the FY2017 revenue and earnings.

Figure 5: 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 and 5 February 2016 contracted revenue FY+1 represents the contracted revenue already secured for FY2017 at the respective dates.

In addition, Broadspectrum's total preferred or shortlisted revenue remains at $1.8 billion as at 5 February 2016.

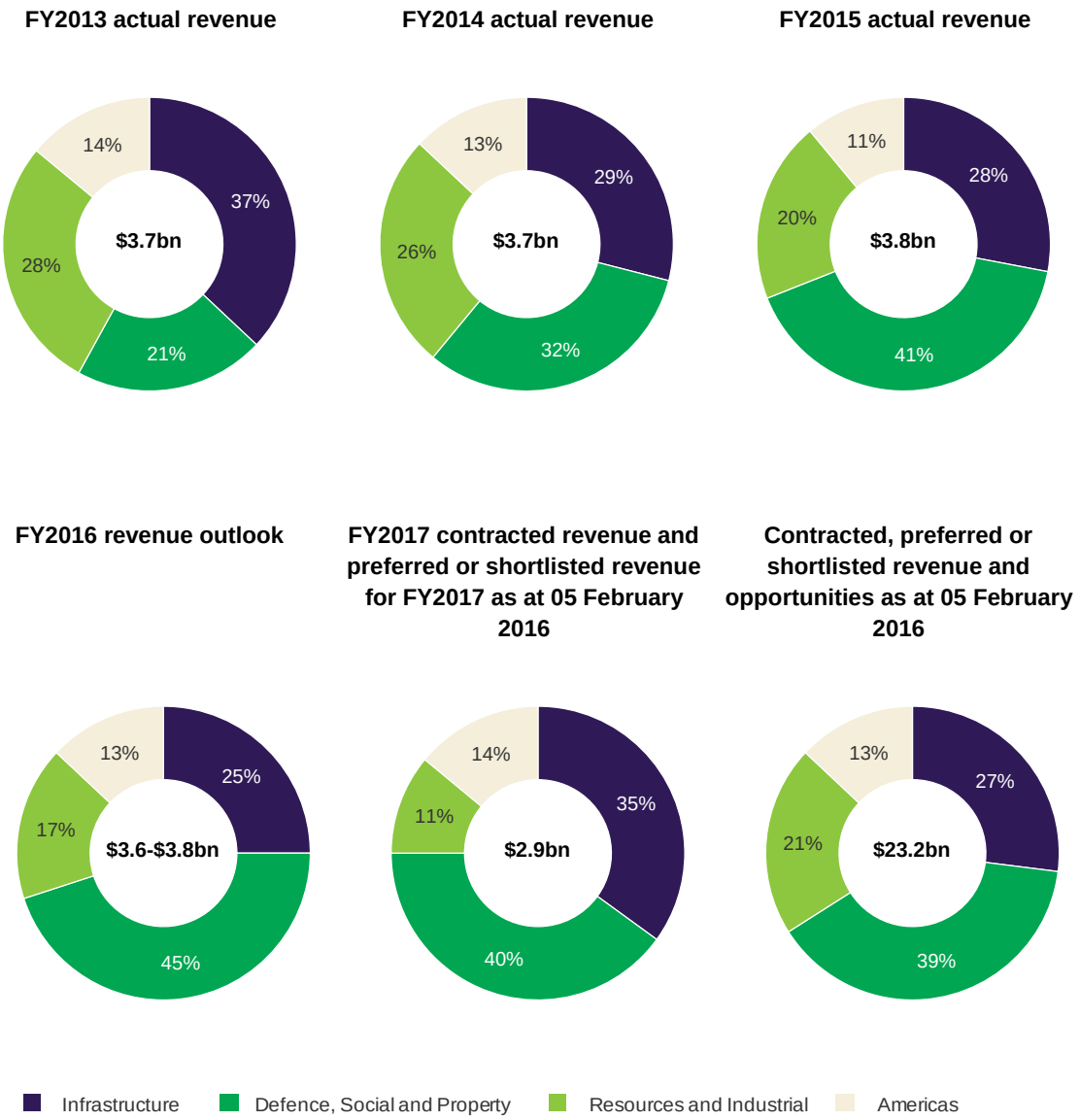
8. Broadspectrum's diversified revenue composition

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. The diversification of the portfolio assists the Company to benefit from those end markets performing strongly whilst withstanding the cyclical downturn of other end markets, remaining leveraged to the upside in those markets as they recover.

The success of Broadspectrum's diversified portfolio strategy has been demonstrated through year on year Underlying EBIT growth since FY2013 which has outperformed its peers (refer figure 8) and the changing composition of its revenues in response to prevailing market conditions.

Figure 6 below (updated from figure 16 of the Target's Statement) highlights the change in composition of revenue over time and the continued diversified composition of Broadspectrum's FY2017 contracted and preferred or shortlisted revenue and the total contracted, preferred or shortlisted revenue and opportunities, as at 5 February 2016.

Figure 6: Broadspectrum's revenue composition by sector



Source: Company announcements, as at 5 February 2016.

9. Segmental earnings contributions

Section 3.3 of the Target's Statement contains commentary regarding the outlook and strategic focus for each of Broadspectrum's segments and provides further qualitative support of the expected segmental performance discussed below.

Table 2: Segmental percentage of revenue

Segment	FY2016	FY2017
Infrastructure	25%	25% - 30%
Defence, Social and Property	45%	40% - 45%
Resources and Industrial	17%	15% – 20%
Americas	13%	10% - 15%

Based on current contract revenue as at 5 February 2016, the largest contract within each sector contributes no more than 30% of the total forecast revenue for a sector in FY2017. The total revenue from the largest contract in each sector contributes only 12%-18% of Group FY2017 forecast revenue.

Table 3: Contracted Revenue from largest contract as a percentage of Total FY2017 revenue by sector

Segment	Contribution of largest contract to sector Revenue	
	FY2016	FY2017
Infrastructure	10% - 15%	5% - 10%
Defence, Social and Property	42% - 47%	20% - 30%
Resources and Industrial	15% - 20%	8% - 13%
Americas	5% - 10%	4% - 8%
Group	**24% - 28%**	**12% - 18%**

The contribution to Underlying EBITDA from the Defence, Social and Property segment (**DSP**) in FY2016 is at a cyclical high (70% to 80%). The strong contribution from all areas of DSP allows Broadspectrum to maintain its EBITDA profile despite weakness in the end markets of some of its other segments. Consistent with our group strategy, the percentage of EBITDA contributed by DSP is expected to reduce to between 50% and 60% in FY2017 and is expected to reduce further as contributions from other segments improve from current cyclical lows.

Table 4: Segmental percentage of Underlying EBITDA pre corporate costs

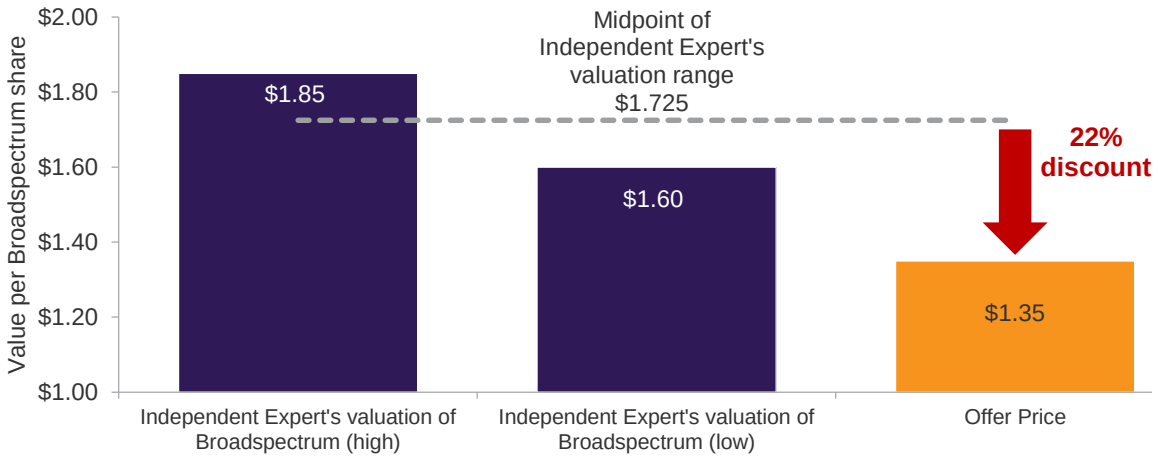
Segment	FY2016	FY2017
Infrastructure	10% - 15%	20% - 30%
Defence, Social and Property	70% - 80%	50% - 60%
Resources and Industrial	5% - 15%	10% - 20%
Americas	~5%	5% - 10%

10. Independent Expert's opinion remains that the Offer is not fair and not reasonable

The Independent Expert assessed the impact of the extension of the existing DIBP contract and amended tender process and the upgraded FY2016 and FY2017 earnings guidance on its valuation of your Broadspectrum Shares.

Having regard to this information, the Independent Expert has assessed the value of your Broadspectrum Shares to be between $1.60 and $1.85. The Offer represents a 22% discount to the mid-point of this valuation range ($1.725 per share).

Figure 7: Offer discount to mid-point of Independent Expert's valuation range



The Supplementary Independent Expert's report is attached in full to this Supplementary Target's Statement.

11. Response to certain claims in Ferrovial's Fourth Supplementary Bidder's Statement

In its Fourth Supplementary Bidder's Statement, Ferrovial makes a number of claims which Broadspectrum believes need to be clarified to ensure Broadspectrum Shareholders are appropriately and correctly informed. It is important to note that Ferrovial has not had access to non-public information about Broadspectrum since December 2014.

a) Broadspectrum's exposure to oil & gas and mining

Ferrovial makes reference to falls in commodity prices and the average share price of major oil & gas companies. Whilst Broadspectrum does have some exposures to energy prices, a significant amount of Broadspectrum's revenues from commodity-related activities are production related for long-life assets (e.g. well-servicing in Coal Seam Gas (**CSG**) to Liquefied Natural Gas), rather than the more commodity price sensitive activities such as minerals exploration.

In FY2015 only 2% of Broadspectrum's revenue was derived from minerals related activity and only 17% derived from oil & gas related activities, with the combined contribution to FY2015 EBITDA less than 5%.

Broadspectrum's operational footprint remains well placed to capture the upside from a recovery in these end-markets. Broadspectrum is expecting an increase in recurring well and field maintenance and field development opportunities in CSG as the sector continues to transition into full production.

b) Worsening peer outlook

Ferrovial asserts that in the absence of the Offer, Broadspectrum's share price may have fallen by 14% in the period since the announcement of the Offer to 29 January 2016, in line with Ferrovial's assessment of Broadspectrum's domestic peers.

Unlike many of Ferrovial's assessed peer set, Broadspectrum has a diversified revenue base and made a number of material positive announcements since the announcement of the Offer which make it reasonable to expect that in the absence of the Offer Broadspectrum's share price may have out-performed those of its peers.

In contrast to these positive announcements, a number of Broadspectrum's peers have announced material downgrades to their earnings outlook since 1 December 2015.

Table 5 below provides a summary of these material announcements.

Table 5: Material announcements since 7 December 2015

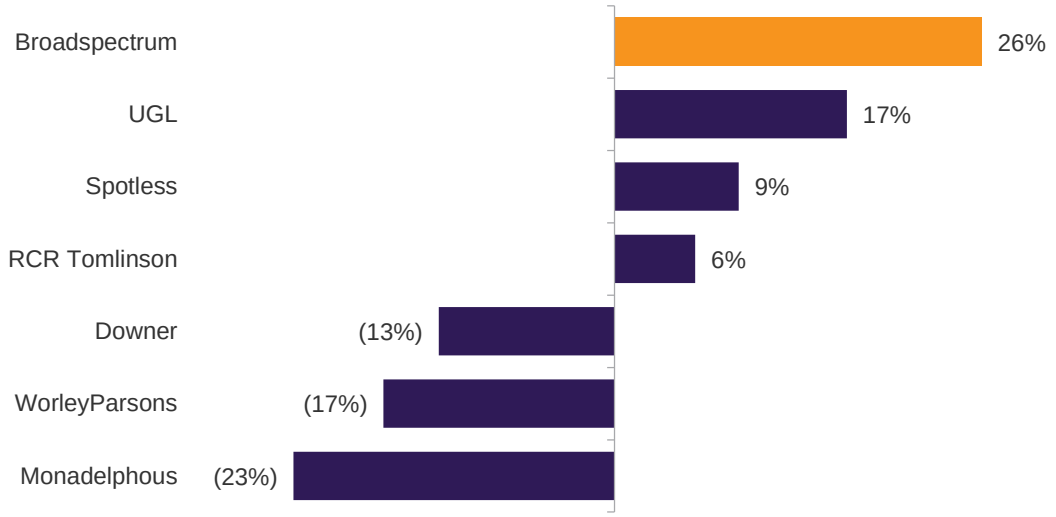
	FY2016 earnings upgrade	Pathway to material deleveraging	More than $1.8 billion of additional contracted revenue announced	Guidance provided for FY2017	Relative exposure to oil & gas and minerals
Broadspectrum	✓	✓	✓	✓	Lower
WorleyParsons	✗	✗	✗	✗	Higher
Spotless	✗ Earnings downgrade announced 2 December 2015 with further detail provided on 9 December 2015	✗	✗	✗	Lower
Monadelphous	✗	n/a	✗	✗	Higher
Downer	✗ Earnings downgrade announced 1 February 2016	✗	✗	✗	Higher
Programmed	✗ Disappointing earnings guidance announced 1 February 2016	✓ Gearing higher than expected in 1 February announcement	✗	✓	Higher
RCR	✗	n/a	✗	✗	Higher
UGL	✗	n/a	✗	✗	Lower

Notes:

1. Pathway to material deleveraging determined based on whether the relevant company has made an announcement since 7 December 2015 regarding a material reduction or likely material reduction in its net debt or leverage.
2. Pathway to material deleveraging for each of Monadelphous, RCR and UGL noted as 'n/a' as they have positive cash balances or net debt of less than $15 million and as such considered immaterial.
3. Relative exposure of Broadspectrum's peers to oil & gas and minerals assessed (by Broadspectrum) with reference to the last available segmental reporting of the respective peers.
4. Programmed's share price fell 35% on 4 February 2016, following a business update announcement, including guidance for FY2016 earnings.

It is also important to note that Broadspectrum's ability to access different end markets has delivered continued earnings growth during a period when many of its peers have experienced significant declines in their earnings. Figure 8 below (updated from figure 14 of the Target's Statement for Ferrovial's assessed peer set), highlights Broadspectrum's strong performance compared to its peers.

Figure 8: FY2013 to FY2016 Underlying EBIT CAGR



Source: Company announcements, Broadspectrum analysis.

Notes:

1 Domestic trading comparables reflect those selected by Ferrovial.

2 FY2013 and FY2016 refer to respective company financial year ends, all of which are 30 June.

3 Spotless Underlying EBIT CAGR reflects FY2014 actual to FY2016 average broker forecast as the company was not listed on ASX in FY2013.

4 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).

5 Programmed not included due to recent acquisition of Skilled Group and no consistently comparable Underlying EBIT available across CAGR period.

6 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 1 to this Supplementary 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.

7 Broadspectrum's FY2016 Underlying EBIT calculated using the mid-point of Underlying EBITDA guidance range $280 million to $300 million less the average broker forecast depreciation and amortisation for FY2016 ($98 million). The broker average comprises all broker forecasts which Broadspectrum has access to between the release of its FY2015 results on 27 August 2015 and its upgraded Underlying EBITDA guidance announced 21 December 2015. The average comprises 9 forecasts dated between 27 August 2015 and 7 December 2015, with a minimum of $91 million and a maximum of $100 million. 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.

8 A summary of the selection criteria, number of broker forecasts comprising the average, range and date of the broker forecasts is provided in appendix 1 of this Supplementary Target's Statement. The directors do not adopt the average broker forecasts outlined in Figure 8. The broker forecasts have been included solely as an indication of market views.

c) Assessment of maintainable EBITDA

Ferrovial has challenged the quantum of maintainable earnings that the Independent Expert presented in its report (included as appendix 1 to the Target's Statement). Ferrovial has claimed that the aggregated maintainable earnings for the 'non-DSP' segment[7] represents an 'unrealistic increase' to the FY2015 underlying earnings of this 'non-DSP' segment.

Broadspectrum's FY2015 Underlying EBITDA included a number of one-off items and provisions (largely related to legacy contracts that now have ongoing remediation programs in place). Table 6 below adjusts the FY2015 Underlying EBITDA for these items. Additionally, FY2015 represented a period during which the end-markets of some of Broadspectrum's segments were at cyclical lows or part way through the implementation of a turnaround strategy.

Ferrovial themselves also note that the FY2014 Underlying earnings of the 'non-DSP' segment were significantly higher than FY2015 Underlying earnings.

Table 6 below provides a comparison of Broadspectrum's FY2014 and FY2015 (adjusted for one-off items) Underlying EBITDA to the assessment of maintainable EBITDA in the Target's Statement.

Table 6: Comparison FY2014 and FY2015 Underlying EBITDA with assessment of maintainable EBITDA in the Target's Statement

Segment	FY2014 Reported Underlying EBITDA	FY2015 Reported Underlying EBITDA	Adjustments for one-off items and provisions	FY2015 Adjusted Underlying EBITDA	Assessed maintainable EBITDA in Target's Statement
Infrastructure	$63m	$48m	$18m	$66m	$70m - $75m
Resources and Industrial	$67m	$11m	$3m	$13m	$40m - $50m
Americas	$6m	$(10)m	$18m	$8m	$20m - $30m
Corporate	$(25)m	$(39)m	$8m	$(31)m	$(35)m - $(40)m

Notes:

1. FY2014 Underlying EBITDA does not include similar one-off items and provisions.
2. Infrastructure adjustments relate to contract provisions.
3. Resources and Industrial adjustments relate to contract provisions ($1 million) and other one-off's ($2 million).
4. Americas adjustments relate to contract provisions ($9 million), bad debt ($3 million) and joint venture asset writedowns ($7 million).
5. Corporate adjustments relate to contract provisions ($3 million) and other one-off's ($5 million).
6. Turnaround and remediation of the Americas business is complete and the segment is expected to provide a significant earnings contribution in future periods.

[7] Includes the Infrastructure, Resources and Industrial, Americas and Corporate segments.

d) Implied EBIT multiples

Ferrovial has materially misstated the EBIT multiples implied by the Independent Expert's valuation.

In its analysis of the implied EBIT multiples, Ferrovial has allocated 100% of Broadspectrum's corporate costs to the 'non-DSP' segment. It is standard practice and reasonable to allocate these costs across the various segments of a business when they are to be included in valuation analysis.

Table 7 below outlines the implied EBIT multiples for the DSP and 'non-DSP' segments assuming a proportional allocation of corporate costs and valuation across both the DSP and 'non-DSP' segments, according to their respective Underlying or assessed maintainable EBITDA. Broadspectrum considers this allocation methodology to be the most appropriate.

Table 7: Implied EBIT multiples

Segment	Ferrovial's assessment of Broadspectrum's implied EBIT (pre corporate cost allocation)	Allocated maintainable corporate costs and FY2015 depreciation and amortisation	Implied EBIT (post maintainable corporate cost and FY2015 depreciation and amortisation allocation)	Implied EBIT multiple	Implied EBITDA multiple
DSP	$168m	($42m) to ($44m)	$125m to $126m	5.2x to 5.5x	4.2x to 4.4x
'Non-DSP'	$66m to $91m	($19m) to ($23m)	$47m to $68m	11.1x to 13.7x	5.6x

Notes:

1. DSP implied EBIT pre corporate cost allocation calculated as the Independent Expert's assessment of the maintainable EBITDA of $175 million (for both low and high) less the FY2015 DSP depreciation and amortisation of $7 million.
2. 'Non-DSP' implied EBIT pre corporate cost allocation calculated as the Independent Expert's assessment of the aggregated maintainable EBITDA of $130 million to $155 million less the aggregated FY2015 'non-DSP' depreciation and amortisation of $64 million.
3. Total corporate costs of $62 million to $67 million calculated as the sum of the Independent Expert's assessment of maintainable corporate costs of $35 million to $40 million and the FY2015 corporate depreciation and amortisation of $27 million.
4. Maintainable corporate costs as assessed by the Independent Expert allocated based on respective maintainable EBITDA contributions, pre corporate costs. FY2015 corporate depreciation and amortisation allocated based on respective FY2015 Underlying EBITDA contributions, pre corporate costs.
5. Independent Expert's corporate valuation allocated based on respective maintainable EBITDA contributions.
6. Implied EBITDA multiple calculated by allocating maintainable corporate costs and value based on maintainable EBITDA.
7. Note that table 7 has been presented using the maintainable EBIT and valuation ranges from the Independent Expert's Report dated 20 January. This data was used for ease of comparison and to show the flaws in Ferrovial's approach to implied EBIT multiples.

It is also important to note that on a whole of business basis, the updated Independent Expert's valuation implies a multiple range of 9.2x to 9.5x maintainable EBIT, as outlined on page 9 of the Supplementary Independent Expert's Report. This range compares favourably to the average multiples at which businesses in relevant sectors have been acquired. As outlined in figure 3 of the Target's Statement these average multiples[8] are 9.9x Underlying EBIT (domestic) and 15.2x Underlying EBIT (international).

[8] Domestic and international transaction comparables have been chosen on the basis of an assessment by Broadspectrum of the similarity 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.

e) Assertions regarding net debt

Ferrovial suggests that neither the Independent Expert nor the Target's Statement take into account the significant 'net debt-like' items that reduce equity value. This is a factually incorrect statement as the Independent Expert's Report includes adjustments for debt like items such as unamortised borrowing costs. Broadspectrum believes it is incorrect to characterise the current tax liability as a net debt-like item. This tax liability is accrued in the ordinary course of business like any other working capital payables balance and unlike other net debt items, the tax liability is not interest bearing. It is important to note that the anticipated Net Debt position for 30 June 2016 **is after the payment** of this working capital tax accrual which will occur during H2FY2016.

Broadspectrum's anticipated 30 June 2016 Net Debt position of between $370 million and $390million continues the strong trend of debt reduction over the last three years and represents a material reduction of $251 million to $271 million from 31 December 2012.

12. The Offer remains highly conditional

a) Offer Period

Ferrovial announced on 27 January 2016 a two week extension of the Offer Period, such that the Offer is now scheduled to remain open until 7.00pm (Sydney time) on 22 February 2016.

Your Directors continue to believe it is highly unlikely that the Offer will be unconditional prior to this date, noting in particular the requirement for New Zealand Overseas Investment Office (**OIO**) approval and that the OIO's published target is to process 90% of applications 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 22 February 2016. Therefore, Ferrovial will likely have to extend the Offer Period again if Ferrovial does not wish the Offer to lapse.

b) Relevant condition

The amended tender process advised by the DIBP may have breached the defeating condition as set out in section 7.6(g)iii of the Bidder's Statement.

Ferrovial has said that it will give the notice of the status of the conditions set out in section 7.6 of the Bidder's Statement on 12 February 2016 (unless extended).

13. Additional information

The Offer is scheduled to close at 7.00pm (Sydney time) on 22 February 2016 (unless further extended). Ferrovial has said that it will give the notice of the status of the conditions set out in section 7.6 of the Bidder's Statement on 12 February 2016 (unless extended).

Broadspectrum Shareholders who have any questions in relation to the takeover bid should call the Broadspectrum Shareholder information line on 1300 361 735 (for callers within Australia) or +61 1300 361 735 (for callers outside Australia) Monday to Friday between 8.30am and 5.30pm (Sydney time).

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 Ferrovial's Offer.

Ernst and Young Transaction Advisory Services Limited (**EY**) has given, and not withdrawn before the lodgement of this Supplementary Target's Statement with ASIC, its written consent to be named in this Supplementary Target's Statement in the form and context in which it is named as the Independent Expert and to the inclusion of the Supplementary Independent Expert's Report as attached as appendix 2 to this Supplementary Target's Statement. EY has not authorised or caused the issue or preparation of this Supplementary Target's Statement and, to the maximum extent permitted by law, expressly disclaims, and takes no responsibility for, any part of this Supplementary Target's Statement other than the references specified above.

Signed for and on behalf of Broadspectrum following a resolution of the Directors of Broadspectrum.

Diane Smith-Gander, Chairman

Date: 8 February 2016

Appendix 1 – Average broker forecasts

The selection criteria for the average broker forecast numbers used in this Supplementary 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	7	$225m to $268m	4 February 2016 to 5 February 2016	FY2016 half-year results announcement date, being 4 February 2016
WorleyParsons	30 June	9	$254m to $351m	26 August 2015 to 25 January 2016	FY2015 results announcement date, being 26 August 2015
Spotless	30 June	4	$212m to $238m	2 December 2015 to 21 January 2016	Announcement of revised FY2016 earnings guidance, being 2 December 2015
RCR Tomlinson	30 June	5	$46m to $58m	20 August 2015 to 19 January 2016	FY2015 results announcement date, being 20 August 2015
Monadelphous	30 June	9	$91m to $120m	18 November 2015 to 3 February 2016	FY2015 results announcement date, being 18 August 2015

Appendix 2 – Supplementary Independent Expert's Report

Supplementary Independent Expert's Report and Financial Services Guide

Broadspectrum Limited
Takeover Offer from Ferrovial Services (Australia) Pty Limited

7 February 2016

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Part 1 – Supplementary Independent Expert's Report

The Directors
Broadspectrum Limited
111 Pacific Highway
Level 10
North Sydney
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7 February 2016

Dear Directors

Takeover Offer from Ferrovial Services (Australia) Pty Limited

1. Overview

On 7 December 2015 ("Announcement Date"), Ferrovial Services (Australia) Pty Limited, a wholly owned subsidiary of Ferrovial SA (collectively referred to as "Ferrovial"), announced a takeover offer ("Offer" or "Takeover Offer") for 100% of the shares in Broadspectrum Limited ("Broadspectrum" or "Company"). Under the Takeover Offer, Ferrovial is offering cash consideration of $1.35 per Broadspectrum Share[1] ("Offer Price"). On the Announcement Date, 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 on 23 December 2015, a Second Supplementary Bidder's Statement on 20 January 2016, a Third Supplementary Bidder's Statement on 27 January 2016 and a Fourth Supplementary Bidder's Statement on 1 February 2016 (collectively, the "Bidder's Statement").

Ernst & Young Transaction Advisory Services Limited ("Ernst & Young Transaction Advisory Services") was engaged by the Directors of Broadspectrum to prepare an Independent Expert's Report (the "Independent Expert's Report"), the purpose of which was to provide an opinion as to whether the Offer was fair and reasonable to Broadspectrum Shareholders. Our Independent Expert's Report dated 20 January 2016 accompanied the Target's Statement dated 21 January 2016 was sent to Broadspectrum Shareholders.

The Offer is subject to a number of conditions including Ferrovial acquiring a minimum acceptance of 50.01% of Broadspectrum Shares, the approval from the Foreign Investment Review Board ("FIRB") and the New Zealand Overseas Investment Office ("OIO"), no material adverse changes to the Broadspectrum business and no material acquisitions, disposals, new commitments or other events impacting the Broadspectrum business. A full list of the conditions is set out in Section 7.6 of the Bidder's Statement dated 6 January 2016 and is discussed in our Independent Expert's Report.

In forming the opinion set out in our Independent Expert's Report, we concluded that the fair market value of Broadspectrum was in the range of $1.71 to $1.98 per Broadspectrum Share. Our valuation range reflected the underlying fair market value of Broadspectrum on a controlling basis. In considering the fair market values assessed for Broadspectrum and the cash consideration being offered by Ferrovial, we concluded that the Takeover Offer was not fair. In Section 7.3 of the Independent Expert's Report, we set out commercial and qualitative factors that were also considered in assessing the Takeover Offer as well as other significant matters for Broadspectrum Shareholders to consider. Taking into consideration the matters detailed in the Independent Expert's Report, we concluded that the Takeover Offer was not fair and not reasonable.

[1] An ordinary share of Broadspectrum

As at the date of the Independent Expert's Report, Broadspectrum was the preferred tenderer for a significant contract being negotiated with the Australian Department of Immigration and Border Protection ("DIBP") to provide garrison and welfare support services to the Regional Processing Centres ("RPCs") at Nauru and Manus Province. At that time, negotiations were complete and the contract was expected to be signed in the very near term. As set out further below, the Company has since been advised that the existing tender process in relation to granting of a new contract for at least five years will be extended due to increases in scope being negotiated since the original tender. The DIBP has invited Broadspectrum and another party to participate in a Request for Amended Tender ("RFAT") process.

This Supplementary Independent Expert's Report provides further analysis and discussion of this material new information relevant to Broadspectrum Shareholders' consideration of the Offer. This Supplementary Independent Expert's Report should be read in conjunction with the statements made in the Independent Expert's Report. We recommend that Broadspectrum Shareholders read the Supplementary Target's Statement, the Target's Statement and the various Bidder's Statements sent to them by Ferrovial to obtain a full understanding of the Offer.

This Supplementary Independent Expert's Report and the opinion expressed herein are relevant only to the Takeover Offer noted above. The Supplementary Independent Expert's Report will be released as part of the Supplementary Target's Statement on 8 February 2016 accompanied by other Broadspectrum announcements.

1.1 Purpose of the Report

On 5 February 2016, Broadspectrum was advised by the DIBP of a material change in the proposed new five-year DIBP contract negotiation process. As noted in the Independent Expert's Report, the financial impact of this contract is material to Broadspectrum. The new RFAT process causes both a change in the contribution and duration of the existing DIBP contract to the Defence, Social and Property ("DSP") sector of Broadspectrum and also to the likelihood of Broadspectrum being awarded the proposed new five-year DIBP contract.

Consequently, we have prepared this Supplementary Independent Expert's Report, the purpose of which is to update our opinion as to whether the Offer is fair and reasonable to Broadspectrum Shareholders having regard to this new information. As part of this update, we also had further discussions with Broadspectrum's management in relation to the current and prospective financial performance of Broadspectrum, which is included in the Supplementary Target's Statement.

This Supplementary Independent Expert's Report is to be appended to the Supplementary Target's Statement.

1.2 Summary of Opinion

In the Independent Expert's Report, Ernst & Young Transaction Advisory Services concluded that the fair market value of Broadspectrum was in the range of $1.71 to $1.98 per Broadspectrum Share. In considering the fair market values assessed for Broadspectrum and the cash consideration being offered by Ferrovial, we concluded that the Takeover Offer was not fair.

Having regard to new information made available to us, particularly with respect to the proposed new five-year DIBP contract, we now conclude that the fair market value of Broadspectrum is in the range of $1.60 to $1.85 per Broadspectrum Share. Our valuation range reflects the fair market value of Broadspectrum on a controlling basis. As shown in the table below, the Offer Price represents a discount of 16% at the low end and a discount of 27% at the high end of our assessed range of fair market values for a Broadspectrum Share.

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

Comparison of values		
$	Low	High
Fair market value per share	1.60	1.85
Offer Price	1.35	1.35
Discount to the fair market value of a Broadspectrum Share	(0.25)	(0.50)
% Discount to fair market value	16%	27%

Source: EY analysis

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

As at the date of this Supplementary Independent Expert's Report, we note that Ferrovial and the market are unaware of the new information relating to the proposed new five-year DIBP contract to be released on 8 February 2016. The amended tender process advised by the DIBP may have breached the defeating condition as set out in Section 7.6(g)iii of the Bidder's Statement. If so, it is possible that Ferrovial could withdraw its Offer or seek to revise its Offer as a result of these events. Shareholders should exercise caution in accepting the Takeover Offer at this time as once they do so they may be unable to otherwise dispose of their Broadspectrum Shares and there is no certainty that this Offer will ultimately become unconditional. Shareholders who are contemplating accepting the Offer should consider waiting until they understand whether Ferrovial intends to proceed with the Offer having regard to material new information released by Broadspectrum on 8 February 2016. We note Ferrovial has stated that it will give a notice on the status of the conditions set out in Section 7.6 of the Bidder's Statement on 12 February 2016 (unless extended).

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 of the Independent Expert's Report, 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 and concluded that the Offer was also not reasonable. We have now reconsidered some of these factors as part of the Supplementary Independent Expert's Report and we continue to conclude that the Offer is not reasonable. Our considerations in this regard are set out in Section 3.2 below, which should be read in conjunction with the other matters discussed in Section 7.3 of the Independent Expert's Report.

Taking into consideration the matters detailed in this Supplementary Independent Expert's Report, in our opinion, the Takeover Offer is not fair and not reasonable.

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.

2. DIBP Contract

2.1 Position at the date of the Independent Expert's Report (20 January 2016)

The Independent Expert's Report noted that:

- In August 2015, Broadspectrum was selected as the preferred tenderer to provide welfare and garrison support services for at least five years for the DIBP at the RPCs in Nauru and Manus Province.
- As part of the transition to new contract arrangements, the current DIBP contract held by Broadspectrum, expiring in October 2015, was extended by four months on broadly similar terms on an expanded scope effective as at 1 November 2015.
- A new contract for at least five years, effective from March 2016, was being negotiated between the DIBP and Broadspectrum as the preferred tenderer.

- On 21 December 2015, Broadspectrum's management noted that a new contract for at least five years was expected to be awarded in the new year (i.e. 2016).

As noted in the Independent Expert's Report, the above arrangements with the DIBP were significant to both Broadspectrum as a whole and the DSP sector of Broadspectrum. While we had incorporated various risk allowances into our treatment and inclusion of this potential contract in our valuation, we had assumed for the purposes of the Independent Expert's Report, based on the above facts, that Broadspectrum would be awarded the proposed new five-year DIBP contract.

2.2 DIBP Contract Changes

On 5 February 2016, Broadspectrum was officially advised by the DIBP of a change in the contract negotiation process, which broadly involves the following:

- The DIBP has invited Broadspectrum and another party to participate in an RFAT process as per the provisions of the original tender released in January 2015. Due to increases in scope being negotiated since the original tender, the existing tender process will be extended.

- The timeline for the above process has been extended to 31 December 2016.

- To ensure the continuity of garrison and welfare support services provided during the RFAT process, Broadspectrum's current contract with the DIBP is to be extended for twelve months from 1 March 2016 to 28 February 2017 and may be extended by two additional periods of four months each, following the expiry of the extended contract, each at the DIBP's discretion. The Company will continue to operate under the existing contract based on substantially similar terms as has been the case since 1 November 2015.

In light of the above, the following impacts have been considered in our revised valuation of Broadspectrum Shares:

- The existing DIBP contract with various expanded services will be extended for at least twelve months starting 1 March 2016. In the Independent Expert's Report, it was assumed that this contract would end on 29 February 2016. Therefore, Broadspectrum will now benefit from the certainty of the current contract being extended. For the purposes of our valuation, we have assumed that the DIBP will not exercise the two four-month options which are at its sole discretion.

- Broadspectrum will be one of two parties tendering for the proposed new five-year DIBP contract but with some advantages due to its incumbent position.

- If Broadspectrum loses this tender, all contractual obligations under the extended existing contract will be satisfied. If Broadspectrum wins this tender, a new contract will be awarded on an expanded scope with potentially lower margins relative to the current contract for at least five years.

Our disclosures in the context of the value contributed by the current and the expected proposed new five-year DIBP contract set out in this Supplementary Independent Expert's Report are restricted by the sensitive nature of the contract, its current status (i.e. being at a commercially sensitive tender phase) and specific confidentiality obligations.

2.3 Other Business Matters

On 8 February 2016, we believe Broadspectrum will make announcements on the position of the business and the outlook for FY16 and FY17, which will include the following:

- Broadspectrum now provided upgraded FY16 full year Underlying EBITDA[2] guidance range of between $280 million and $300 million. Broadspectrum has also provided guidance on the anticipated net debt at the end of FY16, which is expected to reduce to a range of approximately $370 million to $390 million.[3] As at the date of this Supplementary Independent Expert's Report, work-in-hand is approximately $10.8 billion, of which $2.8 billion is in FY17.

- Broadspectrum has also provided an early outlook for FY17 Underlying EBITDA which, subject to no further material deterioration in current macro-economic conditions, is expected to be at least $300 million.[4]

- Notwithstanding previous delays in the planned National Broadband Network and Ultra-Fast Broadband roll outs, the Infrastructure sector is expected to achieve its FY16 earnings expectations given expected increase in volumes in 2HFY16[5] and certain productivity improvement initiatives currently underway in the telecommunications subsector.

- The Resources and Industrial ("R&I") sector is expected to be impacted by challenging market conditions in the near term. However, Broadspectrum's management is confident that its FY16 earnings expectations will be met partly due to cost optimisation initiatives currently implemented. The Easternwell[6] business, an integral and significant part of the R&I sector, is also expected to return to historical profitability in the medium term.

- Broadspectrum's management expects the Americas sector to turnaround its performance despite challenging operating conditions, driven by a stronger platform for sustained earnings growth from the downstream business.

2.4 DSP

The revised DSP sector's assumed maintainable EBITDA compared to that set out in the Independent Expert's Report is shown below:

Broadspectrum – DSP		
Currency: $million	Low	High
Per the Independent Expert's Report	175	175
Supplementary Independent Expert's Report	135	135

Source: EY Analysis

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

- The current and expected (short to medium term) performance of the DSP sector as a whole, which primarily depends on the DIBP contract business and the non-DIBP contract business (defence, social and property subsectors).

[2] Earnings before interest, tax, depreciation and amortisation
[3] Anticipated net debt as at 30 June 2016 assumes no dividends are paid prior to 30 June 2016
[4] The FY17 outlook for Underlying EBITDA is not a forecast and is subject to changes in macro-economic conditions. It is important to note that the actual FY17 Underlying EBITDA will not be known for more than 16 months and there is a possibility for it to be materially higher or lower than $300 million
[5] Second half of FY2016, ending 30 June 2016
[6] Easternwell Group Operations Pty Ltd

- Increased uncertainty associated with the terms and timing of the proposed new five-year DIBP contract relative to the assumed position as at the date of the Independent Expert's Report. We have considered this uncertainty using a risk and probability adjusted approach including sensitivity analyses. Key variables include the extension of the current DIBP contract with current margins and the risk adjusted probability of winning the proposed new five-year DIBP contract and the terms of that contract. The maintainable EBITDA for the DSP sector as per the Independent Expert's Report had assumed a new five-year DIBP contract from March 2016.

- It should be noted that maintainable EBITDA should not be regarded as a proxy for year-on-year EBITDA and takes into account our assessments of many factors affecting the proposed new five-year DIBP contract and other matters. For example, in the absence of unexpected adverse events, the FY16 and FY17 EBITDA for the DSP sector are expected to exceed the amount set out in the table above. In the medium to longer term, actual EBITDA for the DSP sector will be impacted by whether or not Broadspectrum is awarded the proposed new five-year DIBP contract and also the amount of other additional work that is won by the time Broadspectrum ceases to service these DIBP requirements, be it at the end of the existing contract, during the proposed new five-year DIBP contract or some other time.

- Broadspectrum has a competitive advantage as the incumbent service provider with a proven track record and a good understanding of DIBP's requirements.

- Broadspectrum has current experience with the new contract requirements, having previously been in detailed discussions, as a preferred tenderer for the proposed new five-year DIBP contract, after full market testing over material components of the contract.

- Broadspectrum's management believes it has a good working relationship with the DIBP and with the governments of both Papua New Guinea and Nauru.

- Any actual or perceived contractor change-out risks and associated transition costs.

- We note that value impact of the uncertainties around the proposed new five-year DIBP contract are negated to a material extent by the positive financial impact of the twelve-month extension to Broadspectrum's current expanded contract.

- Broadspectrum management's current FY16 EBITDA expectations for the DSP sector, which are marginally higher compared to FY15. The guidance reflects Broadspectrum management's current expectations for the six months to June 2016, which now includes a portion (four months) of the twelve month extension discussed in Section 2.2 above. We also note that FY17 will now include eight months of this extension.

- The ongoing residual EBITDA from the non-DIBP contract business (i.e. defence, social and property subsectors) 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 Australian Department of Defence and the NSW Land and Housing Corporation. Contract margin and procurement initiatives currently in place are also expected to improve margins in FY16 and FY17.

Based on all of the above factors, we have determined a maintainable EBITDA of $135 million for the DSP sector.

2.5 Assessment of EBITDA multiples

In arriving at an appropriate revised range of EBITDA multiples for the DSP sector, we have:

- Continued to consider a risk adjusted 'blended' EBITDA multiple having regard to the risk profile of the DSP sector, impacted materially by the twelve-month extension to the current DIBP contract and the risk adjusted profitability expected from the proposed new five-year DIBP contract.

- Considered the factors set out in Section 6.2.5 of the Independent Expert's Report dated 20 January 2016.

- Considered the sensitivities around the proposed new five-year DIBP contract as noted above and applied a methodology similar to that applied in the Independent Expert's Report to determine a range of 'blended' EBITDA multiples.

- Checked, on a high level basis, that comparable listed companies' multiples are broadly consistent as at the date of this Supplementary Independent Expert's Report to those discussed in the Independent Expert's Report.

The probability adjusted future maintainable earnings of the DSP sector are lower as at the date of this Supplementary Independent Expert's Report due to the uncertainties associated with the proposed new five-year DIBP contract offset to some extent by the twelve months extension period. However, there is no material change in the maintainable EBITDA from the non-DIBP component of the DSP sector. Based on the above factors, we have derived a blended EBITDA multiple range of between 5.25 times and 5.50 times compared to a range adopted in Independent Expert's Report of between 4.25 times and 4.50 times to apply to the selected maintainable EBITDA for the DSP sector. The multiple reflects the fact that on a risk adjusted basis, a relatively higher proportion of the ongoing earnings of the DSP sector is now attributed to the non-DIBP business compared to that assumed in the Independent Expert's Report.

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 $709 million and $743 million. We note that this range of values reflects the value of the relatively less risky non-DIBP contract business compared to the DIBP contract business, the twelve-month current DIBP contract extension compared to the proposed new five-year contract and the probability adjusted value of the proposed new five-year DIBP contract.

2.7 Valuation of Broadspectrum Shares

We have valued Broadspectrum based on the sum of the fair market values of its underlying businesses and other assets and liabilities, on a controlling, going concern basis. Our revised sum-of-the-parts valuation is summarised in the following table:

Broadspectrum – Revised valuation

		Maintainable EBITDA		Assessed EBITDA multiple		Market value	
Currency: $million	Reference	Low	High	Low	High	Low	High
Defence, Social and Property	Supplementary IER[7]	135	135	5.25x	5.50x	709	743
Infrastructure	IER Section 6.3	70	75	6.00x	6.00x	420	450
Resources & Industrial	IER Section 6.4	40	50	5.00x	5.00x	200	250
Americas	IER Section 6.5	20	30	5.00x	5.00x	100	150
Corporate	IER Section 6.6	(35)	(40)	5.50x[8]	5.50x	(193)	(220)
		230	**250**				
Enterprise value						**1,236**	**1,373**
Net debt						(474)[9]	(474)
Broadspectrum Performance Awards (vesting adjustment)	IER Section 6.8					(33)[10]	(38)
Other assets and liabilities (RACL)[11]	IER Section 6.9					90	90
Equity value						**818**	**950**
Number of outstanding shares						512,457,716	
Value per share ($)						**1.60**	**1.85**

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.

[7] IER refers to Independent Expert's Report
[8] Revised multiple reflects the new weighted average blended multiple
[9] Net debt is based on unaudited accounts as at 31 December 2015. The net debt of approximately $474 million equates to statutory net debt of approximately $459.5 million and excludes statutory net debt adjustments for unamortised loan establishment costs of $14.1 million
[10] Assuming 100% of 29.5 million Broadspectrum Performance Awards vest at the range of $1.60 to $1.85 per Broadspectrum Share
[11] Ratch Australia Corporation Limited

2.8 Valuation cross check

We tested for reasonableness of the EBITDA and EBIT[12] multiples implied by our overall valuation range of Broadspectrum, based on our estimate of Broadspectrum's maintainable EBITDA and management's updated guidance for FY16.

Broadspectrum - Implied multiples

	Enterprise Value (Note 1)		EBITDA		EBIT (Note 2)		EBITDA Multiple		EBIT Multiple	
Currency: $million	Low	High	Low	High	Low	High	Low	High	Low	High
Implied multiple (EY valuation)										
Implied EV/maintainable earnings	1,236	1,373	230	250	130	150	5.4x	5.5x	9.5x	9.2x
Implied EV/FY16 earnings company guidance	1,236	1,373	280	300	180[2]	200[2]	4.4x	4.6x	6.9x	6.9x
Implied Offer multiple										
Implied Offer EV/ FY15 earnings	1,109	1,114	265	265	168	168	4.2x	4.2x	6.6x	6.6x
Implied Offer EV/ FY16 earnings	1,109	1,114	280	300	180	200	4.0x	3.7x	6.2x	5.6x

Source: EY analysis

1. *Valuation multiples exclude investment in RACL and Broadspectrum Performance Awards.*
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 and EBIT multiples are within the range of that observed for listed Australian comparable companies, whose average and median FY16 EBITDA multiples[13] (excluding a premium for control) are 4.7 times and 3.9 times, respectively, and FY16 EBIT multiples are 6.8 times and 6.9 times, respectively. In this context, we have also considered the points noted below.

- Broadspectrum's implied maintainable earnings multiples resulting from our valuation range also reflect a current risk adjusted maintainable earnings view on Broadspectrum winning the proposed new five-year DIBP contract beyond the twelve month extension to the current contract. All things equal, Broadspectrum's maintainable earnings would be higher / lower than that noted in the table above, should Broadspectrum win / lose the proposed new five-year DIBP contract, respectively. In this context, the implied maintainable earnings multiples reflect Broadspectrum management's FY16 and FY17 EBITDA guidance which is currently expected to materially exceed the maintainable EBITDA range of $230 million to $250 million.

- Of all the Australian listed companies, Downer and Spotless are most comparable to Broadspectrum. Accordingly, we have cross-checked our implied EBITDA and EBIT multiples to Downer and Spotless.

- Downer[14] is significantly exposed to the Infrastructure sector with circa 70% of FY15 and 1HFY16 revenue generated in the telecommunications, transport and utilities subsectors. Downer is larger (by revenue) than Broadspectrum, with EBIT margins similar to Broadspectrum. However, Downer is exposed to the resources sector through a circa 20% revenue and circa 40% EBIT exposure in FY15 and 1HFY16. 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. With Spotless' approximately 90% of FY15 revenue generated in the facilities management sector, Spotless is similar (by revenue) compared to Broadspectrum but has EBIT margins higher than Broadspectrum. Broadspectrum is also similar in capital intensity compared to Spotless.

[12] Earnings before interest and tax

[13] Trading multiples are calculated based on June year end, as at 5 February 2016. The downward adjustments on the consensus FY16 EBITDA may not reflect the views of all brokers for the Australian listed comparable companies

[14] Downer and Spotless' FY16 EBITDA multiple as at 5 February 2016 are 3.5 times and 5.5 times respectively (excluding a premium for control)

- 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 6.9 times and 7.4 times respectively[13] based on consensus FY16 EBIT. The implied maintainable EBIT multiples reflect a premium for control and current FY16 and FY17 EBITDA guidance which is currently expected to materially exceed the maintainable EBIT range of between $130 million and $150 million.

- The implied FY16 EBITDA and EBIT multiples also fall within the range of observed Australian transactions as noted in the Independent Expert's 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.

3. Assessment of Offer

3.1 Fairness

In determining whether the Offer is fair and reasonable, we have compared the revised fair market value of the Broadspectrum Shares with the cash consideration being offered by Ferrovial.

The comparison of values, based on the fair market values assessed for a Broadspectrum Share in Section 2.7, is summarised in the following table:

Fairness assessment		
Currency: $	Low	High
Fair market value per share	1.60	1.85
Offer Price	1.35	1.35
Discount to fair market value	16%	27%

Source: EY analysis

As shown in the above table, the Offer Price is below our assessed fair market value of a Broadspectrum Share. Accordingly, we consider the Offer to be not fair for Broadspectrum Shareholders.

3.2 Reasonableness

In Section 3.1, we concluded that the Takeover Offer is not fair. In Section 7.3 of the Independent Expert's Report, 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. We have now reconsidered these factors as part of the Supplementary Independent Expert's Report and we continue to conclude that the Offer is not reasonable. Our considerations in this regard are set out below.

While there are certain advantages to Broadspectrum Shareholders, including the Offer Price representing a significant premium to the trading price of Broadspectrum's Shares during the six months up to the Announcement Date and at the date of this Supplementary Independent Expert's Report and the potential ability to sell their shareholding interests at such a premium before the outcome of the proposed new five-year DIBP contract tender is known (the impact of which could be positive or negative), we consider that this 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.

3.2.1 Exposure to the new DIBP contract

Broadspectrum and another party have been invited to submit an amended tender in relation to a proposed new five-year DIBP contract. The contract is assumed to commence no earlier than March 2017. This contract is significant to both the DSP sector and Broadspectrum. While we have considered the strengths and weaknesses of Broadspectrum's position in this tender, Broadspectrum Shareholders should be aware that until such point that the contract is executed and is unconditional, there is no certainty in regards to Broadspectrum's success with this contract. Shareholders rejecting the Takeover Offer should be aware that they are retaining exposure to the risks associated with Broadspectrum winning the proposed new five-year DIBP contract.

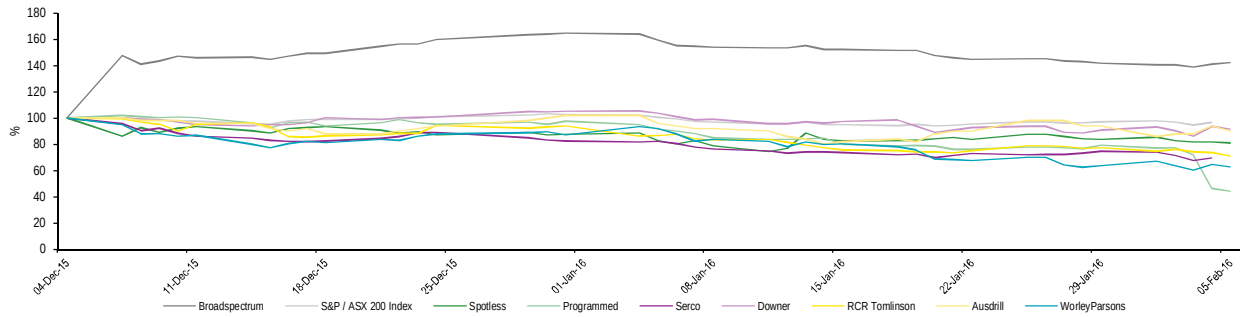
3.2.2 Takeover Offer Conditional

The Offer is subject to a number of conditions including Ferrovial acquiring a minimum acceptance of 50.01% of Broadspectrum Shares and the approval from the FIRB and the OIO. The amended tender process advised by the DIBP may have breached the defeating condition as set out in Section 7.6(g)iii of the Bidder's Statement. If so, it is possible that Ferrovial could withdraw its Offer or seek to revise its Offer as a result of these events. Shareholders should exercise caution in accepting the Takeover Offer at this time as once they do so they may be unable to otherwise dispose of their Broadspectrum Shares and there is no certainty that this Offer will ultimately become unconditional. Shareholders who are contemplating accepting the Offer should consider waiting until they understand whether Ferrovial intends to proceed with the Offer having regard to material new information released by Broadspectrum on 8 February 2016. We note Ferrovial has stated that it will give a notice on the status of the conditions set out in Section 7.6 of the Bidder's Statement on 12 February 2016 (unless extended).

3.2.3 Share price in the absence of the Takeover Offer

We note that our controlling interest valuation of a Broadspectrum Share of between $1.60 and $1.85 is higher than the price at which Broadspectrum Shares traded prior to the announcement of the Takeover Offer[15] and the most recent price of $1.21[16] as of the date of this Supplementary Independent Expert's Report. This does not imply and Broadspectrum 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 due to current market conditions and continued lack of medium term certainty on the proposed new five-year DIBP contract. As shown below, Broadspectrum's share price performance between Announcement Date and 5 February 2016 was above that of its ASX-listed peers due to the Offer, while its peer group lost between 8% and 56% of value.



Source: S&P Capital IQ

We note that since we issued our Independent Expert's Report, Broadspectrum's share price has fallen from $1.26 to $1.21 as at close of business on 5 February 2016. This decline reflects continued market softness and most likely increased uncertainty as to whether the current Takeover Offer will be successful.

[15] When the comparison is made without a control premium

[16] The closing share price as at 5 February 2016

3.2.4 Board view

As set out in the Supplementary Target's Statement, we note that Broadspectrum's 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.

3.2.5 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 Supplementary Independent Expert's Report. We have formed our assessments based on the latest 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 Broadspectrum's understanding, that it will be one of two tenderers in relation to a proposed new five-year 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, Broadspectrum Shareholders should be aware that until any such point that the proposed new five-year DIBP 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.

3.2.6 Other considerations

This Supplementary Independent Expert's Report has been prepared to assist Broadspectrum Shareholders in assessing the merits of the Takeover Offer. In doing so, the Supplementary Independent Expert's 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 Supplementary Independent Expert's Report is appropriate for their circumstances, having regard to their own situation, objectives and needs before relying on or taking action based on this Supplementary Independent Expert's 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.

3.2.7 Conclusion

Having considered the various matters outlined in this Supplementary Independent Expert's Report and the Independent Expert's Report, in the opinion of Ernst & Young Transaction Advisory Services, the Takeover Offer by Ferrovial is not fair and not reasonable.

Our opinion is made as at the date of this Supplementary Independent Expert's Report and unless otherwise stated, reflects circumstances and conditions as at that date.

Yours faithfully
Ernst & Young Transaction Advisory Services Limited

Ishwar Madhyastha
Director and Representative

Stuart Bright
Director and Representative

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 Supplementary Independent Expert's Report. The directors of Ernst & Young Transaction Advisory Services responsible for this Supplementary Independent Expert's 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 Supplementary Independent Expert's 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 Supplementary Independent Expert's Report, including any errors or omissions howsoever caused.

The statements and opinions given in this Supplementary Independent Expert's Report are given in good faith and the belief that such statements and opinions are not false or misleading. In the preparation of this Supplementary Independent Expert's 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 Supplementary Independent Expert's 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 Supplementary Independent Expert's Report is set out in Appendix B.

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 Supplementary Independent Expert's Report.

Ernst & Young Transaction Advisory Services provided draft copies of this Supplementary Independent Expert's 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 Supplementary Independent Expert's 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 the Independent Expert's Report dated 20 January 2016 and this Supplementary Independent Expert's Report, estimated at approximately $360,000 (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 Supplementary Independent Expert's 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 Supplementary Independent Expert's Report. Both have the necessary experience and professional qualifications appropriate to the advice being offered. Other staff have been consulted in the preparation of this Supplementary Independent Expert's Report where appropriate.

It is not intended that the Supplementary Independent Expert's Report should be used for any other purpose other than to be included in the Supplementary Target's Statement to be sent to Broadspectrum Shareholders with respect to the Offer. In particular, it is not intended that this Supplementary Independent Expert's Report should be used for any other purpose other than as an expression of its opinion as to whether or not the Offer by Ferrovial is fair and reasonable to Broadspectrum Shareholders.

Ernst & Young Transaction Advisory Services consents to the issue of this Supplementary Independent Expert's Report in the form and context in which it is included in the Supplementary Target's Statement.

Appendix B - Sources of information

In arriving at our views, we have had regard to the information set out in Appendix E of the Independent Expert's Report dated 20 January 2016. In addition, we also relied upon the following sources of information:

- Supplementary Target's Statement provided by Broadspectrum in relation to the Offer
- Third and Fourth Supplementary Bidder's Statement lodged on 27 January 2016 and 1 February 2016, respectively, issued by Ferrovial in relation to the Offer
- Confidential information in relation to the current DIBP contract and the extended tender process
- Unaudited financial statements for the six months ending 31 December 2015
- FY16 and FY17 revised outlook for Broadspectrum prepared by Broadspectrum's management
- Market and industry data obtained from sources including ThomsonOne and S&P Capital IQ

In addition, we held discussions with various members of senior management of Broadspectrum.

Appendix C - Valuation of Broadspectrum Shares per the Independent Expert's Report dated 20 January 2016

The following table shows our previous valuation of Broadspectrum included in the Independent Expert's Report dated 20 January 2016, based on the sum of the fair values of its underlying businesses and other assets and liabilities, on a controlling, going concern basis.

Broadspectrum – Valuation as at 20 January 2016

Currency: $million		Maintainable EBITDA		Assessed EBITDA multiple		Market value	
	Reference	Low	High	Low	High	Low	High
Defence, Social and Property	IER Section 6.2	175	175	4.25x	4.50x	744	788
Infrastructure	IER Section 6.3	70	75	6.00x	6.00x	420	450
Resources & Industrial	IER Section 6.4	40	50	5.00x	5.00x	200	250
Americas	IER Section 6.5	20	30	5.00x	5.00x	100	150
Corporate	IER Section 6.6	(35)	(40)	4.80x	5.00x	(168)	(200)
		270	**290**				
Enterprise value						**1,296**	**1,438**
Net debt	IER Section 6.7					(473)	(473)
Broadspectrum Performance Awards (vesting adjustment)	IER Section 6.8					(35)	(40)
Other assets and liabilities (RACL)	IER Section 6.9					90	90
Equity value						**878**	**1,015**
Number of outstanding shares						512,457,716	
Price per share ($)						**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.

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THIS FINANCIAL SERVICES GUIDE FORMS PART OF THE SUPPLEMENTARY INDEPENDENT EXPERT'S REPORT

7 February 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 performance bonus or profit share depending on their level of seniority. The estimated fee for the Independent Expert's Report and this Supplementary Independent Expert's Report is $360,000 (exclusive 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.

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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.