

ASX RELEASE

28 March 2018

ASX Market Announcements
20 Bridge Street
SYDNEY NSW 2000

Dear Sir / Madam

FY18 Earnings Guidance Update

In accordance with Listing Rule 3.1, Watpac Limited (**Watpac** or **Group**) provides the following earnings guidance update for the 30 June 2018 financial year (**FY18**).

As highlighted in the Group's Interim Financial Report for the six-month period ended 31 December 2017, failure to secure appropriate work levels in the Group's Mining business represented a key risk to future profitability.

Disappointingly and despite expectations to the contrary, Watpac was recently advised that it had been unsuccessful on two major mining project tenders. As a result, the Watpac Board of Directors (**Board**) has agreed to conduct a comprehensive review of the Group's Mining business, to ascertain options to maximise and preserve value. This review will include exploring sale options for the business and / or its assets, either in part or in its entirety.

While the financial performance of the Mining business is disappointing, the Group's Construction and Civil businesses are profitable and anticipated to contribute positively to the underlying FY18 result, despite the residual impacts of completing carried forward residential construction work adversely affected by cost escalation pressures.

As a consequence of the disappointing performance of the Mining business and the impact of the legacy residential projects, Watpac anticipates an underlying net loss before tax for FY18 of between \$3 million and \$5 million.

As indicated in Watpac's ASX announcement of 26 February 2018, a proposal was recently received from BESIX Group SA to acquire 50% of the shares held by each of the other Watpac

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shareholders for \$0.92 cash per share (**Proposal**). Watpac expects to shortly lodge a scheme booklet with ASIC, including an independent expert report.

BESIX has confirmed that this latest earnings guidance update will not have an impact on the Proposal.

Yours sincerely,

WATPAC LIMITED



Mark Baker
COMPANY SECRETARY

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