

Watpac Limited Annual General Meeting – 25 October 2011 Chairman's Address

It has been a challenging year for Watpac, with economic instability, numerous natural disasters, and the ever changing political landscape impacting on performance. As has been noted in previous Company announcements, a period of sustained inclement weather on the east coast of Australia during the 2011 financial year had an adverse effect on delivery timetables, which has resulted in revenue and profit deferral to later accounting periods. Notwithstanding, the Group has delivered an acceptable result for the 2011 financial year, and finished the year with record contracting work in hand. This strong portfolio of work ensures that Watpac is well positioned for the future.

The Company's ability to successfully deliver projects has resulted in a range of high quality building, civil infrastructure, and contract mining projects being secured. Our strategy of geographic and product diversification continues to be successful, with the Group now boasting strong contracting workbooks in New South Wales, Victoria and Western Australia. Of particular note is the establishment of a portfolio of long term mining services contracts.

Safety

Safety is of the utmost importance at Watpac. The Group's safety performance has been commendable over this past financial year. I commend Management's continued success in vigilantly monitoring safety performance, and providing a safe working environment across all Watpac project sites.

Construction

The construction business continued to deliver on its strategy of improving the geographic diversification of the business. Our credibility in delivering complex projects across most states of Australia has grown significantly.

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Civil & Mining

Organic growth in the civil and mining business has continued over this past year. As with any new areas of operation, we faced a steep learning curve in our Mining division and have not been without issues relating to human resources and productivity. It is important that we have learnt valuable experience from operational issues which will in turn make us a more efficient and competitive organization going forward. Enhancing our operations in this sector reinforces the Company's strategy of product diversification.

Adverse weather conditions had an impact on the profit contribution from the civil and mining business in FY11, particularly in the Queensland and Victorian business units. However, this inclement weather has also presented the business, particularly in Queensland, with a number of project opportunities.

Our Civil and Mining business is well positioned to capitalise on the forecast extensive investment in civil infrastructure and mining projects in Australia. Particular emphasis has been placed on the resource rich states of Queensland and Western Australia, however we have also built a strong brand reputation in regional Victoria and South Australia.

We now have the ability to realise increased margins due to the volumes of work which will be available, however, we must be realistic that mining contracting demands greater working capital than vertical construction and historically mining companies payments have a slower schedule of settlements even through the margins may be more favourable.

Property

Through a targeted asset sales program, the property business delivered on its strategy of significantly reducing debt during the financial year. The Group's property portfolio is now conservatively geared and well positioned to capitalise on improving conditions, particularly in the Brisbane CBD fringe commercial office market. Watpac is well positioned to satisfy increasing tenant demand in this area and is in negotiations with a number of parties in respect of developing commercial opportunities.

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I would like to take this opportunity to thank all of our staff, contractors and clients for their ongoing commitment, and our Shareholders for their continued loyalty. I would also like to formally acknowledge the appointment of the two additional Board members during the financial year. I believe both Chris Freeman & Kevin Mooney bring significant and complementary skills and experience to the Watpac Board, and I am sure Shareholders will confirm this view later in the meeting by approving their election as Directors of the Company.

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