

EXECUTION VERSION

CONDITIONAL SHARE SALE AGREEMENT

THIS AGREEMENT is made on 9 MAY 2017

BETWEEN:

- (1) NICHOLAS TAYLOR whose address is c/o Pickfords Wharf, Clink St, London SE1 9DG, England (the "Seller"); and
- (2) CTI ENGINEERING CO. LIMITED of 3-121-1 Nihombashi Hama-cho Chuo-ku, Tokyo 103-8430 Japan (the "Buyer").

RECITALS:

(A) The Seller understands that the Buyer is considering making the Offer (as defined below) and that the Offer will be on the terms and conditions as shall be set out in the Announcement (as defined below), and which will be substantially in the same form as is included in schedule 2 to this agreement, including as to the Offer Price (as defined below).

(B) The Seller agrees, subject to the Condition (as defined below) and otherwise on the terms of, this agreement, to sell or procure the sale of, and the Buyer agrees to purchase or procure the purchase of, the Sale Shares (as defined below).

THE PARTIES AGREE AS FOLLOWS:

1. Definitions

1.1 In this agreement the following words and expressions shall have the following meanings:

<b>Announcement</b>	the announcement by the Buyer and the Target, to be made in accordance with Rule 2.7 of the Code, relating to the Offer.
<b>Buyer's CREST Account</b>	the CREST account with participant ID: 601 and member account ID: WRCLT.
<b>certificated or in certificated form</b>	not uncertificated or in uncertificated form.
<b>Code</b>	The City Code on Takeovers and Mergers.
<b>Completion</b>	completion of the sale and purchase of the Sale Shares (or, as the case may be, certain Sale Shares) pursuant to this agreement.
<b>Completion Date</b>	the day on which either (a) Completion occurs or (b) as the case may be, a Completion occurs.
<b>Condition</b>	means the condition set out in clause 3.1 of this agreement.
<b>CREST</b>	the facilities and procedures for the time being of the relevant system of which Euroclear UK and Ireland Limited has been approved as "Operator" pursuant to the UK Uncertificated Securities Regulations 2001 (SI 2001 No. 2001/3755).
<b>Deadline</b>	has the meaning given to it in clause 3.1 of this agreement.

<b>Dealing Day</b>	means any day on which dealing in domestic securities may take place on, and with the authority of, the London Stock Exchange plc.
<b>Effective Time</b>	the time at which the Condition is or becomes satisfied (or, as the case may be, is waived in accordance with the terms of this agreement).
<b>Listing Rules</b>	the listing rules made by the Financial Conduct Authority under section 73A of the Financial Services and Markets Act 2000, as amended.
<b>Offer</b>	the proposed acquisition by the Buyer of the whole of the issued and to be issued share capital of the Target, by means of the offer described in the Announcement.
<b>Ordinary Shares</b>	means ordinary shares of 10 pence each in the capital of Target.
<b>Panel</b>	The Panel on Takeovers and Mergers.
<b>Parcel</b>	with respect to any Sale Shares, all of the Sale Shares referred to in a row in the table set out in schedule 1 to this agreement.
<b>Pounds sterling or £</b>	Pounds sterling, the lawful currency of the United Kingdom.
<b>Purchase Price</b>	has the meaning given to it in clause 2.2 of this agreement.
<b>RIS</b>	a regulatory information service within the meaning of the Listing Rules.
<b>Security Interest</b>	any interest or equity of any person (including any right to acquire, option or right of pre-emption) or any mortgage, charge, pledge, lien, assignment, hypothecation, title retention or any other security agreement or arrangement.
<b>Sale Shares</b>	the aggregate number of Ordinary Shares as is specified at the foot of column (2) in the table in schedule 1 to this agreement, all of them and each of them as the context requires.
<b>Seller's Bank Account</b>	means the bank account of the Seller, details of which are set out in respect of each Parcel in column (3) in the table in schedule 1 to this agreement, or any other bank account as notified to the Buyer as soon as reasonably practicable hereafter and in any event prior to the proposed date of transfer.
<b>Settlement Formalities</b>	with respect to one or more Parcels, the settlement procedures and formalities referred to in clause 4.3 of this agreement.
<b>Target</b>	Waterman Group PLC.
<b>uncertificated or in uncertificated form</b>	recorded on the register of members as being in uncertificated form in CREST and title to which may be transferred by means of CREST.

**WH Ireland**

WH Ireland Limited, financial adviser to the Buyer.

- 1.2 In this agreement unless otherwise specified:
- 1.2.1 "clauses", "paragraphs" or the "schedule" are to clauses and paragraphs of and the schedule to this agreement;
  - 1.2.2 "includes" and "including" shall mean including without limitation;
  - 1.2.3 a "party" means a party to this agreement and includes its assignees (if any) and, in the case of an individual, to his or her estate and personal representatives;
  - 1.2.4 a "person" includes any person, individual, company, firm, corporation, government, state or agency of a state or any undertaking (whether or not having separate legal personality and irrespective of the jurisdiction in or under the law of which it was incorporated or exists);
  - 1.2.5 "writing" includes any methods of representing words in a legible form (other than writing on an electronic or visual display screen) or other writing in non-transitory form; and
  - 1.2.6 words denoting the singular shall include the plural and vice versa and words denoting any gender shall include all genders.
- 1.3 The schedule forms part of the operative provisions of this agreement and references to this agreement shall, unless the context otherwise requires, include references to the schedule.

**2. Sale and purchase**

- 2.1 On the terms of this agreement and subject to the satisfaction (or where permitted pursuant to this agreement, the waiver) of the Condition, the Seller will sell or procure the sale of, and the Buyer will buy, with effect from Completion, the Sale Shares with full title guarantee, free from all Security Interests and together with all rights that attach (or may in the future attach) to the Sale Shares, including the right to receive all dividends and distributions declared, made or paid on the Sale Shares after Completion, but excluding any dividends declared prior to the date of this agreement, which dividends shall remain due and payable to the Seller.
- 2.2 The purchase price to be paid by the Buyer to the Seller for the Sale Shares will be 140 pence per share (the "**Purchase Price**"), being the price per Sale Share equal to the Offer Price (as such term is defined in the Announcement).
- 2.3 The Purchase Price to be paid for each Sale Share shall be paid by the Buyer without any deduction or withholding and the Buyer shall bear all commissions and stamp duty/stamp duty reserve tax with respect to the purchase by it of each Sale Share. Further, each party shall bear all of its own costs and expenses incurred in connection with the negotiation, execution and implementation of this agreement.

**3. Condition**

- 3.1 Completion of the sale and purchase of the Sale Shares (or any of them) shall be conditional upon the release of the final form of the Announcement (on substantially the same terms and conditions as are set out in draft thereof (which is included in schedule 2 to this agreement) including as to the Offer Price) to a RIS on or before 3.00 p.m. (UK time) on 10 May 2017 or such later time and date as the parties shall agree in writing (the "**Deadline**").
- 3.2 If the Condition is not satisfied, or if the Condition is not waived (in whole or in part, absolutely or conditionally) in writing by agreement between the Seller and

the Buyer, this agreement will automatically terminate and neither party will have any obligation or liability to the other party.

- 3.3 The Seller acknowledges that the release of the Announcement to a RIS is at the Buyer's absolute discretion and no representation or warranty is made, or undertaking given, by the Buyer to the Seller that it will release, or that it will permit the release of, the Announcement to a RIS.

#### **4. Completion and settlement arrangements**

- 4.1 Subject to the satisfaction (or where permitted pursuant to the terms of this agreement, the waiver) of the Condition, Completion shall take place as soon as practicable after the Effective Time. It is hereby acknowledged that completion of the sale and purchase of some Sale Shares, being those comprised in any Parcel, may take place upon different dates, each being a Completion and taking place on a Completion Date, as and when the Settlement Formalities have been satisfied in respect of the relevant Parcel.
- 4.2 Each of the Seller and the Buyer shall use its respective reasonable endeavours to satisfy the Settlement Formalities as soon as practicable after the Effective Time, and the Buyer shall request that WH Ireland shall give all reasonable assistance to the Seller to enable the Seller to satisfy the Settlement Formalities.
- 4.3 Upon the Effective Time but subject thereto, as soon as reasonably practicable thereafter:
- 4.3.1 with respect to a Parcel (if any) that is held in uncertificated form in a pension fund (and which is not in certificated form and registered in the name of the Seller or his spouse):
- 4.3.1.1 the Seller will take all requisite steps as soon as practicable to procure the registered holder of the Sale Shares comprised in that Parcel to effect a sale of such shares (as soon as reasonably practicable) to WH Ireland (on behalf of the Buyer) within CREST; and
- 4.3.1.2 against delivery of such shares in CREST the Buyer will pay or will procure that WH Ireland shall pay an amount equal to the product of (a) the number of Sale Shares comprised in the relevant Parcel and (b) the Sale Shares Purchase Price, such payment to be made in cash in pounds sterling in cleared funds by electronic transfer through CREST; and
- 4.3.2 with respect to any other Parcel (that is a Parcel in respect of which the relevant Sale Shares are in certificated form in the name of the Seller or his spouse):
- 4.3.2.1 the Seller will deliver (or, in respect of any Parcel registered in the name of the Seller's spouse, procure that there is delivered) to the Buyer duly completed and signed transfer(s) in favour of the Buyer, accompanied by the relevant share certificate(s) (or an indemnity in customary form but subject thereto, reasonably acceptable to the Buyer); and
- 4.3.2.2 against delivery of such document(s), the Buyer will pay or will procure that WH Ireland or the Buyer's legal adviser (as the case may be) shall pay (or, as the case may be, procure the payment of) an amount equal to the product of (a) the number of Sale Shares comprised in the Parcel and (b) the

Purchase Price, such payment to be made in cash in pounds sterling in cleared funds by electronic transfer to the Seller's Bank Account.

## **5. Consents and publicity**

The Seller agrees:

- 5.1 to this agreement being disclosed to the Panel;
- 5.2 to the issue of the Announcement on or before the Deadline, and when issued, the offer document and any other ancillary document in connection with the Offer, with references therein to the Seller, the registered holder of the relevant Sale Shares and to details of this agreement in substantially the form included in Appendix III to the Announcement;
- 5.3 to this agreement being published during the applicable offer period on the website of the Target and the Buyer.

## **6. Rule 9 and Rule 9.6**

If as a result of the sale and purchase of the Sale Shares, the Buyer becomes required to make a general offer under Rule 9.1 of the Code, the Buyer undertakes to the Seller that the Buyer will fulfil its obligations under that Rule and further, but without prejudice to any commitment, agreement or understanding between the Seller and the Buyer in relation to the Seller's appointment as a director of the Target, the Buyer shall not request or require the Seller to resign from his office as a director of the Target prior to the first closing date of the Offer or the date the Offer becomes wholly unconditional, whichever is the later.

## **7. Counterparts**

This agreement may be executed in any number of separate counterparts each of which when executed and delivered will be an original but all the counterparts will together constitute one and the same agreement.

## **8. Notices**

- 8.1 Any notice, demand or other communication given or made under or in connection with the matters contemplated by this agreement shall be in writing and shall be delivered by hand or by courier or sent by prepaid first class post (air mail if posted to or from a place outside the United Kingdom):

in the case of the Buyer to:

F Tower Building, 3-21-1 Nihombashi Hamacho, Chuo-ku, Tokyo 103-8430 Japan

k-kanai@ctie.co.jp

Attention: Keiichi Kanai

in the case of the Seller to the name, address and email address set out in schedule 1,

and shall be deemed to have been duly given or made as follows:

- 8.1.1 if delivered by hand or by courier, upon delivery at the address of the relevant party;
- 8.1.2 if sent by first class post, two Business Days after the date of posting;
- 8.1.3 if sent by air mail, five Business Days after the date of posting; and
- 8.1.4 if sent by e-mail, when actually received by the intended recipient in readable form,

provided that if, in accordance with the above provisions, any such notice, demand or other communication would otherwise be deemed to be given or made after 5.00 p.m. on a Business Day such notice, demand or other communication shall be deemed to be given or made at 9.00 a.m. on the next Business Day.

- 8.2 A party may notify the other party to this agreement of a change to its name, relevant addressee or address for the purposes of clause 8.1 provided that such notification shall only be effective on:
- 8.2.1 the date specified in the notification as the date on which the change is to take place; or
- 8.2.2 if no date is specified or the date specified is less than five Business Days after the date on which notice is given, the date falling five Business Days after notice of any such change has been given.

## **9. Third party rights**

- 9.1 No person (other than the parties to this agreement) who is given any rights or benefits under this agreement (a "**Third Party**") shall be entitled to enforce those rights or benefits against the parties in accordance with the Contracts (Rights of Third Parties) Act 1999.
- 9.2 The parties may amend, vary or terminate this agreement in such a way as may affect any rights or benefits of any Third Party which are directly enforceable against the parties under the Contracts (Rights of Third Parties) Act 1999 without the consent of such Third Party.
- 9.3 Any Third Party entitled pursuant to the Contracts (Rights of Third Parties) Act 1999 to enforce any rights or benefits conferred on it by this agreement may not veto any amendment, variation or termination of this agreement which is proposed by the parties and which may affect the rights or benefits of the Third Party.

## **10. Further assurances**

At any time after Completion, the Seller shall execute all such documents and do such acts and things as the Buyer may reasonably require for the purpose of vesting in the Buyer the title to the Sale Shares in accordance with the terms of this agreement.

## **11. Governing law**

- 11.1 This agreement and any dispute or claim (including non-contractual disputes or claims) arising out of or in connection with it or its subject matter or formation will be governed by and construed in accordance with English law.
- 11.2 Each party irrevocably agrees that the courts of England will have exclusive jurisdiction to settle any dispute or claim (including non-contractual disputes or claims) arising out of or in connection with this agreement or its subject matter or formation.

**AS WITNESS** whereof this agreement has been executed on the date first above written

Signed by **NICHOLAS TAYLOR**

  
.....

Signed by **CTI ENGINEERING CO. LIMITED**  
acting by an authorised signatory

Signature.....  
Print name.....*Keichi Kanai*

**SCHEDULE 1**  
**Details of the Sale Shares**

**Name:** Nicholas Taylor

**Address:** Pickfords Wharf, Clink Street, London, England, SE1 9DG

**Email:** [nick.taylor@watermangroup.com](mailto:nick.taylor@watermangroup.com)

	<i>Name of Registered Holder</i> (1)	<i>Number of Shares in Parcel</i> (2)	<i>Seller's Bank Account</i> (3)
<i>Parcel 1</i>	Nicholas Taylor	123,640	
<i>Parcel 2</i>	Nicole Taylor	42,438	
	<b>Total number of Shares</b>	<b>166,078</b>	

**SCHEDULE 2**  
**The Announcement**

9 May 2017

**NOT FOR RELEASE, PUBLICATION OR DISTRIBUTION, IN WHOLE OR IN PART,  
DIRECTLY OR INDIRECTLY IN OR INTO ANY JURISDICTION WHERE TO DO SO WOULD  
CONSTITUTE A VIOLATION OF THE RELEVANT LAWS OF SUCH JURISDICTION.**

**RECOMMENDED CASH OFFER**  
**by**  
**CTI ENGINEERING CO. LIMITED**

**for the entire issued and to be issued ordinary share capital of**  
**WATERMAN GROUP PLC**  
**not already agreed to be acquired by CTI**

- ***CTI IS MAKING ITS FIRST ACQUISITION OUTSIDE JAPAN IN THE UK, A WORLD LEADING CENTRE FOR THE CONSULTING ENGINEERING SECTOR***
- ***CTI INTENDS TO RETAIN WATERMAN'S SENIOR MANAGEMENT, LONDON HQ, NAME AND BUSINESS MODEL***
  - ***THE COMBINATION OF CTI AND WATERMAN WILL CREATE A LEADING MULTIDISCIPLINARY CONSULTANCY WITH A PRESENCE IN THE UK, IRELAND, ASIA AND AUSTRALIA***

**Summary**

- The boards of directors of CTI Engineering Co. Limited ("**CTI**") and Waterman Group plc ("**Waterman**") are pleased to announce that they have reached agreement on the terms of a recommended cash offer to be made by CTI to acquire the entire issued and to be issued share capital of Waterman not already agreed to be acquired by CTI ("**Offer**") by way of a contractual offer under the Takeover Code and within the meaning of Part 28 of the Companies Act 2006.
- Under the terms of the Offer, accepting Waterman Shareholders will receive 140 pence in cash for each Waterman Share held.
- The Offer Price represents a premium of approximately:
  - 83.01 per cent. to the Closing Price per Waterman Share of 76.50 pence on 8 May 2017 (being the last Business Day prior to the start of the Offer Period);
  - 84.89 per cent. to the one month volume weighted average price per Waterman Share of approximately 75.72 pence for the 30 days ended 8 May 2017 (being the last Business Day prior to the start of the Offer Period); and
  - 84.17 per cent. to the three month volume weighted average price per Waterman Share of approximately 76.02 pence for the three months ended 8 May 2017 (being the last Business Day prior to the start of the Offer Period).
- The Offer values the entire issued share capital of Waterman at approximately £43 million.
- CTI will finance the Offer from its existing cash resources.

- The Offer is not conditional on any antitrust or regulatory clearances. The Offer is conditional upon, amongst other things, CTI receiving valid acceptances (which have not been withdrawn) in respect of and/or having otherwise acquired or agreed to acquire Waterman Shares which constitute more than 50 per cent. in nominal value of Waterman Shares and represent more than 50 per cent of the voting rights attached to those shares.
- Waterman is a multidisciplinary consultancy providing services to meet the planning, engineering design and project delivery needs of the property, infrastructure, environment and energy markets. Founded in 1952, Waterman has been listed on the Main Market of the London Stock Exchange since 1988. Waterman has grown into a leading engineering and environmental consultancy with offices throughout the UK and in Australia and Ireland, working with private sector clients and government agencies, local authorities and government-regulated industries. The Waterman teams provide professional services throughout the complete life cycle of an asset starting from initial surveys and concept planning, through to design, delivery, project management, supervision and on-going maintenance.
- CTI is the oldest of Japan's top three ranked (*source: Nikkei Construction*) major consulting engineering companies, tracing its history back to the foundation of its predecessor entity, Zaidan Hojin Kensetsu Gijutsu Kenkyusho (the Construction Technology Institute), in 1945. CTI has had a full listing on the Tokyo Stock Exchange since 1996 (stock code 96210). CTI has worked and continues to work closely with both national and local governments in Japan as a consulting engineer on major infrastructure projects, including dams, bridges and roads. In addition to its offices in Japan, CTI has offices in Islamabad, Yangon, Phnom Penh, Jakarta, Manila, Ulaanbaatar, Wuhan, Guangzhou and Bishkek, and has worked on infrastructure projects in Asia, Africa and Central America. CTI's orders for overseas projects accounted, on average, for 8 per cent. of its total orders in the last three years. Currently, CTI does not undertake any business in Europe. CTI's ten year strategic plan, known as "Clavis 2025", has an objective of diversifying CTI from its reliance on national and local government contracts in Japan and expanding into works for foreign governments, multi-national development banks and private sector clients both inside and outside of Japan.
- The Waterman Directors, who have been so advised by N+1 Singer, consider the financial terms of the Offer to be fair and reasonable. In providing its advice to the Waterman Directors, N+1 Singer has taken into account the commercial assessments of the Waterman Directors. N+1 Singer is providing independent financial advice to the Waterman Directors for the purposes of Rule 3 of the Takeover Code.
- Accordingly, the Waterman Directors unanimously intend to recommend that Waterman Shareholders accept (or procure the acceptance of) the Offer.
- Certain members of the Waterman Management Team have agreed to sell or procure the sale of 261,419 of the Waterman Shares in which they, or their spouse, have a beneficial interest, such shares representing approximately 0.85 per cent. of the share capital of Waterman in issue on 8 May 2017 (being the last Business Day prior to the date of this Announcement), to CTI at the Offer Price, conditional only upon the release of this Announcement. A further announcement will be made following completion of the sale and purchase.
- Subject to LTIP options becoming exercisable on the change of control of Waterman, the Waterman Management Team will have the opportunity to exercise their LTIP options and acquire Waterman Shares. The Waterman Management Team have irrevocably undertaken to sell those Waterman Shares to CTI at the price per Waterman Share under the Offer (as the same may be increased) at the time such Offer becomes or is declared wholly unconditional.

- In addition, (i) CTI has agreed to purchase and AB Traction has agreed to sell to CTI 5,295,000 Waterman Shares in aggregate at the Offer Price, representing approximately 17.22 per cent. of the share capital of Waterman in issue on 8 May 2017 (being the last Business Day prior to the date of this Announcement) and (ii) CTI has agreed to purchase and Hargreave Hale Limited has agreed to sell to CTI 2,575,000 Waterman Shares in aggregate at the Offer Price, representing approximately 8.37 per cent. of the share capital of Waterman in issue on 8 May 2017 (being the last Business Day prior to the date of this Announcement). Both these agreements are conditional only upon the release of this Announcement. A further announcement will be made following completion of the sales and purchases.
- Further details of these conditional sale agreements and irrevocable undertakings are set out in Appendix IV to this Announcement.
- Accordingly, CTI has, conditional upon the release of this Announcement, agreed to purchase, in aggregate, 8,131,419 Waterman Shares at the Offer Price representing approximately 26.44 per cent. of the share capital of Waterman in issue on 8 May 2017 (being the Business Day prior to the date of this Announcement).
- CTI reserves the right to make an equivalent reduction in its Offer price if Waterman announces, declares or pays any dividend or any other distribution to shareholders on or after the date of this Announcement.
- If the Offer becomes or is declared wholly unconditional, and CTI acquires Waterman Shares which, together with the Waterman Shares held by CTI, carry at least 75 per cent. of the voting rights attaching to the Waterman Shares, whether pursuant to the Offer or otherwise, and subject to any requirements of the Listing Rules, CTI intends to procure that Waterman applies to the London Stock Exchange to cancel the listing of the Waterman Shares.
- If CTI receives acceptances of 90 per cent. or more of the Waterman Shares to which the Offer relates by nominal value and the voting rights attaching to those shares, it intends to invoke its rights to acquire compulsorily, on the same terms of the Offer, the remainder of the Waterman Shares to which the Offer relates.

**This summary should be read in conjunction with, and is subject to, the following full text of this Announcement and the Appendices.**

Commenting on the Offer, Michael Baker, Chairman of Waterman, said:

*"On behalf of the Waterman Board, I am pleased to announce CTI's recommended cash offer to our shareholders. Having exceeded our previously declared financial objectives over the three year period to 30 June 2016, Waterman announced its aspiration to improve the adjusted operating profit margin to six per cent over the next three years and remains strongly positioned in its core markets, generating high levels of repeat business from blue-chip clients. However, whilst for the reasons set out above the Waterman Board believes that Waterman would continue to have a strong independent future, we also believe that the offer from CTI represents an attractive and certain value in cash today for Waterman Shareholders, reflecting the high quality of the business, its people, market position and future prospects. The Waterman Board believes that the CTI proposal provides considerable opportunities for our people and enhances our capabilities and expertise in several key markets, including highways and flood defence. In particular, the proposal for Waterman to continue to operate as an independent business within the CTI Group is compelling for both our clients and our people."*

Commenting on the Offer, Kazuo Murata, the President and Representative Director of CTI, said:

*"I believe Waterman is a highly respected company with a long tradition in the engineering industry. It has a reputation for providing innovative, economical and sustainable engineering solutions within a client-focused approach. Waterman should expand our technical capacity to serve clients in the property and building construction sectors internationally. Waterman's*

*knowledge and experience of working with both private and public sector clients in English speaking markets should provide an excellent strategic fit with our group of companies as we seek to take advantage of the opportunities that exist beyond our domestic market.*

*Our investment in Waterman is a clear sign of our belief in the United Kingdom as a place to do business and its strategic importance in serving international markets. We are also excited about the possibility to build upon Waterman's foothold in the Australian market and, through its office in Ireland, within Europe.*

*We intend to support Waterman's management team so that they can operate Waterman collaboratively within CTI's group of companies.*

*This will be CTI's first acquisition outside Japan and is part of the implementation of our ten year strategic plan, known as Clavis 2025, to expand our client base and our geographical markets."*

**The Offer will be subject to the Conditions and certain further terms of the Offer set out in Appendix I to this Announcement and to be set out in the Offer Document. Appendix II sets out the sources of information and bases of calculations used in this Announcement. Appendix III contains details of the profit forecast made by Waterman in its interim results announcement for the six month period to 31 December 2016 which was released on 28 February 2017. Appendix IV contains details of the conditional sale agreements entered into by CTI and the irrevocable undertakings given by the Waterman Management Team. Appendix V contains the definitions of certain terms used in this summary and in the full text of this Announcement.**

The Offer Document, together with a Form of Acceptance, will be posted to Waterman Shareholders as soon as practicable and in any event within 28 days from the date of this Announcement, unless otherwise agreed with the Panel, other than to certain Overseas Waterman Shareholders in a Restricted Jurisdiction in the circumstances permitted under the Takeover Code or in accordance with any dispensation given by the Panel. The Offer Document and the Form of Acceptance will be made available on Waterman's website at [www.watermangroup.com](http://www.watermangroup.com) and CTI's English language website at [www.ctie.co.jp/english/](http://www.ctie.co.jp/english/).

The full terms of and conditions to the Offer will be set out in the Offer Document and the Form of Acceptance. In deciding whether or not to accept the Offer, Waterman Shareholders should rely solely on the information contained in, and follow the procedures set out in, the Offer Document and Form of Acceptance.

**Enquiries:**

WH Ireland Limited  
(Financial adviser to CTI) 020 7220 1666  
James Joyce / Nick Prowting

Gideon Franklin Limited  
(Financial adviser to CTI) 020 8699 3202  
Gideon Franklin

Waterman Group plc 020 7928 7888  
Nick Taylor, Chief Executive Officer  
Alex Steele, Chief Financial Officer

Nplus1 Singer Advisory LLP 020 7496 3000  
(Financial adviser and corporate broker to Waterman)

***Further information***

WH Ireland Limited, which is authorised and regulated in the United Kingdom by the Financial Conduct Authority, is acting exclusively as financial adviser to CTI and no-one else in connection with the Offer and other matters described in this Announcement, and will not be responsible to anyone other than CTI for providing the protections afforded to clients of WH Ireland Limited or for providing advice in relation to the Offer, the contents of this Announcement or any other matter referred to in this Announcement. WH Ireland Limited has given, and not withdrawn, its consent to the inclusion in the Announcement of the references to its name in the form and context in which it appears.

Gideon Franklin Limited is acting exclusively as financial adviser for CTI and no-one else in connection with the Offer and other matters described in this Announcement, and will not be responsible to anyone other than CTI for providing advice in relation to the Offer, the contents of this Announcement or any other matter referred to in this Announcement. Gideon Franklin Limited has given, and not withdrawn, its consent to the inclusion in the Announcement of the references to its name in the form and context in which it appears.

Nplus1 Singer Advisory LLP, which is authorised and regulated in the United Kingdom by the Financial Conduct Authority, is acting exclusively as financial adviser to Waterman and no-one else in connection with the Offer and other matters described in this Announcement, and will not be responsible to anyone other than Waterman for providing the protections afforded to clients of Nplus1 Singer Advisory LLP or for providing advice in relation to the Offer, the contents of this Announcement or any other matter referred to herein. Nplus1 Singer Advisory LLP has given, and not withdrawn, its consent to the inclusion in the Announcement of the references to its name and the advice it has given to Waterman in the form and context in which they appear.

THIS ANNOUNCEMENT IS FOR INFORMATION PURPOSES ONLY AND IS NOT INTENDED TO, AND DOES NOT, CONSTITUTE OR FORM ANY PART OF, AN OFFER TO SELL OR AN INVITATION TO SUBSCRIBE FOR OR PURCHASE ANY SECURITIES OR THE SOLICITATION OF ANY VOTE OR APPROVAL IN ANY JURISDICTION, NOR SHALL THERE BE ANY SALE, ISSUANCE OR TRANSFER OF THE SECURITIES REFERRED TO IN THIS ANNOUNCEMENT IN ANY JURISDICTION IN CONTRAVENTION OF APPLICABLE LAW. THE OFFER WILL BE MADE SOLELY BY MEANS OF THE OFFER DOCUMENT, WHICH WILL CONTAIN THE FULL TERMS AND CONDITIONS OF THE OFFER, AND IN THE CASE OF WATERMAN SHARES HELD IN CERTIFICATED FORM, THE FORM OF ACCEPTANCE. ANY DECISION OR ACCEPTANCE IN RELATION TO THE OFFER SHOULD BE MADE ONLY ON THE BASIS OF THE INFORMATION CONTAINED IN THE OFFER DOCUMENT AND SUCH FORM OF ACCEPTANCE (IF APPLICABLE). WATERMAN SHAREHOLDERS ARE ADVISED TO READ THE OFFER DOCUMENT AND FORM OF ACCEPTANCE (IF APPLICABLE) CAREFULLY, ONCE THEY HAVE BEEN DISPATCHED, WHICH CTI EXPECTS TO DO SHORTLY.

***Forward looking statements***

This Announcement (including information incorporated by reference in this Announcement), oral statements made regarding the Offer, and other information published by CTI and Waterman may contain certain statements that are or may be deemed to be forward looking with respect to the financial condition, results of operation(s) and business of CTI and/or Waterman and certain plans and objectives of the Waterman Directors and the CTI Directors with respect thereto. These forward looking statements can be identified by the fact that they are prospective in nature and do not relate to historical or current facts. Forward looking statements often, but not always, use words such as "anticipate", "target", "expect", "estimate", "budget", "scheduled", "forecasts", "intend", "plan", "goal", "believe", "will", "may", "should", "would", "could" or other words of a

similar meaning. These estimates are based on assumptions and assessments made by the Waterman Directors and/or the CTI Directors in light of their experience and their perception of historical trends, current conditions, expected future developments and other factors they believe appropriate.

The statements contained in this Announcement are made as at the date of this Announcement, unless some other time is specified in relation to them, and publication of this Announcement shall not give rise to any implication that there has been no change in the facts set forth in this Announcement since such date. By their nature, forward looking statements involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future and the factors described in the context of such forward looking statements in this Announcement could cause actual results or developments to differ materially from those expressed or implied by such forward looking statements. Although Waterman and CTI believe that the expectations reflected in such forward looking statements are reasonable, neither CTI nor Waterman, nor any of their respective associates or directors, officers or advisers, or any person acting on the behalf of CTI or Waterman provides any representation, assurance or guarantee that the occurrence of the events expressed or implied in any forward looking statements in this Announcement will actually occur. Other than in accordance with their legal or regulatory obligations (including under the Listing Rules and the Disclosure Guidance and Transparency Rules of the FCA), none of CTI, Waterman, any member of the CTI Group, any member of the Waterman Group, nor any CTI Director or Waterman Director, nor any of their respective advisers, associates, directors or officers is under any obligation, and such persons expressly disclaim any intention or obligation, to update or revise any forward looking statements, whether as a result of new information, future events or otherwise. No undue reliance should therefore be placed on these forward looking statements which speak only as at the date of this Announcement.

#### ***Disclosure requirements of the Takeover Code***

Under Rule 8.3(a) of the Takeover Code, any person who is interested in one per cent. or more of any class of relevant securities of an offeree company or of any securities exchange offeror (being any offeror other than an offeror in respect of which it has been announced that its offer is, or is likely to be, solely in cash) must make an Opening Position Disclosure following the commencement of the offer period and, if later, following the announcement in which any securities exchange offeror is first identified.

An Opening Position Disclosure must contain details of the person's interests and short positions in, and rights to subscribe for, any relevant securities of each of: (i) the offeree company; and (ii) any securities exchange offeror(s). An Opening Position Disclosure by a person to whom Rule 8.3(a) of the Takeover Code applies must be made by no later than 3.30 p.m. (London time) on the 10th Business Day following the commencement of the offer period and, if appropriate, by no later than 3.30 p.m. (London time) on the 10th Business Day following the announcement in which any securities exchange offeror is first identified. Relevant persons who deal in the relevant securities of the offeree company or of a securities exchange offeror prior to the deadline for making an Opening Position Disclosure must instead make a Dealing Disclosure.

Under Rule 8.3(b) of the Takeover Code, any person who is, or becomes, interested in one per cent. or more of any class of relevant securities of the offeree company or of any securities exchange offeror must make a Dealing Disclosure if the person deals in any relevant securities of the offeree company or of any securities exchange offeror. A Dealing Disclosure must contain details of the dealing concerned and of the person's interests and short positions in, and rights to subscribe for, any relevant securities of each of: (i) the offeree company; and (ii) any securities exchange offeror(s), except to the extent that these details have previously been disclosed under Rule 8 of the Takeover Code. A Dealing Disclosure by a person to whom Rule 8.3(b) of the Takeover Code applies must be made by no later than 3.30 p.m. (London time) on the Business Day following the date of the relevant dealing.

If two or more persons act together pursuant to an agreement or understanding, whether formal or informal, to acquire or control an interest in relevant securities of an offeree company or a securities exchange offeror, they will be deemed to be a single person for the purpose of Rule 8.3 of the Takeover Code.

Opening Position Disclosures must also be made by the offeree company and by any offeror and Dealing Disclosures must also be made by the offeree company, by any offeror and by any persons acting in concert with any of them (see Rules 8.1, 8.2 and 8.4 of the Takeover Code).

Details of the offeree and offeror companies in respect of whose relevant securities Opening Position Disclosures and Dealing Disclosures must be made can be found in the Disclosure Table on the Panel's website at [www.thetakeoverpanel.org.uk](http://www.thetakeoverpanel.org.uk), including details of the number of relevant securities in issue, when the offer period commenced and when any offeror was first identified. You should contact the Panel's Market Surveillance Unit on +44 (0) 20 7638 0129 if you are in any doubt as to whether you are required to make an Opening Position Disclosure or a Dealing Disclosure.

#### ***Information relating to Waterman Shareholders***

Please be aware that addresses, electronic addresses and certain information provided by Waterman Shareholders, persons with information rights and other relevant persons in connection with the receipt of communications from Waterman may be provided to CTI during the Offer Period as required under Section 4 of Appendix 4 of the Takeover Code.

#### ***Rule 2.9 Disclosure***

In accordance with Rule 2.9 of the Takeover Code, Waterman confirms that, as at the date of this Announcement, it has 30,758,824 ordinary shares of 10p each in issue and admitted to trading on the Main Market of the London Stock Exchange under the ISIN reference GB0009422543.

#### ***Purchases outside the Offer***

CTI or its nominees or brokers (acting as agents) may purchase Waterman Shares otherwise than under the Offer, such as in the open market or through privately negotiated purchases. Any such purchases will comply with the Takeover Code and the rules of the London Stock Exchange.

#### ***Publication of this Announcement and availability of hard copies***

A copy of this Announcement and the display documents required to be published pursuant to Rule 26.1 and Rule 26.2 of the Takeover Code will be available, subject to certain restrictions relating to persons resident in Restricted Jurisdictions, on Waterman's website at [www.watermangroup.com](http://www.watermangroup.com) and on CTI's English language website at [www.ctie.co.jp/english/](http://www.ctie.co.jp/english/) by no later than 12 noon on 10 May 2017 until the end of the Offer Period.

Neither the content of CTI's nor Waterman's websites nor the content of any websites accessible from hyperlinks on such website (or any other websites) are incorporated into, or form part of, this Announcement nor, unless previously published by means of a Regulatory Information Service, should any such content be relied upon in reaching a decision regarding the matters referred to in this Announcement.

In addition, a hard copy of this Announcement and any information incorporated by reference in this Announcement may be requested free of charge by contacting the Registrars on +44 (0)371 664 0321 or by writing to them at Capita Asset Services, Corporate Actions, The Registry, 34 Beckenham Road, Kent BR3 4TU.

Waterman Shareholders may also request that all future documents, announcements and information to be sent to them in relation to the Offer should be in hard copy form.

The Offer is subject to the provisions of the Takeover Code.

***Profit forecasts or estimates***

The Waterman Profit Forecast is a profit forecast for the purposes of Rule 28 of the Takeover Code. As required by Rule 28.1 of the Takeover Code, the assumptions on which the Profit Forecast is stated are set out in Appendix III to this Announcement.

Other than the Waterman Profit Forecast, no statement in this Announcement is intended as a profit forecast, projection or estimate for any period and no statement in this Announcement should be interpreted to mean that earnings or earnings per share for Waterman for the current or future financial years would necessarily match or exceed the historical published earnings or earnings per share for Waterman.

***Waterman Shareholders outside the United Kingdom***

The availability of the Offer and the release, publication and distribution of this Announcement in jurisdictions other than the United Kingdom may be restricted by the laws of those jurisdictions and therefore persons who are not resident in the United Kingdom into whose possession this Announcement comes should inform themselves about and observe any such restrictions.

Failure to comply with any such restrictions may constitute a violation of the securities laws of any such jurisdiction. To the fullest extent permitted by applicable law, the companies and persons involved in the Offer disclaim any responsibility or liability for the violation of such restrictions by any person. Accordingly, copies of this Announcement, the Offer Document, the Form of Acceptance and any other related document will not be, and must not be, directly or indirectly, mailed or otherwise distributed or sent in or into any Restricted Jurisdiction and persons in such Restricted Jurisdictions receiving such documents (including custodians, nominees and trustees) must not distribute or send them in, into or from such jurisdictions as doing so may violate the laws of such jurisdictions and may make invalid any purported acceptance of the Offer by persons in any such Restricted Jurisdiction.

The receipt of cash pursuant to the Offer by Waterman Shareholders may be a taxable transaction under applicable national, state or local, as well as foreign and other, tax laws. Each Waterman Shareholder is urged to consult its independent professional adviser regarding the tax consequences of accepting the Offer.

This Announcement has been prepared for the purpose of complying with English law, the rules of the London Stock Exchange and the Takeover Code and the information disclosed may not be the same as that which would have been disclosed if this Announcement had been prepared in accordance with the laws of jurisdictions outside England and Wales.

The Offer will not be made, directly or indirectly, in or into, or by use of the mails, or by any means or instrumentality (including, without limitation, by means of telephone, facsimile, telex, internet or other forms of electronic communication) of interstate or foreign commerce of, or any facilities of a securities exchange of the United States, Canada, Australia, Japan, the Republic of South Africa or any other Restricted Jurisdiction and the Offer will not be capable of acceptance by any such use, means, instrumentality or facility or from within any Restricted Jurisdiction. Accordingly, copies of this Announcement and any other related document will not be, and must not be, directly or indirectly, mailed or otherwise distributed or sent in or into the United States, Canada, Australia, Japan, the Republic of South Africa or any other Restricted Jurisdiction and persons receiving such documents (including custodians, nominees and trustees) must not distribute or send them in, into or from such jurisdictions as doing so may violate the laws of such jurisdictions and may make invalid any purported acceptance of the Offer by persons in any such Restricted Jurisdiction.

***Waterman employees in Australia***

The Offer has not been approved or disapproved by the Australian Securities and Investments Commission or the Australian Securities Exchange nor has the Australian Securities and Investments Commission or the Australian Securities Exchange passed upon the accuracy or

adequacy of the Offer or this Announcement. The Offer is not regulated by Chapter 6 of the Corporations Act 2001 (Commonwealth of Australia).

***Right to switch to a scheme of arrangement***

CTI reserves the right to elect, with the consent of the Panel and Waterman, to implement the Offer by way of a court sanctioned scheme of arrangement under Part 26 of the Companies Act 2006, as an alternative to the Offer. In such an event, the Offer would be implemented on the same terms or, if CTI so decides, on such other terms being no less favourable, so far as applicable, as those which would apply to the Offer, subject in each case to appropriate amendments to reflect the change in method of effecting the Offer.

***Rounding***

Certain figures included in this Announcement have been subjected to rounding adjustments. Accordingly, figures shown for the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures that precede them.

***Inside information and Market Abuse Regulation ("MAR")***

Certain Waterman Shareholders were, with the consent of the Panel, formally brought inside in order to discuss entering into conditional sale agreements. That inside information is set out in this Announcement and has been disclosed as soon as possible in accordance with paragraph 7 of article 17 of MAR. Therefore, those persons that received inside information are no longer in possession of inside information relating to Waterman and its securities.

The person responsible for arranging release of this Announcement on behalf of CTI is Kazuo Murata.

***Status of Announcement***

This Announcement does not constitute a prospectus or prospectus equivalent document.

**NOT FOR RELEASE, PUBLICATION OR DISTRIBUTION, IN WHOLE OR IN PART, DIRECTLY OR INDIRECTLY, IN OR INTO ANY JURISDICTION WHERE TO DO SO WOULD CONSTITUTE A VIOLATION OF THE RELEVANT LAWS OF SUCH JURISDICTION.**

**RECOMMENDED CASH OFFER**

**by**

**CTI ENGINEERING CO. LIMITED**

**for the entire issued and to be issued ordinary share capital of**

**WATERMAN GROUP PLC**

**not already agreed to be acquired by CTI**

- ***CTI IS MAKING ITS FIRST ACQUISITION OUTSIDE JAPAN IN THE UK, A WORLD LEADING CENTRE FOR THE CONSULTING ENGINEERING SECTOR***
- ***CTI INTENDS TO RETAIN WATERMAN'S SENIOR MANAGEMENT, LONDON HQ, NAME AND BUSINESS MODEL***
  - ***THE COMBINATION OF CTI AND WATERMAN WILL CREATE A LEADING MULTIDISCIPLINARY CONSULTANCY WITH A PRESENCE IN THE UK, IRELAND, ASIA AND AUSTRALIA***

**1. Introduction**

The boards of directors of CTI and Waterman are pleased to announce that they have reached agreement on the terms of a recommended cash offer to be made by CTI to acquire the issued and to be issued share capital of Waterman, not already agreed to be acquired by CTI.

The Offer Document and the Form of Acceptance will be posted to Waterman Shareholders as soon as reasonably practicable and, in any event within 28 days after the date of this Announcement, other than to Overseas Waterman Shareholders, in the circumstances permitted under the Takeover Code or in accordance with any dispensation given by the Panel.

**2. The Offer**

It is intended that the Offer be implemented by means of a takeover offer under the Takeover Code and within the meaning of Part 28 of the Companies Act 2006.

The Offer, which will be subject to the terms and conditions set out in Appendix I to this Announcement and to the full terms and conditions to be set out in the Offer Document, will be made on the following basis:

**for each Waterman Share 140 pence in cash**

The Offer values the entire issued share capital of Waterman at approximately £43 million.

The Offer Price represents a premium of approximately:

- 83.01 per cent. to the Closing Price per Waterman Share of 76.50 pence on 8 May 2017 (being the last Business Day prior to the start of the Offer Period);
- 84.89 per cent. to the one month volume weighted average price per Waterman Share of approximately 75.72 pence for the 30 days ended 8 May 2017 (being the last Business Day prior to the start of the Offer Period); and

- 84.17 per cent. to the three month volume weighted average price per Waterman Share of approximately 76.02 pence for the three months ended 8 May 2017 (being the last Business Day prior to the start of the Offer Period).

The Offer represents an opportunity for all Waterman Shareholders to realise their investment at a substantial premium to Waterman's current market value.

The Offer will extend to all Waterman Shares unconditionally allotted or issued and fully paid on the date of the Offer and any Waterman Shares which are unconditionally allotted or issued and fully paid whilst the Offer remains open for acceptance or by such earlier date as CTI may decide, subject to the Takeover Code, and not being earlier than the date on which the Offer becomes unconditional as to acceptances.

The Waterman Shares will be acquired pursuant to the Offer fully paid and free from all liens, charges, equitable interests, encumbrances and rights of pre-emption and any other interests of any nature whatsoever and together with all rights attaching to them.

CTI reserves the right to make an equivalent reduction in its Offer price if Waterman announces, declares or pays any dividend or any other distribution to Waterman Shareholders on or after the date of this Announcement.

The Offer is conditional on, amongst other things, CTI receiving valid acceptances (which have not been withdrawn) which, when taken together with any Waterman Shares which CTI and parties acting in concert with CTI hold or have acquired or agreed to acquire, pursuant to the Offer or otherwise, carry in aggregate more than 50 per cent. of the voting rights normally exercisable at a general meeting of Waterman.

### **3. Background to and reasons for the Offer**

The CTI Directors believe that the Offer represents an opportunity for Waterman Shareholders to exit at a substantial premium to the prevailing price of a Waterman Share.

The Acquisition fits with the CTI's strategy to build organically and through acquisitions and through developing overseas markets to expand its private sector client base. As a consequence of the Acquisition, CTI's share of revenue from its overseas markets should be increased from approximately 8 per cent to approximately 30 per cent of total combined revenue.

Waterman would expand CTI's technical capacity to service clients in the property and building construction sectors internationally. Similarly, CTI's technical capability in the infrastructure sector should allow Waterman to improve its ability to compete for and win tenders for such work in the United Kingdom and elsewhere. Further, Waterman's knowledge and experience of working with private sector clients in English speaking markets should assist CTI in taking advantage of the opportunities that exist beyond the Japanese domestic market.

The Acquisition will give CTI a significant presence in the UK, which is one of the world's leading centres for consulting engineering services. That presence and the expansion into land and building development, for which CTI's infrastructure business can provide access and support, should lead to and enable opportunities for collaboration, as well as joint ventures, with other international engineering and project services companies.

Further details on CTI's intentions in relation to Waterman, its management and employees are set out in paragraph 11 below.

### **4. Background to and reasons for the recommendation of the Waterman Directors**

As noted within its interim results statement for the six months ended 31 December 2016, Waterman continues to deliver a consistent performance in more challenging markets than experienced in recent years and the Waterman Directors anticipate that the Waterman Group will continue to experience a stable trading outlook overall. The Waterman Group remains well positioned in its markets to make further advances in line with its growth strategy.

However, notwithstanding Waterman's track record of profitable growth and its optimism for the future, the Waterman Directors consider that the Offer provides Waterman Shareholders with certainty of value at a level which adequately reflects both the quality of the Waterman business and its position in its selected markets. The Offer provides certainty, in cash, to Waterman Shareholders today as against the inherent uncertainty of the delivery of future value that exists in any business. Accordingly, the Waterman Directors believe that the Waterman Shareholders should have the opportunity to realise their investment in Waterman on the terms proposed by CTI.

The Waterman Directors note that the Acquisition represents a substantial premium, in cash, of approximately 84.17 per cent. to the volume weighted average price of 76.02 pence per Waterman Share for the three months ended 8 May 2017 (being the last Business Day prior to the start of the Offer Period); approximately 84.89 per cent. to the volume weighted average price of approximately 75.72 pence per Waterman Share for the 30 days ended 8 May 2017; and approximately 83.01 per cent. to the Closing Price of 76.50 pence per Waterman Share on 8 May 2017 (being the last Business Day prior to the start of the Offer Period).

The Waterman Directors recognise that CTI is the oldest of Japan's top three ranked major (*source: Nikkei Construction*) consulting engineering companies with a full listing on the Tokyo Stock Exchange since 1996 (stock code 96210). CTI's presence in Asia, complements Waterman's operations in the UK, Australia and Ireland; CTI's expertise in the infrastructure sector complements Waterman's expertise in the property and building construction sectors; and CTI's national and local government client base complements Waterman's private sector client base.

Japanese companies had invested more than £60 billion in the UK by September 2016 and this is second only to the US among non-European countries. There are nearly 1,000 Japanese companies based in the UK expanding into advanced manufacturing, infrastructure, financial services, property investment and R&D and this will provide additional opportunities for Waterman.

As such, there are numerous opportunities for the combined companies to draw on the expertise and experience of the other to fully service new and existing clients.

Accordingly, the Waterman Directors believe that there is strong commercial logic to a combination of CTI and Waterman.

##### **5. Recommendation of the Offer by Waterman Directors**

The Waterman Directors, who have been so advised by N+1 Singer, consider the financial terms of the Offer to be fair and reasonable. In providing advice to the Waterman Directors, N+1 Singer has taken into account the commercial assessments of the Waterman Directors. N+1 Singer is providing independent financial advice for the purposes of Rule 3 of the Takeover Code to the Waterman Directors.

**Accordingly, the Waterman Directors unanimously intend to recommend that Waterman Shareholders accept (or procure the acceptance of) the Offer.**

##### **6. Conditional sale agreements and irrevocable undertakings**

Certain members of the Waterman Management Team have agreed to sell or procure the sale of 261,419 of the Waterman Shares in which they, or their spouse, have a beneficial interest, such shares representing approximately 0.85 per cent. of the share capital of Waterman in issue on 8 May 2017 (being the last Business Day prior to the date of this Announcement), to CTI at the Offer Price, conditional only upon the release of this Announcement. A further announcement will be made following completion of the sale and purchase.

Subject to LTIP options becoming exercisable on the change of control of Waterman, the Waterman Management Team will have the opportunity to exercise their LTIP options and acquire Waterman Shares. The Waterman Management Team have irrevocably undertaken to

sell those Waterman Shares to CTI at the price per Waterman Share under the Offer (as the same may be increased) at the time such Offer becomes or is declared wholly unconditional.

In addition, (i) CTI has agreed to purchase and AB Traction has agreed to sell to CTI 5,295,000 Waterman Shares in aggregate at the Offer Price, representing approximately 17.22 per cent. of the share capital of Waterman in issue on 8 May 2017 (being the last Business Day prior to the date of this Announcement) and (ii) CTI has agreed to purchase and Hargreave Hale Limited has agreed to sell to CTI 2,575,000 Waterman Shares in aggregate at the Offer Price, representing approximately 8.37 per cent. of the share capital of Waterman in issue on 8 May 2017 (being the last Business Day prior to the date of this Announcement). Both these agreements are conditional only upon the release of this Announcement. A further announcement will be made following completion of the sales and purchases.

Accordingly, CTI has, conditional upon the release of this Announcement, agreed to purchase, in aggregate, 8,131,419 Waterman Shares at the Offer Price, representing approximately 26.44 per cent. of the share capital of Waterman in issue on 8 May 2017 (being the Business Day prior to the date of this Announcement).

Further details of these conditional sale agreements and irrevocable undertakings are set out in Appendix IV to this Announcement.

## **7. Information on CTI**

CTI is the oldest of Japan's top three ranked major (*source: Nikkei Construction*) consulting engineering companies, tracing its history back to the foundation of its predecessor entity, Zaidan Hojin Kensetsu Gijutsu Kenkyusho (the Construction Technology Institute), in 1945. CTI has had a full listing on the Tokyo Stock Exchange since 1996 (stock code 96210). CTI has worked and continues to work closely with both national and local governments in Japan as a consulting engineer on major infrastructure projects, including dams, bridges and roads. In addition to its offices in Japan, CTI has offices in Islamabad, Yangon, Phnom Penh, Jakarta, Manila, Ulaanbaatar, Wuhan, Guangzhou and Bishkek, and has worked on infrastructure projects in Asia, Africa and Central America. CTI's orders for overseas projects accounted, on average, for 8 per cent. of its total orders in the last three years. Currently, CTI does not undertake any business in Europe. CTI's ten year strategic plan, known as "Clavis 2025", has an objective of diversifying CTI from its reliance on national and local government contracts in Japan and expanding into works for foreign governments, multi-national development banks and private sector clients both inside and outside of Japan.

The CTI Group employed 2,195 people as at 31 December 2016 and for the financial year ended 31 December 2016 had annual turnover of ¥42.0 billion (£294 million) and made a net profit of ¥1.4 billion (£9.8 million). In 2016 CTI generated 36 per cent. of its orders from the water and land sector, 31 per cent. from the transport and urban sector, 25 per cent. from the environmental and social sector and 8 per cent. from overseas.

Further information on CTI can be found on its English language website at [www.ctie.co.jp/english/](http://www.ctie.co.jp/english/).

## **8. Information on Waterman**

Waterman is a multidisciplinary consultancy providing services to meet the planning, engineering design and project delivery needs of the property, infrastructure, environment and energy markets. Founded in 1952, Waterman has been listed on the Main Market of the London Stock Exchange since 1988. Waterman has grown into a leading engineering and environmental consultancy with offices throughout the UK and in Australia and Ireland, working with private sector clients and government agencies, local authorities and government-regulated industries. The Waterman teams provide professional services throughout the complete life cycle of the asset starting from initial surveys and concept planning, through to design, delivery, project management, supervision and on-going maintenance.

The Waterman Group employed 1,225 people as at 31 December 2016 and for the financial year ended 30 June 2016 had annual turnover of £91.3 million and made a profit before tax of £3.6 million. For the six months to 31 December 2016, the Waterman Group had turnover of £45.7 million and made a profit before tax of £1.8 million.

Further information on Waterman can be found on its website at [www.watermangroup.com](http://www.watermangroup.com).

## **9. Profit Forecast**

Within the announcement of Waterman's interim results for the six month period ended 31 December 2016, which was released on 28 February 2017, the Waterman Board stated that in respect of the year to 30 June 2017, it anticipated that *"the Group will continue to experience a stable trading outlook overall with revenue, profit and operating margin generally in line with the prior year."*

Trading of the Waterman Group since 31 December 2016 has been in line with the Waterman Board's expectations for the year to 30 June 2017 and, pursuant to Rule 28.1(c)(i) of the Takeover Code, the Waterman Directors, who are now in receipt of the management accounts for the nine months ending 31 March 2017, confirm that the Waterman Profit Forecast remains valid, that it has been properly compiled on the basis of the assumptions stated and that the basis of accounting used in making the Waterman Profit Forecast is consistent with Waterman's accounting policies. Further details of the Waterman Profit Forecast, which constitutes a profit forecast for the purposes of Rule 28 of the Takeover Code, including the basis of preparation and the assumptions used in making the Waterman Profit Forecast, are set out in Appendix III to this Announcement.

## **10. Financing of the Offer**

The cash consideration payable by CTI under the terms of the Offer will be financed from its existing cash resources.

In accordance with Rule 2.7(d) of the Takeover Code, WH Ireland Limited, as financial adviser to CTI, is satisfied that sufficient resources are available to CTI to satisfy in full the cash consideration payable to Waterman Shareholders pursuant to the terms of the Offer.

## **11. Future intentions for Waterman, its management and employees**

CTI attaches great importance to the skills, expertise and knowledge of the existing management and employees of Waterman and its subsidiaries and, assuming that the Offer becomes unconditional, envisages both that operations will continue from Waterman's head office under the existing executive management structure (except for the establishment of the Management Board as described below) and that the ongoing development of the business will be implemented under that management.

If the Offer becomes or is declared unconditional in all respects:

### **(i) Staff Terms and Conditions**

CTI confirms that it has no intention to make material changes to the conditions of employment of any of the Waterman Group employees; CTI intends to safeguard fully the existing employment and pension rights of all Waterman Group's management and employees in accordance with applicable law and to comply with Waterman Group's pension obligations for existing employees and members of Waterman Group's pension schemes.

Further, CTI will honour cash bonus payments in accordance with Waterman's current incentive scheme for the financial year ending 30 June 2017 on the basis that the operational performance achieved is determined prior to all costs incurred by Waterman in connection with the Offer.

### **(ii) Operations**

- (a) Waterman's name will be retained in order to provide the connectivity with Waterman's clients and reputation through which Waterman generates a significant amount of repeat business;
- (b) Waterman will remain operated, managed and headquartered in London;
- (c) CTI does not intend to make any changes to the locations of Waterman Group's places of business or deployment of any of its assets; and
- (d) Waterman will operate as a standalone, separate, business within the CTI Group and will be a separate reporting line within the CTI Group.

**(iii) Management**

Nick Taylor, the current Chief Executive Officer of Waterman, will continue in this position and will report to the President and Representative Director of CTI, Kazuo Murata, and, where appropriate, the Board of CTI.

If following the Offer becoming unconditional in all respects, Waterman ceases to be a listed company, a new Management Board will be formed consisting of the Waterman Management Team together with several representatives of CTI. In addition, the Management Board will continue to receive support and advice from the three current non-executive directors of Waterman on a consultancy basis (on substantially the same terms as their existing terms as directors).

Further, if the Offer becomes or is declared unconditional in all respects at a time when less than 75 per cent. of the voting rights attaching to the Waterman Shares have been acquired by CTI, and Waterman therefore remains a listed company, CTI has confirmed that it would ensure that the Waterman Board comprises at least two independent non-executive directors at all times in accordance with provision B.1.2 of the UK Corporate Governance Code, as are applicable to smaller companies (being companies that are below the FTSE 350 throughout the year immediately prior to their reporting year). In order to comply with the foregoing confirmation, CTI intends that Waterman's three non-executive directors will remain in office for a period of time to be agreed. CTI will, however, nominate five new directors to the Waterman Board, as appropriate, to reflect its controlling interest.

There will be no change in the terms and conditions of employment of the Waterman Management Team except that, subject to compliance with the requirements of the Companies Act 2006, the service agreement of each member of the Waterman Management Team will be for a minimum period of three years, with a one year notice period (such notice not to be given until the expiry of the minimum term).

**(iv) Proposed cash retention bonus**

CTI intends, following the date on which the Offer becomes or is declared unconditional in all respects ("**Closing Date**"), to make retention awards to certain Waterman employees who are considered critical to the implementation of the Acquisition. CTI has agreed that certain senior employees will be awarded a cash retention payment within 28 days after the Closing Date. If, however, within 12 months of the Closing Date the recipients of such payments voluntarily resign from Waterman (other than in circumstances where they are entitled to treat themselves as constructively dismissed or where they leave due to ill health) or if their employment is terminated by their employer where the employer is entitled to do so summarily by reason of the individual's gross misconduct, they will be required to repay the payment, adjusted on a pro rata basis for the period of employment within that 12 month period. For the avoidance of doubt, any such payment shall not exceed the net of tax and social security amount received by the relevant individual. It is expected that any awards made under this arrangement will be made through Waterman's payroll system. CTI expects that the aggregate amount of such payments will be up to (but will not exceed) £0.95 million (together with the applicable employers' National Insurance Contributions).

No plans are currently in place in respect of any such awards other than those set out in the paragraph above. The detailed terms of any awards under this arrangement, and the recipients of an award, will be determined in due course by Waterman's Remuneration Committee, in conjunction with CTI.

To the extent that Waterman Shareholder approval is required in respect of any of these arrangements, it will be sought in due course.

N+1 Singer consider that the revised terms of the Waterman Management Team's service agreements and the terms of the proposed cash retention bonus arrangements set out above are fair and reasonable.

**(v) Developing Best Practice**

An exchange of engineers between CTI and Waterman will be progressed to assist with the development of contacts and the establishment of good working relationships to the benefit of both companies and their customers, both current and prospective.

Further details of all these arrangements will be set out in the Offer Document.

**12. Share Schemes**

The Offer will impact on shares and options held by participants in the Share Schemes. Participants will be contacted regarding the effect of the Offer on their rights under the Share Schemes and appropriate proposals will be made to such participants in due course.

In accordance with the terms of the LTIP, if there is a change of control of Waterman before the normal vesting date, the performance condition (to permit the exercise of the LTIP option) is tested up to the date the change of control takes place. Waterman's Remuneration Committee will determine the extent to which the LTIP options will become exercisable by reference to whether the performance conditions have been met. LTIP options will lapse in whole or in part to the extent the performance conditions are not satisfied and also six months following the change of control.

The Offer will extend to any Waterman Shares which are unconditionally allotted or issued as a result of the exercise of any LTIP options. LTIP options are outstanding over 3,000,000 Waterman Shares, which will be satisfied using newly issued Waterman Shares upon LTIP Options being exercised by participants.

The Offer will also be made, in the first instance, to the 2002 SIP trustee, 2014 SIP trustee, UK PSS trustee and Irish PSS 2008 trustee as registered holders of the Waterman Shares, on behalf of the relevant Share Scheme participants. These Share Scheme trustees will provide each relevant Share Scheme participant with the opportunity of accepting the Offer.

**13. Cancellation of listing and compulsory acquisition**

If the Offer becomes, or is declared, unconditional in all respects and CTI receives valid acceptances in respect of Waterman Shares which, together with the Waterman Shares acquired, or agreed to be acquired, before or during the Offer by CTI, represent not less than 75 per cent. of the voting rights attaching to the Waterman Shares, CTI intends to procure that Waterman will make an application for cancellation, respectively, of the trading in Waterman Shares on the London Stock Exchange's Main Market for listed securities and of the listing of Waterman Shares on the premium listing segment of the Official List.

A notice period of not less than 20 Business Days before cancellation will commence on the date on which the Offer becomes or is declared unconditional in all respects provided CTI has attained 75 per cent. or more of the voting rights as described above.

**Delisting would significantly reduce the liquidity and marketability of any Waterman Shares not assented to the Offer.**

If CTI receives acceptances of the Offer in respect of, and/or otherwise acquires not less than 90 per cent. of the Waterman Shares to which the Offer relates by nominal value and voting rights attaching to such shares, CTI intends to exercise its rights pursuant to sections 974 to 991 of the Companies Act 2006 to acquire compulsorily, on the same terms as the Offer, the remaining Waterman Shares in respect of which the Offer has not at such time been accepted.

Notwithstanding the above, however, CTI has chosen to set the acceptance condition at acquiring more than 50 per cent. of the voting rights normally exercisable at general meetings of Waterman. The Waterman Directors note, therefore, that there is a risk that the Offer could become or be declared unconditional at a time when less than 75 per cent. of the voting rights attaching to the Waterman Shares have been acquired by CTI, which level is the required level for CTI to procure that Waterman makes an application for cancellation of the trading in Waterman Shares on the London Stock Exchange's Main Market for listed securities and of the listing of Waterman Shares on the premium listing segment of the Official List. In such a situation, where the Offer becomes or is declared unconditional and less than 75 per cent. of the voting rights attaching to the Waterman Shares have been acquired by CTI, Waterman could, for a period of time, remain a listed company.

Accordingly, CTI confirms that in such a situation, in accordance with Listing Rule 9.2.2 of the Listing Rules of the Financial Conduct Authority, it would promptly enter into a customary agreement to ensure that Waterman will be able, at all times, to carry out its business independently of its controlling shareholder and that all transactions and relationships between Waterman and its controlling shareholder are at arm's length and on a normal commercial basis. Further, in such a situation, prior to effecting a delisting, CTI has confirmed that it would ensure that the Waterman Board comprises at least two independent non-executive directors at all times in accordance with provision B.1.2 of the UK Corporate Governance Code, as are applicable to smaller companies (being companies that are below the FTSE 350 throughout the year immediately prior to their reporting year). CTI also confirms that, in such a situation, Waterman's three existing non-executive directors would remain in office for a period of time to be agreed.

#### **14. Offer Document**

The Offer will be subject to the Conditions and certain further terms set out or referred to in Appendix I to this Announcement and in the Offer Document, and subject to the further terms to be set out in full in the Offer Document together with, for Waterman Shares held in certificated form, the Form of Acceptance, when issued.

It is expected that the Offer Document and the Form of Acceptance will be posted as soon as practicable and, in any event, (except with the consent of the Panel) within 28 days from the date of this Announcement. The Offer Document and the Form of Acceptance will be made available to all Waterman Shareholders, subject to certain restrictions relating to persons resident in Restricted Jurisdictions, at no charge to them on Waterman's website at [www.watermangroup.com](http://www.watermangroup.com) and CTI's English language website at [www.ctie.co.jp/english/](http://www.ctie.co.jp/english/).

The Offer Document will contain important information on the Offer and on how Waterman Shareholders may accept it and, accordingly, all Waterman Shareholders are urged to read the Offer Document and (in the case of Waterman Shareholders holding Waterman Shares in certificated form) the accompanying Form of Acceptance when published and/or received.

#### **15. Waterman Shareholders outside the United Kingdom**

The availability of the Offer to persons not resident in, and not citizens of, the United Kingdom may be affected by the laws of the relevant jurisdictions in which they are located or of which they are citizens.

Persons who are not resident in, or not citizens of, the United Kingdom should inform themselves of, and observe, any applicable legal or regulatory requirements of their jurisdictions. Overseas Waterman Shareholders who are in any doubt regarding such matters should consult an appropriate independent professional adviser in the relevant jurisdiction without delay.

Further details in relation to Overseas Waterman Shareholders will be contained in the Offer Document.

#### **16. Disclosures of interests**

CTI does not hold any Waterman Shares. CTI confirms that no other holding of Waterman Shares is required to be disclosed by it under Rule 8.1(a) of the Takeover Code, other than pursuant to the conditional sale agreements referred to in paragraph 6 above.

As at the close of business on 8 May 2017, being the last practicable date prior to the publication of this Announcement, except for the conditional sale agreements mentioned in paragraph 6 above, neither CTI nor any of the CTI Directors nor, so far as the CTI Directors are aware, any person acting, or deemed to be acting, in concert with CTI:

- had an interest in, or right to subscribe for, relevant securities of Waterman;
- had any short position in (whether conditional or absolute and whether in the money or otherwise), including any short position under a derivative, any agreement to sell or any delivery obligation or right to require another person to purchase or take delivery of, relevant securities of Waterman;
- had procured an irrevocable commitment or letter of intent to accept the Offer in respect of relevant securities of Waterman; or
- had borrowed or lent any Waterman Shares.

Furthermore, no arrangement exists with CTI or any person acting in concert with CTI in relation to Waterman Shares. For these purposes, an "arrangement" includes any indemnity or option arrangement, any agreement or any understanding, formal or informal, of whatever nature, relating to Waterman Shares which may be an inducement to deal or refrain from dealing in such securities.

#### **17. Documents published on a website**

The following documents will promptly and, in any event, by no later than 12 noon on the Business Day following the date of this Announcement, be made available on Waterman's website at [www.watermangroup.com](http://www.watermangroup.com) and CTI's English language website at [www.ctie.co.jp/english/](http://www.ctie.co.jp/english/) until the end of the Offer Period:

- this Announcement; and
- the conditional sale agreements and irrevocable undertakings referred to in paragraph 6 above and described in Appendix IV to this Announcement.

#### **Enquiries:**

WH Ireland Limited  
(Financial adviser to CTI) 020 7220 1666  
James Joyce  
Nick Prowting

Gideon Franklin Limited  
(Financial adviser to CTI) 020 8699 3202  
Gideon Franklin

Waterman Group plc 020 7928 7888  
Nick Taylor, Chief Executive Officer  
Alex Steele, Chief Financial Officer

Nplus1 Singer Advisory LLP  
(Financial adviser and corporate broker to Waterman) 020 7496 3000  
Sandy Fraser/Lauren Kettle

### ***Appendices***

- I Conditions and certain further terms of the Offer
- II Sources of information and bases of calculations
- III The Waterman Profit Forecast
- IV Details of conditional sale agreements and irrevocable undertakings
- V Definitions

### ***Important notices relating to the financial advisers***

WH Ireland Limited which is authorised and regulated in the United Kingdom by the Financial Conduct Authority, is acting exclusively as financial adviser to CTI and no-one else in connection with the Offer and other matters described in this Announcement, and will not be responsible to anyone other than CTI for providing the protections afforded to clients of WH Ireland Limited or for providing advice in relation to the Offer, the contents of this Announcement or any other matter referred to herein. WH Ireland Limited has given, and not withdrawn, its consent to the inclusion in the Announcement of the references to its name in the form and context in which they appear.

Gideon Franklin Limited is acting exclusively as financial adviser for CTI and no-one else in connection with the Offer and other matters described in this Announcement, and will not be responsible to anyone other than CTI for providing advice in relation to the Offer, the contents of this Announcement or any other matter referred to in this Announcement. Gideon Franklin Limited has given, and not withdrawn, its consent to the inclusion in the Announcement of the references to its name in the form and context in which it appears.

Nplus1 Singer Advisory LLP, which is authorised and regulated in the United Kingdom by the Financial Conduct Authority, is acting exclusively as financial adviser to Waterman and no-one else in connection with the Offer and other matters described in this Announcement, and will not be responsible to anyone other than Waterman for providing the protections afforded to clients of Nplus1 Singer Advisory LLP or for providing advice in relation to the Offer, the contents of this Announcement or any other matter referred to herein. Nplus1 Singer Advisory LLP has given, and not withdrawn, its consent to the inclusion in the Announcement of the references to its name and the advice it has given to Waterman in the form and context in which they appear.

### ***Further information***

THIS ANNOUNCEMENT IS FOR INFORMATION PURPOSES ONLY AND IS NOT INTENDED TO, AND DOES NOT, CONSTITUTE OR FORM ANY PART OF, AN OFFER TO SELL OR AN INVITATION TO SUBSCRIBE FOR OR PURCHASE ANY SECURITIES OR THE SOLICITATION OF ANY VOTE OR APPROVAL IN ANY JURISDICTION, NOR SHALL THERE BE ANY SALE, ISSUANCE OR TRANSFER OF THE SECURITIES REFERRED TO IN THIS ANNOUNCEMENT IN ANY JURISDICTION IN CONTRAVENTION OF APPLICABLE LAW. THE OFFER WILL BE MADE SOLELY BY MEANS OF THE OFFER DOCUMENT, WHICH WILL CONTAIN THE FULL TERMS AND CONDITIONS OF THE OFFER, AND IN THE CASE OF WATERMAN SHARES HELD IN CERTIFICATED FORM, THE FORM OF ACCEPTANCE. ANY DECISION OR ACCEPTANCE IN RELATION TO THE OFFER SHOULD BE MADE ONLY ON THE BASIS OF THE INFORMATION CONTAINED IN THE OFFER DOCUMENT AND SUCH FORM OF ACCEPTANCE (IF APPLICABLE). WATERMAN SHAREHOLDERS ARE ADVISED

TO READ THE OFFER DOCUMENT AND FORM OF ACCEPTANCE CAREFULLY, ONCE IT HAS BEEN DISPATCHED, WHICH CTI EXPECTS TO DO SHORTLY.

***Forward looking statements***

This Announcement (including information incorporated by reference in this Announcement), oral statements made regarding the Offer, and other information published by CTI and Waterman may contain certain statements that are or may be deemed to be forward looking with respect to the financial condition, results of operation(s) and business of CTI and/or Waterman and certain plans and objectives of the Waterman Directors and the CTI Directors with respect thereto. These forward looking statements can be identified by the fact that they are prospective in nature and do not relate to historical or current facts. Forward looking statements often, but not always, use words such as "anticipate", "target", "expect", "estimate", "budget", "scheduled", "forecasts", "intend", "plan", "goal", "believe", "will", "may", "should", "would", "could" or other words of a similar meaning. These estimates are based on assumptions and assessments made by the Waterman Board and/or the CTI Directors in light of their experience and their perception of historical trends, current conditions, expected future developments and other factors they believe appropriate. The statements contained in this Announcement are made as at the date of this Announcement, unless some other time is specified in relation to them, and service of this Announcement shall not give rise to any implication that there has been no change in the facts set forth in this Announcement since such date.

By their nature, forward looking statements involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future and the factors described in the context of such forward looking statements in this Announcement could cause actual results or developments to differ materially from those expressed or implied by such forward looking statements. Although Waterman and CTI believe that the expectations reflected in such forward looking statements are reasonable, neither CTI nor Waterman, nor any of their respective associates or directors, officers or advisers, nor any person acting on behalf of Waterman or CTI provides any representation, assurance or guarantee that the occurrence of the events expressed or implied in any forward looking statements in this Announcement will actually occur. Other than in accordance with their legal or regulatory obligations (including under the Listing Rules and the Disclosure Guidance and Transparency Rules of the FCA), none of CTI, Waterman, any member of the CTI Group, any member of the Waterman Group, nor any CTI Director or Waterman Director, nor any of their respective advisers, associates, directors or officers is under any obligation, and such persons expressly disclaim any intention or obligation, to update or revise any forward looking statements, whether as a result of new information, future events or otherwise.

No undue reliance should therefore be placed on these forward looking statements which speak only as at the date of this Announcement.

***Disclosure requirements of the Takeover Code***

Under Rule 8.3(a) of the Takeover Code, any person who is interested in one per cent. or more of any class of relevant securities of an offeree company or of any securities exchange offeror (being any offeror other than an offeror in respect of which it has been announced that its offer is, or is likely to be, solely in cash) must make an Opening Position Disclosure following the commencement of the offer period and, if later, following the announcement in which any securities exchange offeror is first identified. An Opening Position Disclosure must contain details of the person's interests and short positions in, and rights to subscribe for, any relevant securities of each of: (i) the offeree company and; (ii) any securities exchange offeror(s).

An Opening Position Disclosure by a person to whom Rule 8.3(a) of the Takeover Code applies must be made by no later than 3.30 p.m. (London time) on the 10th Business Day following the commencement of the offer period and, if appropriate, by no later than 3.30 p.m. (London time) on the 10th Business Day following the announcement in which any securities exchange offeror is first identified. Relevant persons who deal in the relevant securities of the offeree company or of a

securities exchange offeror prior to the deadline for making an Opening Position Disclosure must instead make a Dealing Disclosure.

Under Rule 8.3(b) of the Takeover Code, any person who is, or becomes, interested in one per cent. or more of any class of relevant securities of the offeree company or of any securities exchange offeror must make a Dealing Disclosure if the person deals in any relevant securities of the offeree company or of any securities exchange offeror. A Dealing Disclosure must contain details of the dealing concerned and of the person's interests and short positions in, and rights to subscribe for, any relevant securities of each of: (i) the offeree company and; (ii) any securities exchange offeror(s), except to the extent that these details have previously been disclosed under Rule 8 of the Takeover Code. A Dealing Disclosure by a person to whom Rule 8.3(b) of the Takeover Code applies must be made by no later than 3.30 p.m. (London time) on the Business Day following the date of the relevant dealing.

If two or more persons act together pursuant to an agreement or understanding, whether formal or informal, to acquire or control an interest in relevant securities of an offeree company or a securities exchange offeror, they will be deemed to be a single person for the purpose of Rule 8.3 of the Takeover Code.

Opening Position Disclosures must also be made by the offeree company and by any offeror and Dealing Disclosures must also be made by the offeree company, by any offeror and by any persons acting in concert with any of them (see Rules 8.1, 8.2 and 8.4 of the Takeover Code).

Details of the offeree and offeror companies in respect of whose relevant securities Opening Position Disclosures and Dealing Disclosures must be made can be found in the Disclosure Table on the Panel's website at [www.thetakeoverpanel.org.uk](http://www.thetakeoverpanel.org.uk), including details of the number of relevant securities in issue, when the offer period commenced and when any offeror was first identified. You should consult the Panel's Market Surveillance Unit on +44 (0)20 7638 0129 if you are in any doubt as to whether you are required to make an Opening Position Disclosure or a Dealing Disclosure.

#### ***Information relating to Waterman Shareholders***

Please be aware that addresses, electronic addresses and certain information provided by Waterman Shareholders, persons with information rights and other relevant persons in connection with the receipt of communications from Waterman may be provided to CTI during the Offer Period as required under Section 4 of Appendix 4 of the Takeover Code.

#### ***Rule 2.9 Disclosure***

In accordance with Rule 2.9 of the Takeover Code, Waterman confirms that, as at the date of this Announcement, it has 30,758,824 ordinary shares of 10p each in issue and admitted to trading on the Main Market of the London Stock Exchange under the ISIN reference GB0009422543.

#### ***Purchases outside the Offer***

CTI or its nominees or brokers (acting as agents) may purchase Waterman Shares otherwise than under the Offer, such as in the open market or through privately negotiated purchases. Any such purchases will comply with the Takeover Code and the rules of the London Stock Exchange.

#### ***Profit forecasts or estimates***

The Waterman Profit Forecast is a profit forecast for the purposes of Rule 28 of the Takeover Code. As required by Rule 28.1 of the Takeover Code, the assumptions on which the Profit Forecast is stated are set out in Appendix III to this Announcement.

Other than the Waterman Profit Forecast, no statement in this Announcement is intended as a profit forecast, projection or estimate for any period and no statement in this Announcement should be interpreted to mean that earnings or earnings per share for Waterman for the current or future financial years would necessarily match or exceed the historical published earnings or earnings per share for Waterman.

### ***Waterman Shareholders outside the United Kingdom***

The availability of the Offer and the release, publication and distribution of this Announcement in jurisdictions other than the United Kingdom may be restricted by the laws of those jurisdictions and therefore persons who are not resident in the United Kingdom into whose possession this Announcement comes should inform themselves about and observe any such restrictions.

Failure to comply with any such restrictions may constitute a violation of the securities laws of any such jurisdiction. To the fullest extent permitted by applicable law, the companies and persons involved in the Offer disclaim any responsibility or liability for the violation of such restrictions by any person. Accordingly, copies of this Announcement, the Offer Document, the Form of Acceptance and any other related document will not be, and must not be, directly or indirectly, mailed or otherwise distributed or sent in or into the United States, Canada, Australia, Japan, the Republic of South Africa or any other any Restricted Jurisdiction and persons in such Restricted Jurisdictions receiving such documents (including custodians, nominees and trustees) must not distribute or send them in, into or from such jurisdictions as doing so may violate the laws of such jurisdictions and may make invalid any purported acceptance of the Offer by persons in any such Restricted Jurisdiction. This Announcement has been prepared for the purpose of complying with English law, the rules of the London Stock Exchange and the Takeover Code and the information disclosed may not be the same as that which would have been disclosed if this Announcement had been prepared in accordance with the laws of jurisdictions outside the United Kingdom.

The Offer will not be made, directly or indirectly, in or into, or by use of the mails, or by any means or instrumentality (including, without limitation, by means of telephone, facsimile, telex, internet or other forms of electronic communication) of interstate or foreign commerce of, or any facilities of a securities exchange of the United States, Canada, Australia, Japan, the Republic of South Africa or any other Restricted Jurisdiction and the Offer will not be capable of acceptance by any such use, means, instrumentality or facility or from within any Restricted Jurisdiction. Accordingly, copies of this Announcement and any other related document will not be, and must not be, directly or indirectly, mailed or otherwise distributed or sent in or into the United States, Canada, Australia, Japan, the Republic of South Africa or any other Restricted Jurisdiction and persons receiving such documents (including custodians, nominees and trustees) must not distribute or send them in, into or from such jurisdictions as doing so may violate the laws of such jurisdictions and may make invalid any purported acceptance of the Offer by persons in any such Restricted Jurisdiction.

### ***Waterman employees in Australia***

The Offer has not been approved or disapproved by the Australian Securities and Investments Commission or the Australian Securities Exchange nor has the Australian Securities and Investments Commission or the Australian Securities Exchange passed upon the accuracy or adequacy of the Offer or this Announcement. The Offer is not regulated by Chapter 6 of the Corporations Act 2001 (Commonwealth of Australia).

### ***Publication of this Announcement***

A copy of this Announcement and the display documents required to be published pursuant to Rule 26.1 and Rule 26.2 of the Takeover Code will be available, subject to certain restrictions relating to persons resident in Restricted Jurisdictions, on Waterman's website at [www.watermangroup.com](http://www.watermangroup.com) by no later than 12 noon on 10 May 2017 until the end of the Offer Period.

Neither the content of CTI's nor Waterman's websites nor the content of any websites accessible from hyperlinks on such websites (or any other websites) are incorporated into, or form part of, this Announcement nor, unless previously published by means of a Regulatory Information Service, should any such content be relied upon in reaching a decision regarding the matters referred to in this Announcement.

A hard copy of this Announcement and any information incorporated by reference into this Announcement may be requested free of charge by contacting the Registrars on +44 (0)371 664 0321 or by writing to them at Capita Asset Services, Corporate Actions, The Registry, 34 Beckenham Road, Kent BR3 4TU.

Waterman Shareholders may also request that all future documents, announcements and information to be sent to them in relation to the Offer should be in hard copy form.

The Offer is subject to the provisions of the Takeover Code.

***Right to switch to a scheme of arrangement***

CTI reserves the right to elect, with the consent of the Panel and Waterman, to implement the Offer by way of a court sanctioned scheme of arrangement under Part 26 of the Companies Act 2006, as an alternative to the Offer. In such an event, the Offer would be implemented on the same terms or, if CTI so decides, on such other terms being no less favourable, so far as applicable, as those which would apply to the Offer, subject in each case to appropriate amendments to reflect the change in method of effecting the Offer.

***Rounding***

Certain figures included in this Announcement have been subjected to rounding adjustments. Accordingly, figures shown for the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures that precede them.

***Inside information and Market Abuse Regulation ("MAR")***

Certain Waterman Shareholders were, with the consent of the Panel, formally brought inside in order to discuss entering into conditional sale agreements. That inside information is set out in this Announcement and has been disclosed as soon as possible in accordance with paragraph 7 of article 17 of MAR. Therefore, those persons that received inside information are no longer in possession of inside information relating to Waterman and its securities.

The person responsible for arranging release of this Announcement on behalf of CTI is Kazuo Murata.

***Status of Announcement***

This Announcement does not constitute a prospectus or prospectus equivalent document.

## APPENDIX I

### CONDITIONS AND CERTAIN FURTHER TERMS OF THE OFFER

The Offer will be made on the terms and conditions set out in this Appendix and to be set out in the Offer Document and the Form of Acceptance.

#### PART A: Conditions of the Offer

The Offer will be subject to the following Conditions:

##### *Acceptance condition*

- (a) valid acceptances of the Offer being received (and not, where permitted, withdrawn) by no later than 1.00 p.m. (London time) on the First Closing Date of the Offer (or such later time(s) and/or date(s) as CTI may, subject to the rules of the Takeover Code or with the consent of the Panel, decide) in respect of Waterman Shares to which the Offer relates which, together with Waterman Shares acquired or agreed unconditionally to be acquired by CTI before or during the Offer Period, will result in CTI holding Waterman Shares carrying in aggregate more than 50 per cent. of the voting rights then normally exercisable at general meetings of Waterman including (to the extent, if any, required by the Panel for this purpose) any such voting rights attaching to any Waterman Shares that are unconditionally allotted but not issued, whether pursuant to the exercise of conversion or subscription rights or otherwise, before the Offer becomes or is declared unconditional as to acceptances. For the purposes of this condition:
- (i) "**Waterman Shares to which the Offer relates**" shall be construed in accordance with Chapter 3 of Part 28 of the Companies Act 2006;
  - (ii) Waterman Shares which have been unconditionally allotted but not issued shall be deemed to carry the voting rights which they will carry upon being entered into the register of members of Waterman; and
  - (iii) valid acceptances shall be deemed to have been received in respect of Waterman Shares which are treated for the purposes of section 979(8) Companies Act 2006 as having been acquired or contracted to be acquired by CTI by virtue of acceptances of the Offer.

Waterman has agreed that, except as stated below and subject to the requirements of the Panel, the Offer will be subject to the following conditions:

##### *Third party clearances and Authorisations*

- (b) no central bank, government or governmental, quasi-governmental, supranational, statutory, regulatory, environmental or investigative body, court, trade agency, professional association, institution, employee representative body, or any other such body or person whatsoever in any jurisdiction (each a "**Third Party**" and all collectively "**Third Parties**") having decided or given notice of a decision to take, institute or threaten any action, proceeding, suit, investigation, enquiry or reference, or having required any action to be taken, or otherwise having done anything, or having enacted, made or proposed and there not continuing to be outstanding any statute, regulation, decision or order which would or might reasonably be expected to:
- (i) make the Offer or its implementation or the acquisition or proposed acquisition by CTI of all or any Waterman Shares, or the acquisition or proposed acquisition of control of Waterman, by CTI, void, illegal or unenforceable under the laws of any relevant jurisdiction, or otherwise, directly or indirectly, restrain, restrict, prohibit, challenge, delay, hinder or otherwise interfere with the same, or impose additional adverse conditions or obligations with respect thereto, or otherwise challenge or require amendment to the terms of the Offer or any such acquisition to an extent in any such case which is material in the context of the Offer;

- (ii) require, prevent or delay the divestiture, or alter the terms envisaged for any proposed divestiture, by any member of the Wider Waterman Group of all or any portion of their respective businesses, assets or properties or impose any limitation on the ability of any of them to conduct their respective businesses (or any part of them) or to own or manage their respective assets or properties or any part of them to an extent in any such case which is material in the context of the Offer;
  - (iii) impose any limitation on, or result in a delay in, the ability of CTI, directly or indirectly, to acquire or to hold or to exercise effectively all or any rights of ownership in respect of shares, loans or other securities (or the equivalent) in any member of the Wider Waterman Group or to exercise management control over any such member to an extent which is material in the context of the Waterman Group taken as a whole;
  - (iv) otherwise adversely affect any or all of the businesses, assets, liabilities, profits or prospects of any member of the CTI Group or the Wider Waterman Group;
  - (v) except pursuant to the Offer or sections 974 to 991 of the Companies Act 2006 require CTI or the Wider Waterman Group to acquire, or offer to acquire, any shares or other securities (or the equivalent) in, or any asset owned by, any member of the Wider Waterman Group;
  - (vi) result in a delay in the ability of CTI, or render it unable, to acquire some or all of the Waterman Shares to which the Offer relates;
  - (vii) require a divestiture by CTI of any shares or other securities (or the equivalent) in Waterman to any extent; or
  - (viii) result in any member of the Wider Waterman Group or the CTI Group ceasing to be able to carry on business under any name which it presently does so to any extent, and all applicable waiting and other time periods during which any such Third Party could decide to take, institute, implement or threaten any such action, proceeding, suit, investigation, enquiry or reference under the laws of any relevant jurisdiction having expired, lapsed or been terminated;
- (c) all material authorisations, orders, recognitions, grants, consents, licences, confirmations, clearances, certificates, exemptions, permissions and approvals ("**Authorisations**") necessary or reasonably considered appropriate for or in respect of the Offer or the proposed acquisition of all or any Waterman Shares or other securities in, or control of, Waterman by CTI having been obtained on terms and in a form reasonably satisfactory to CTI from all appropriate Third Parties, or from any persons or bodies with whom any member of the Wider Waterman Group has entered into contractual arrangements or business relationships, and such Authorisations, remaining in full force and effect at the time at which the Offer becomes otherwise unconditional and there being no indication of any firm intention to revoke, withdraw, suspend, restrict, withhold or modify or not to grant or renew any of the same;
- (d) all necessary filings or applications having been made in connection with the Offer, and all applicable waiting periods and other time periods (including extensions thereof) in respect of the Offer or its implementation under any applicable legislation or regulations in any jurisdiction having expired, lapsed or been terminated (as appropriate) and all statutory or regulatory obligations in any jurisdiction having been complied with in connection with the Offer or the acquisition by CTI of any shares or other securities in, or control or management of, Waterman or any member of the Wider Waterman Group;
- No transactions, claims or changes in the conduct of the business of Waterman*
- (e) except as Disclosed, there being no provision of any agreement, authorisation, arrangement, lease, licence, permit or other instrument to which any member of the Wider Waterman Group is a party or by or to which any such member or any of its assets may be

bound, entitled or subject, which in consequence of the Offer or the proposed acquisition by CTI of any shares or other securities in Waterman or because of a change in the control or management of Waterman or any member of the Wider Waterman Group, would or might reasonably be expected to result in:

- (i) any monies borrowed by or any other indebtedness (actual or contingent) of, or grant available to, any member of the Wider Waterman Group, being or becoming repayable or being capable of being declared repayable immediately or prior to their or its stated maturity date or repayment date or the ability of any such member to borrow monies or incur any indebtedness being withdrawn, prohibited or inhibited or becoming capable of being withdrawn, prohibited or inhibited;
- (ii) any such agreement, authorisation, arrangement, licence, permit or other instrument or the rights, liabilities, obligations or interests of any member of the Wider Waterman Group thereunder being terminated or adversely modified or affected or any obligation or liability arising or any adverse action being taken or arising thereunder;
- (iii) any assets or interests of any member of the Wider Waterman Group being or falling to be disposed of or charged or ceasing to be available to any such member or any right arising under which any such asset or interest could be required to be disposed of or charged otherwise than, in any such case, in the ordinary course of business;
- (iv) the creation or enforcement of any mortgage, charge or other security interest over the whole or any part of the business, property or assets of any member of the Wider Waterman Group, or any such mortgage, charge or other security interest (whenever arising or having arisen) becoming enforceable or being enforced;
- (v) the rights, liabilities, obligations or interests of any member of the Wider Waterman Group in, or the business of any such member with, any person, company, firm or body (or any agreements relating to any such interest or business) being terminated, or adversely modified or adversely affected;
- (vi) the value of any member of the Wider Waterman Group or its financial or trading position or profits or prospects being prejudiced or adversely affected; or
- (vii) the creation or assumption of any liability, actual or contingent, by any member of the Wider Waterman Group,

in each case which is material in the context of the Waterman Group taken as a whole, and no event having occurred which, under any provision of any agreement, authorisation, arrangement, lease, licence, permit or other instrument to which any member of the Wider Waterman Group is a party or by or to which any such member or any of its assets are bound, entitled or subject, would be reasonably likely to result in any of the events referred to in subparagraphs (i) to (vii) of this paragraph (e);

*No changes in share capital*

- (f) except as Disclosed, no member of the Waterman Group having, since 31 December 2016:
  - (i) except as between Waterman and wholly-owned subsidiaries of Waterman, or for Waterman Shares issued pursuant to the exercise of options granted under the Share Schemes, issued or agreed to issue or authorised or proposed or announced its intention to authorise or propose the issue of additional shares of any class or securities convertible into or exchangeable for shares of any class or rights, warrants or options to subscribe for, or acquire, any such shares or convertible securities;
  - (ii) (except for Waterman Shares held in treasury and sold or transferred pursuant to the exercise of options granted under the Share Schemes) sold or transferred or agreed to sell or transfer any Waterman Shares held in treasury;

- (iii) recommended, declared, paid or made or proposed to recommend, declare, pay or make any bonus issue, dividend or other distribution whether payable in cash or otherwise other than dividends (or other distributions whether payable in cash or otherwise) lawfully paid or made by any wholly-owned subsidiary of Waterman to Waterman or any of its wholly-owned subsidiaries;
- (iv) other than pursuant to the Offer or as agreed by CTI (and except for transactions between Waterman and its wholly-owned subsidiaries or in the ordinary course of business) implemented, effected, authorised or proposed or announced its intention to implement, effect, authorise or propose any merger, partnership, joint venture, asset or profit sharing arrangement (except in relation to the Share Schemes), partnership demerger, reconstruction, amalgamation, scheme, commitment or acquisition or disposal of assets or shares or loan capital (or the equivalent thereof) in any undertaking or undertakings in any such case;
- (v) (except for transactions between Waterman and its wholly-owned subsidiaries or in the ordinary course of business) disposed of, or transferred, mortgaged or created any security interest over any asset or any right, title or interest in any asset or authorised, proposed or announced any intention to do so;
- (vi) (except as between Waterman and its wholly-owned subsidiaries) made or authorised or proposed or announced an intention to propose any change in its loan capital;
- (vii) (except as between Waterman and its wholly-owned subsidiaries) issued, authorised, or proposed or announced an intention to authorise or propose, the issue of or made any change in or to the terms of any debenture or become subject to any contingent liability or incurred or increased any indebtedness other than in the ordinary course of business;
- (viii) (except as between Waterman and its wholly-owned subsidiaries) purchased, redeemed or repaid, or announced any proposal to purchase, redeem or repay, any of its own shares or other securities or reduced or made any other change to or proposed the reduction or other change to any part of its share capital;
- (ix) entered into or varied or terminated or authorised, proposed or announced its intention to enter into or vary any contract, arrangement, agreement, transaction or commitment (whether in respect of capital expenditure or otherwise) which is not in the ordinary course of business or is of a long term, onerous or unusual nature or magnitude or which involves or which might be reasonably expected to involve an obligation of such a nature or magnitude or which is restrictive on the business of any member of the Wider Waterman Group;
- (x) entered into or varied the terms of, or made any offer (which remains open for acceptance) to enter into or vary the terms of, any contract, service agreement or arrangement with any director or senior executive of any member of the Wider Waterman Group;
- (xi) modified the terms of any Share Schemes or termination of employment of any person employed in the Wider Waterman Group;
- (xii) except in relation to changes made or agreed as a result of, or arising from, changes to legislation, made or agreed or consented to any significant change to the terms of the trust deeds and rules constituting the pension scheme(s) established for its directors, employees or their dependants or to the benefits which accrue, or to the pensions which are payable, thereunder, or to the basis on which qualification for, or accrual or entitlement to, such benefits or pensions are calculated or determined or to the basis upon which the liabilities (including pensions) of such pension schemes

are funded or made, or agreed or consented to, any change to the trustees, including the appointment of a trust corporation;

- (xiii) been unable, or admitted in writing that it is unable, to pay its debts or having stopped or suspended (or threatened to stop or suspend) payment of its debts generally or ceased or threatened to cease to carry on all or a substantial part of its business;
- (xiv) (other than in respect of a member of the Wider Waterman Group which is dormant and was solvent at the relevant time) taken or proposed any corporate action, or had any legal proceedings threatened or instituted against it for its winding-up (voluntarily or otherwise), dissolution or reorganisation or for the appointment of a liquidator, provisional liquidator, receiver, administrative receiver, administrator, trustee or similar officer of all or any part of its assets or revenues or any analogous or equivalent steps or proceedings in any relevant jurisdiction having been taken or had any such person appointed;
- (xv) waived, compromised, settled, abandoned or admitted any dispute, claim or counterclaim whether made or potential and whether by or against any member of the Waterman Group (in each case otherwise than in the ordinary course of business);
- (xvi) made any alteration to its memorandum or articles of association or other constitutional documents;
- (xvii) entered into any contract, agreement, commitment or arrangement or passed any resolution or made any offer (which remains open for acceptance) with respect to or announced any intention to, or to propose to, effect any of the transactions, matters or events referred to in this Condition (f),

in each case, to the extent material in the context of the Waterman Group taken as a whole;

*No adverse change, litigation, contingent liabilities or cessation of licences*

- (g) except as Disclosed, since 31 December 2016:
  - (i) no adverse change having occurred, and no circumstances having arisen which would or might reasonably be expected to result in any adverse change in the business, assets, financial or trading position or profits or prospects of any member of the Wider Waterman Group including the termination of any material customer contract or notice of termination from any material customer;
  - (ii) no litigation, arbitration proceedings, prosecution or other legal proceedings or investigations having been threatened in writing, announced, instituted or remaining outstanding by, against or in respect of any member of the Wider Waterman Group or to which any member of the Wider Waterman Group is or may become a party (whether as a claimant, defendant or otherwise) and no enquiry or investigation by any Third Party against or in respect of any member of the Wider Waterman Group having been commenced, announced or threatened in writing by or against or remaining outstanding in respect of any member of the Wider Waterman Group, which, in any such case, has had, or might reasonably be expected to have, a material adverse effect on the Waterman Group taken as a whole;
  - (iii) no contingent or other liability having arisen or become apparent to CTI outside the ordinary course of business which would or might reasonably be expected to adversely affect any member of the Wider Waterman Group to an extent which is material in the context of the Wider Waterman Group taken as a whole; or

- (iv) no steps having been taken and no omissions having been made which are likely to result in the withdrawal, cancellation, termination or modification of any licence held by any member of the Wider Waterman Group, which is necessary or reasonably appropriate for the proper carrying on of its business and the withdrawal, cancellation, termination or modification of which is likely to adversely affect;

*No discovery of certain matters*

- (h) except as Disclosed, CTI not having discovered:
  - (i) that any financial, business or other information concerning the Wider Waterman Group publicly announced or disclosed at any time by or on behalf of any member of the Wider Waterman Group to CTI, is misleading, contains a misrepresentation of any fact or omits to state a fact necessary to make that information not misleading and which was not subsequently corrected before the date of this Announcement by disclosure by, or on behalf of, the Wider Waterman Group through the publication of an announcement via a Regulatory Information Service, in each case to an extent which is material in the context of the Wider Waterman Group taken as a whole;
  - (ii) that any member of the Wider Waterman Group or any partnership, company or other entity in which any member of the Wider Waterman Group has a significant economic interest and which is not a subsidiary undertaking of Waterman, is subject to any material liability, contingent or otherwise; or
  - (iii) that there is or is likely to be any material liability (whether actual or contingent) on the part of any member of the Wider Waterman Group to make good, repair, reinstate or clean up any property of any description or other asset now or previously owned, occupied or made use of by any past or present member of the Wider Waterman Group, under any environmental legislation, regulation, notice, circular or order of any Third Party.

*Anti-corruption and sanctions*

- (i) except as Disclosed, CTI not having discovered that:
  - (i) any past or present member of the Wider Waterman Group or any person that performs or has performed services for or on behalf of any such company is or has at any time engaged in any activity, practice or conduct (or omitted to take any action) in contravention of the UK Bribery Act 2010, the US Foreign Corrupt Practices Act of 1977, as amended or any other applicable anti-corruption or bribery legislation; or
  - (ii) any past or present member of the Wider Waterman Group has engaged in any activity or business with, or made any investments in, or made any payments to any government, entity or individual covered by any of the economic sanctions administered by the United Nations or the European Union (or any of their respective member states) or the United States Office of Foreign Assets Control or any other governmental or supranational body or authority in any jurisdiction; and
- (j) except as Disclosed, CTI not having discovered that any asset of any member of the Waterman Group constitutes criminal property as defined by section 340(3) of the Proceeds of Crime Act 2002 (but disregarding paragraph (b) of that definition).

**PART B: Further terms of the Offer**

- a) If the Offer lapses, it will cease to be capable of further acceptance. Waterman Shareholders who have already accepted the Offer shall then cease to be bound by acceptances delivered on or before the date on which the Offer lapses.

- b) The Offer will be governed by English law and be subject to the exclusive jurisdiction of the English courts, to the Conditions set out above and the further terms set out in this Announcement and in the Offer Document and Form of Acceptance. The Offer will be subject to applicable requirements of the Financial Conduct Authority, the Takeover Code, the Panel and the London Stock Exchange.
- c) The Conditions are inserted for the benefit of CTI and no Waterman Shareholder shall be entitled to waive any of the Conditions without the prior written consent of CTI.
- d) Waterman Shares will be acquired by CTI pursuant to the Offer fully paid and free from all liens, charges, encumbrances, equitable interests, pre-emption rights and other interests and rights of whatsoever nature and together with all rights now or hereafter attaching thereto, including the right to receive and retain in full all dividends and other distributions (if any) declared, paid or made after the date of this Announcement.
- e) CTI reserves the right to reduce the consideration payable to Waterman Shareholders under the terms of the Offer by the amount of any dividend or other distribution announced, declared or paid by Waterman to Waterman Shareholders.
- f) Subject to the requirements of the Panel, CTI reserves the right to waive, in whole or in part, all or any of Conditions (b) to (j) (inclusive) of Part A above. Each of Conditions (b) to (j) of Part A shall be regarded as a separate condition and shall not be limited by reference to any other condition.
- g) Except with the consent of the Panel, the Offer will lapse unless all of the Conditions are fulfilled or (if capable of waiver) waived or, where appropriate, have been determined by CTI to be or to remain satisfied no later than midnight on the twenty first day after the later of the First Closing Date of the Offer and the date on which the Offer becomes or is declared unconditional as to acceptances, or such later date as the Panel may agree.
- h) CTI shall be under no obligation to waive (if capable of waiver) or treat as fulfilled any of Conditions (b) to (j) (inclusive) of Part A by a date earlier than the latest date specified above for the fulfilment thereof, notwithstanding that the other Conditions of the Offer may at such earlier date have been fulfilled and that there are, at such earlier date, no circumstances indicating that any of such Conditions may be incapable of fulfilment.
- i) If CTI is required by the Panel to make an offer for Waterman Shares under the provisions of Rule 9 of the Takeover Code, CTI may make such alterations to the above Conditions of the Offer as are necessary to comply with the provisions of that Rule.
- j) CTI reserves the right, with the consent of Waterman, to elect to implement the Acquisition by way of a scheme of arrangement pursuant to Part 26 of the Companies Act 2006. In such event, the scheme of arrangement will be implemented on the same terms (subject to appropriate amendments), so far as applicable, as those which apply to the Offer. In particular, Condition (a) of Part A would not apply and the scheme of arrangement would become effective and binding following:
  - i) approval of the scheme of arrangement at a meeting convened by the Court by a majority in number, representing 75 per cent. or more in value, present and voting, either in person or by proxy, of Waterman Shareholders (or the relevant class or classes thereof);
  - ii) the resolution(s) required to approve and implement the scheme of arrangement being passed by the requisite majority of Waterman Shareholders at a general meeting of Waterman validly convened for such purpose; and
  - iii) sanction of the scheme of arrangement and confirmation of any reduction of Waterman's share capital involved therein by the Court (in both cases, with or without modifications, on terms reasonably acceptable to CTI) and office copies of the orders of the Court sanctioning the scheme of arrangement and confirming the reduction of

share capital being delivered for registration to the Registrar of Companies in England and Wales and being registered by him.

- k) Under Rule 13.5 of the Takeover Code, except with the Panel's consent, CTI may not invoke any of the above Conditions so as to cause the Offer not to proceed, to lapse or to be withdrawn unless the circumstances which give rise to the right to invoke the relevant condition are of material significance to CTI in the context of the Offer. Condition (a) of Part A is not subject to this provision of the Takeover Code.
- l) The availability of the Offer to persons not resident in the United Kingdom may be affected by the laws of the jurisdictions in which such persons are resident. Persons who are not resident in the United Kingdom should inform themselves about and observe any applicable requirements.
- m) The Offer will not be made, directly or indirectly, in or into, or by use of the mails of, or by any means or instrumentality (including, without limitation, facsimile transmission, telex, telephone, internet or email) of interstate or foreign commerce of, or of any facility of a national securities exchange of, any Restricted Jurisdiction and the Offer will not be capable of acceptance by any such use, means, instrumentality or facility or from within any Restricted Jurisdiction.

**APPENDIX II**  
**SOURCES OF INFORMATION AND BASES OF CALCULATION**

In this Announcement, unless otherwise stated, or the context otherwise requires, the following bases and sources have been used:

- (a) the financial information relating to Waterman has been extracted or derived, without material adjustment, from Waterman's audited consolidated financial statements for the year ended 30 June 2016 and Waterman's unaudited interim results of the six months ended 31 December 2016 as announced on 28 February 2017;
- (b) the financial information relating to CTI has been extracted or derived (without any adjustment) from CTI's audited annual report and accounts for the year ended 31 December 2016;
- (c) the value attributed to the existing issued share capital of Waterman is based upon the Offer Price of 140 pence for each Waterman Share and 30,758,824 Waterman Shares being in issue on 8 May 2017 (being the last Business Day prior to the date of this Announcement);
- (d) prices quoted for Waterman Shares are closing middle market prices on the relevant date, derived from the Daily Official List;
- (e) other information relating to Waterman has been extracted or derived, without material adjustment, from public sources; and
- (f) unless otherwise stated, the financial information on CTI has been converted to GBP based on a JPY / GBP exchange rate of ¥ 1: £0.007.

## APPENDIX III

### THE WATERMAN PROFIT FORECAST

Within the announcement of the Waterman interim results for the six-month period ended 31 December 2016, which was released on 28 February 2017, the Waterman Board stated that in respect of the year to 30 June 2017, it anticipated that *“the Group will continue to experience a stable trading outlook overall with revenue, profit and operating margin generally in line with the prior year.”*

The Panel has confirmed that the above statement constitutes an ordinary course profit forecast for the purposes of Rule 28 of the Takeover Code.

The Waterman Board has historically adopted a policy of stated strategic financial targets. In 2013, the Waterman Group set a strategic objective to achieve adjusted profit before tax of £3.3 million and a return on capital employed (ROCE - calculated as adjusted operating profit divided by average capital employed where capital employed is equity less goodwill less net funds) of 20 per cent. by June 2016. Having achieved these targets, in October 2015 the Waterman Board announced a new aspiration to increase the Waterman Group adjusted operating profit margin towards 6 per cent. by June 2019. In the context of reporting its progress against these strategic objectives and its performance more generally, the Waterman Board has consistently reported its expectations as to revenue, profit and operating margin (amongst others) to provide a clear and consistent presentation of the underlying results of the Waterman Group’s ongoing business to shareholders and investors.

#### ***Basis of preparation***

The Waterman Directors prepared the Waterman Profit Forecast released on 28 February 2017 on the basis of the published unaudited interim results for the six months ended 31 December 2016 and a forecast outcome for the balance of the financial year ending 30 June 2017. In confirming the Waterman Profit Forecast, the Waterman Directors, who are now in receipt of the management accounts for the nine months ending 31 March 2017, have made the following assumptions in respect of the balance of the financial year ending 30 June 2017, all of which are outside Waterman’s influence or control:

- there being no significant increase in economic uncertainty in the UK as a result of the UK General Election or ongoing Brexit negotiations, or any worldwide event, such as an act of terrorism or change in political regime, which results in a significant amount of the Waterman Group’s contracted work being delayed or cancelled;
- there being no new regulation enacted which significantly impacts Waterman Group profitability either due to a delay in contracted work, or increased costs; and
- there being no significant devaluation of the Australian Dollar against GBP.

The Waterman Profit Forecast excludes the costs associated with and the ongoing impact of the Offer.

#### ***Waterman Directors’ confirmation***

The Waterman Directors have considered the Waterman Profit Forecast and confirm that it remains valid as at the date of this Announcement, that the Waterman Profit Forecast has been properly compiled on the basis set out above and that the basis of accounting used is consistent with Waterman’s accounting policies, which are in accordance with IFRS and are those that Waterman will apply in preparing its Annual Report and Financial Statements for the 2017 financial year.

## APPENDIX IV

### DETAILS OF CONDITIONAL SALE AGREEMENTS AND IRREVOCABLE UNDERTAKINGS

#### Part A: Waterman Management Team

Certain members of the Waterman Management Team have entered into conditional sale agreements in respect of their beneficial holdings, and the holdings of their spouses, of issued Waterman Shares as follows:

Name	Number of Waterman Shares	Percentage of issued share capital
Nick Taylor	166,078	0.54%
Craig Beresford	95,341	0.31%
<b>Total</b>	<b>261,419</b>	<b>0.85%</b>

Subject to LTIP options becoming exercisable on the change of control of Waterman, the Waterman Management Team will have the opportunity to exercise their LTIP options and acquire Waterman Shares. The Waterman Management Team have irrevocably undertaken to sell those Waterman Shares to CTI at the price per Waterman Share under the Offer (as the same may be increased) at the time such Offer becomes or is declared wholly unconditional as follows:

Name	Number of Waterman Shares to which entitled on exercise of LTIP Options based on the Offer Price of 140p*	Percentage of issued share capital as enlarged by the issue of Ordinary Shares to satisfy the entitlements of the Waterman Management Team*
Nick Taylor	512,000	1.60%
Alex Steele	256,000	0.80%
Craig Beresford	256,000	0.80%
Neil Humphrey	256,000	0.80%
<b>Total</b>	<b>1,280,000</b>	<b>4.00%</b>

\*This assumes that the Offer Price is 140p and that, based on the assessment of the LTIP Performance targets, 80% of the LTIP Options held by the Waterman Management Team may be deemed by the Waterman Remuneration Committee to have vested. If the Waterman Remuneration Committee determine that the performance target is met in full (i.e. with a Waterman Share valued at 150p) 100 per cent of the Waterman Management Team's LTIP Options would vest meaning 1,600,000 Waterman Shares would be issued on exercise of those options.

### Part B: Other Waterman Shareholders

The following Waterman Shareholders have entered into conditional sale agreements in respect of their beneficial holdings of Waterman Shares:

<b>Name</b>	<b>Number of Waterman Shares</b>	<b>Percentage of issued share capital</b>
AB Traction	5,295,000	17.22%
Hargreave Hale Limited	2,575,000	8.37%
<b>Total</b>	<b>7,870,000</b>	<b>25.59%</b>

## **APPENDIX V DEFINITIONS**

The following definitions apply throughout this Announcement, unless the context requires otherwise:

<b>"Acquisition"</b>	the proposed acquisition by CTI of the whole of the issued and to be issued share capital of Waterman, by means of the Offer and the conditional sale agreements referred to in paragraph 6.
<b>"Announcement"</b>	this announcement of the Offer made in accordance with Rule 2.7 of the Takeover Code.
<b>"Business Day "</b>	any day (other than a Saturday, Sunday or public holiday) during which banks in London are open for normal business.
<b>"Closing Price"</b>	the middle market price of a Waterman Share at the close of business on the day to which such price relates, as derived from the Daily Official List of the London Stock Exchange.
<b>"Companies Act 2006"</b>	the Companies Act 2006 (as amended from time to time).
<b>"Conditions"</b>	the conditions to the Offer which will be set out in the Offer Document, and which are also set out in Part A of Appendix I to this Announcement.
<b>"CTI"</b>	CTI Engineering Co. Limited, a company incorporated and registered in Japan, with its principal office at 3-21-1 Nihombashi Hamacho, Chuo-ku, Tokyo 103-8430 Japan.
<b>"CTI Directors"</b>	the board of directors of CTI.
<b>"CTI Group"</b>	CTI and its direct and indirect subsidiaries or subsidiary undertakings from time to time.
<b>"Dealing Disclosure"</b>	has the same meaning as in Rule 8 of the Takeover Code.
<b>"Disclosed"</b>	the information which has been fairly disclosed by Waterman: (i) in its published annual report and accounts for the year ended 30 June 2016; (ii) in its published interim results for the six months ended 31 December 2016; (iii) in any public announcement on or before 5 p.m. on the Business Day prior to the date of this

	Announcement; (iv) otherwise in writing to CTI prior to the date of this Announcement; or (v) in this Announcement.
<b>"Financial Conduct Authority" or "FCA"</b>	the Financial Conduct Authority in its capacity as the competent authority for the purposes of Part VI of FSMA, including its successor(s) from time to time.
<b>"First Closing Date"</b>	the date which falls 21 days after the posting of the Offer Document.
<b>"Form of Acceptance"</b>	the form of acceptance and authority relating to the Offer which (in the case of Waterman Shareholders who hold their Waterman Shares in certificated form) will accompany the Offer Document.
<b>"FSMA"</b>	the Financial Services and Markets Act 2000 (as amended from time to time).
<b>"IFRS"</b>	the International Financial Reporting Standards.
<b>"Irish PSS 2008"</b>	the Waterman Company Employee Profit Sharing Scheme dated 1 August 2008.
<b>"Listing Rules"</b>	the listing rules made by the FCA under Part VI FSMA.
<b>"London Stock Exchange"</b>	London Stock Exchange plc together with any successors thereto.
<b>"LTIP"</b>	the Long Term Incentive Plan 2014 approved by Waterman's shareholders on 5 December 2014.
<b>"Management Board"</b>	the proposed management board of Waterman described in paragraph 11(iii) of this Announcement.
<b>"N+1 Singer"</b>	Nplus1 Singer Advisory LLP, the financial adviser to Waterman.
<b>"Offer"</b>	the recommended offer being made by CTI at the Offer Price, to acquire the entire issued and to be issued share capital of the Company on the terms and subject to the Conditions set out in this Announcement and which will be set out in the Offer Document and (where applicable) the Form of Acceptance and including, where the context so requires, any subsequent revision, variation, extension or renewal of, or election available under, such offer.

<b>"Offer Document"</b>	the formal document setting out the full terms and conditions of the Offer to be posted to Waterman Shareholders (other than certain Overseas Waterman Shareholders).
<b>"Offer Period"</b>	the offer period (as defined in the Takeover Code) relating to Waterman which commenced on today's date and shall end on the earlier of the date on which the Offer becomes or is declared unconditional as to acceptances and/or the date on which the Offer lapses or is withdrawn (or such other date as the Panel may decide).
<b>"Offer Price"</b>	the consideration for the Offer, being 140 pence in cash for each Waterman Share.
<b>"Opening Position Disclosure"</b>	has the same meaning as in Rule 8 of the Takeover Code.
<b>"Overseas Waterman Shareholders"</b>	Waterman Shareholders who are resident in, or nationals or citizens of, jurisdictions outside the UK or who are nominees of, or custodians, or trustees for, Waterman Shareholders who are citizens, residents or nationals of countries other than the UK.
<b>"Panel"</b>	the Panel on Takeovers and Mergers.
<b>"Registrars"</b>	Capita Asset Services, the registrars of Waterman.
<b>"Regulatory Information Service"</b>	any information service authorised from time to time by the FCA for the purpose of disseminating regulatory announcements.
<b>"Restricted Jurisdiction"</b>	any jurisdiction where local laws or regulations may result in a significant risk of civil, regulatory or criminal exposure if information concerning the Offer is sent or made available in that jurisdiction, including the United States, Canada, Australia, Japan, or the Republic of South Africa.
<b>"Share Schemes"</b>	the LTIP, the 2002 SIP, the 2014 SIP, the Irish PSS 2008 and the UK PSS.
<b>"2002 SIP"</b>	the Share Incentive Plan adopted by the Waterman Board in 2002.
<b>"2014 SIP"</b>	the Share Incentive Plan adopted by the Waterman Board on 5 December 2014.
<b>"Substantial Interest"</b>	a direct or indirect interest in 20 per cent. or

	more of the voting equity capital of an undertaking.
<b>“Takeover Code”</b>	the City Code on Takeovers and Mergers.
<b>“United Kingdom” or “UK”</b>	the United Kingdom of Great Britain and Northern Ireland.
<b>"UK PSS"</b>	the Waterman Partnership Holdings Plc Project Sharing Scheme established on 20 December 1993.
<b>"United States", "USA" or "US"</b>	the United States of America, the territories and possessions, any state of the United States of America, the District of Columbia and all areas subject to its jurisdiction or any political subdivision thereof.
<b>"Waterman" or the "Company"</b>	Waterman Group plc, a public company incorporated in England and Wales with registered number 02188844 and whose registered office is at Pickfords Wharf, Clink Street, London, SE1 9DG.
<b>"Waterman Directors" or "Waterman Board"</b>	the board of directors of Waterman.
<b>"Waterman Group"</b>	Waterman and its subsidiary undertakings from time to time, and <b>member of the Waterman Group</b> shall be construed accordingly.
<b>“Waterman Management Team”</b>	Nick Taylor, Alex Steele, Craig Beresford (all of whom are Waterman Directors) and Neil Humphrey.
<b>"Waterman Profit Forecast"</b>	the profit forecast made by Waterman on 28 February 2017 as referred to in the paragraphs entitled 'Profit forecasts or estimates,' 'Profit Forecast' or 'the Waterman Profit Forecast' in the body of and in Appendix III of this Announcement.
<b>"Waterman Shareholders"</b>	registered holders of Waterman Shares from time to time other than CTI.
<b>"Waterman Shares"</b>	ordinary shares of 10p each in the capital of Waterman.
<b>"WH Ireland"</b>	WH Ireland Limited, the financial adviser to CTI.
<b>"Wider Waterman Group"</b>	Waterman and its subsidiaries, subsidiary undertakings, any joint venture, partnership, firm or company in which any member of the Waterman Group has a significant interest or any undertaking in which Waterman and such

member or undertakings (aggregating their interests) have a Substantial Interest.

In this Announcement:

- all references to "GBP", "pounds", "£", "penny" "pence" or "p" are to the lawful currency of the United Kingdom;
- all references to "JPY", "Yen" or "¥" are to the lawful currency of Japan;
- the singular shall include the plural and vice versa, and words importing the masculine gender shall include the feminine or neutral gender;
- all references to legislation are to English legislation unless the contrary is indicated, and any reference to any provision of any legislation includes any amendment, modification, re-enactment or extension thereof; and
- all times referred to are London time unless otherwise stated.