



**WATTYL LIMITED**

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AUSTRALIA

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8 September 2010

## **Announcement to Australian Securities Exchange**

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### **Wattyl Scheme Meeting and General Meeting Chairman's address and presentation**

In accordance with Listing Rule 3.13.3, please find attached a copy of the Chairman's addresses and presentations which will be provided today at Wattyl Limited's Scheme Meeting and General Meeting.

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For further details, contact:

Tony Dragicevich, Managing Director, Wattyl Limited on (02) 9813 3301

Emmanuel Zammit, Chief Financial Officer, Wattyl Limited on (02) 9813 3303

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## 1. **Wattyl Limited Scheme Meeting: Chairman's address**

### **Introduction [SLIDE 1]**

Good morning ladies and gentlemen and welcome to this scheme meeting of Wattyl.

A quorum is present and, therefore, I declare this meeting open.

I am John Ingram, Chairman of Wattyl and I would like to introduce your other Directors: Tony Dragicevich, Managing Director, Patricia Akopiantz, Mark Luby and Ian Fraser.

Other members of Wattyl's management team are also here today sitting in the front row.

I will be chairing today's meeting.

### **Overview of the Scheme [SLIDE 2]**

On 28 June 2010 Wattyl announced that it had entered into a Scheme Implementation Deed with The Valspar Corporation (which I will call Valspar for short) under which it is proposed that Valspar acquires Wattyl by way of scheme of arrangement.

Under the Scheme, The Valspar (Australia) Paint Acquisition Pty Limited (which I will call VAPA for short), a wholly owned subsidiary of Valspar, will acquire all fully paid Wattyl Shares for \$1.67 per share.

Partly paid Wattyl Shares issued under the Wattyl Employee Share Schemes will also be acquired for \$0.37 per share as part of the Scheme.

In order for the Scheme to proceed, the Scheme requires the approval of Wattyl Shareholders at this scheme meeting.

Certain amendments to the Constitution and the Wattyl Employee Share Schemes must also be approved by Wattyl Shareholders in order for the Scheme to proceed. The amendments will only take effect if the Scheme becomes effective. These amendments will be considered at the General Meeting which is scheduled to start shortly after this meeting.

You will have received a Scheme Booklet from Wattyl containing important information about the Scheme, including reasons for your Directors' recommendation to vote in favour of the Scheme and a summary of the advantages as well as the potential risks and disadvantages associated with the Scheme.

### **Reasons to vote in favour of the Scheme [SLIDE 3]**

As outlined on pages 20 – 21 of the Scheme Booklet, your Directors have identified a number of reasons why you might vote in favour of the Scheme. The reasons are:

- the Scheme Consideration represents a significant premium to recent Wattyl Share prices;
- the Independent Expert has concluded that the acquisition of Wattyl Shares by Valspar under the Scheme is fair and reasonable and in the best interests of Wattyl Shareholders;
- the price of fully paid Wattyl Shares may fall if the Scheme is not approved;
- Wattyl Shareholders will receive certain and immediate value for their Wattyl Shares;

- no superior proposal has emerged; and
- no brokerage or stamp duty will be payable on the transfer of your Watty Shares.

#### **Possible reasons not to vote in favour of the Scheme [SLIDE 4]**

Although the Scheme is recommended by your Directors and the Independent Expert has concluded that the acquisition of Watty Shares by Valspar under the Scheme is fair and reasonable, and in the best interests of Watty Shareholders, factors which may lead you to consider voting against the Scheme include the following:

- you might disagree with the recommendation of the Directors and the conclusion of the Independent Expert;
- if the Scheme is implemented, you will no longer be a member of Watty; and
- if the Scheme becomes effective there will be tax consequences.

#### **Independent Expert's Conclusion [SLIDE 5]**

The Independent Expert, Lonergan Edwards & Associates Limited, has concluded that the acquisition of Watty shares by Valspar under the Scheme is fair and reasonable, and in the best interests of Watty shareholders.

The Independent Expert has stated in its report that, "... the Scheme Consideration of \$1.67 cash per share exceeds our assessed value range for 100% of Watty of \$1.35 to \$1.56 per share ..."

I also note their comments regarding the potential impact on the price of Watty Shares if the Scheme does not proceed. They stated in their report that "... if the Scheme does not proceed, and in the absence of an alternative offer or proposal, the price of Watty shares is likely to trade at a significant discount to our valuation and the Scheme Consideration...".

#### **Directors' recommendation**

Your Directors' recommendation that you vote in favour of the Scheme is subject to no superior proposal being forthcoming. No alternative proposal has eventuated and as such, your Directors continue to unanimously recommend that you vote in favour of the Scheme.

Each of the Directors will vote (or procure the voting of) all Watty Shares held or controlled by them in favour of the Scheme.

#### **Regulatory requirements**

I am pleased to report that all regulatory approval conditions in the Scheme Implementation Agreement have been satisfied.

In particular, VAPA has obtained regulatory approval under the Foreign Acquisitions and Takeovers Act 1975 and consent under the New Zealand Overseas Investment Act 2005.

The Australian Competition and Consumer Commission has announced that it will not oppose the proposed acquisition.

#### **Procedure following this meeting [SLIDE 6]**

Assuming both the resolution at this meeting and the resolutions at the General Meeting are approved, the Company will take this Scheme to the Federal Court of Australia on Monday, 13

September 2010, for approval. If the Court approves the Scheme, on the same day relevant Court orders will be lodged with the Australian Securities and Investments Commission and trading in Watty1 Shares will be suspended.

The effect of the Scheme, if approved, is that Watty1 will become a wholly owned subsidiary of Valspar, shareholders will cease to hold shares in Watty1 and shareholders will receive the Scheme consideration.

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## 2. **Wattyl Limited General Meeting: Chairman's address**

### **Introduction [SLIDE 8]**

Good morning Ladies and Gentlemen and welcome to this general meeting of Wattyl.

A quorum is present and, therefore, I declare this meeting open.

I am John Ingram, Chairman of Wattyl and I would like to introduce your other Directors: Tony Dragicevich, Managing Director, Patricia Akopiantz, Mark Luby and Ian Fraser.

Other members of Wattyl's management team are also here today sitting in the front row.

I will be chairing today's meeting.

### **Overview of the amendments**

The purpose of this meeting is to consider and, if thought fit, to agree to:

- an amendment to the constitution of Wattyl to remove the requirement that a Director of Wattyl hold 2,000 Wattyl Shares in his or her own right; and
- amendments to the Wattyl Employees Share Schemes to remove the restriction on transfer of partly paid Wattyl Shares issued under those schemes.

It is proposed that on the Scheme, which was the subject of the separate meeting held immediately before this meeting, becoming Effective, all but two of the then Directors will resign from their office and each person nominated by The Valspar Corporation will be appointed a Director. Furthermore, it is proposed that upon implementation of the Scheme, The Valspar (Australia) Paint Acquisition Pty Limited will own all of the Wattyl Shares.

Accordingly, the Constitution amendment and the WESS amendments must occur in order for the Scheme to be implemented. The Constitution amendment and the WESS amendments are conditional upon the Scheme becoming Effective. If the Constitution amendment and the WESS amendments are approved by the requisite majority but the Scheme does not become Effective, the amendments will not be made.

### **Directors' recommendation**

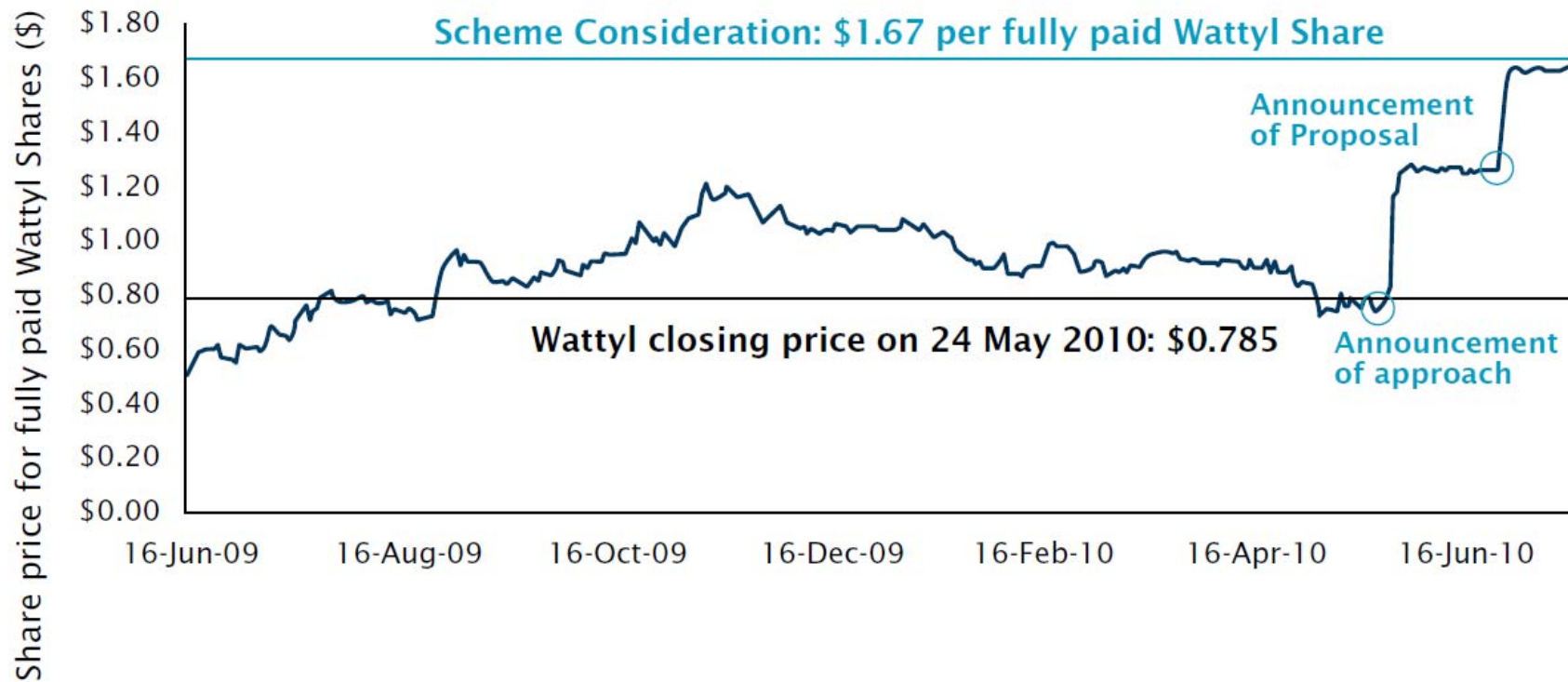
Your Directors' recommendation that you vote in favour of the amendments is subject to no superior proposal being forthcoming. No alternative proposal has eventuated and as such, your Directors continue to unanimously recommend that you vote in favour of the amendments.

Each of the Directors will vote (or procure the voting of) all Wattyl Shares held or controlled by them in favour of the amendments.

# Scheme Meeting

8 September 2010

# Wattyl Share Price Performance



# Reasons to Vote in Favour of the Scheme

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- The Scheme Consideration represents a significant premium to recent Wattyl Share prices
- The Independent Expert has concluded that the acquisition of Wattyl Shares by Valspar under the Scheme is fair and reasonable and in the best interests of Wattyl Shareholders
- The price of fully paid Wattyl Shares may fall if the Scheme is not approved
- Wattyl Shareholders will receive certain and immediate value for their Wattyl Shares
- No superior proposal has emerged
- No brokerage or stamp duty will be payable on the transfer of your Wattyl Shares



# Possible reasons not to Vote in Favour of the Scheme

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- You might disagree with the recommendation of the Directors and the conclusion of the Independent Expert
- If the Scheme is implemented, you will no longer be a member of Watty!l
- If the Scheme becomes effective there will be tax consequences

# Conclusion of the Independent Expert

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*“...the acquisition of Wattyl shares by Valspar under the Scheme is fair and reasonable and in the best interests of Wattyl shareholders”*

*“...the Scheme Consideration of \$1.67 cash per share exceeds our assessed value range for 100% of Wattyl of \$1.35 to \$1.56 per share...”*

*“...if the Scheme does not proceed, and in the absence of an alternative offer or proposal, the price of Wattyl shares is likely to trade at a significant discount to our valuation and the Scheme Consideration...”*

# Scheme Timetable

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Scheme Meeting to be held at Sydney Harbour Marriott Hotel, 30 Pitt Street, Sydney	10.00am on Wednesday, 8 September 2010
General Meeting to be held at Sydney Harbour Marriott Hotel, 30 Pitt Street, Sydney	At the later of 10.30am and the conclusion or adjournment of the Scheme Meeting on Wednesday, 8 September 2010
<b>If the resolutions considered at the Meetings are approved by WattyI Shareholders:</b>	
Court hearing for approval of the Scheme	Monday, 13 September 2010
Effective Date	Monday, 13 September 2010
Suspension of trading in fully paid WattyI Shares on the ASX	Close of trading on Monday, 13 September 2010
Record Date – time and date for determining entitlements to Scheme Consideration under the Scheme	7.00pm on Monday, 20 September 2010
Implementation Date – transfer of WattyI Shares to VAPA	Tuesday, 21 September 2010
Despatch of cheques for Scheme Consideration	Thursday, 23 September 2010



# Proxies – Scheme Vote

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	Number of Votes		Number of Shareholders	
	<i>Number</i>	<i>%</i>	<i>Number</i>	<i>%</i>
For	55,489,298	97.4%	1,253	81.3%
Against	468,128	0.8%	123	8.0%
Open	1,021,504	1.8%	165	10.7%
<b>Total Proxy Votes</b>	<b>56,978,930</b>	<b>100.0%</b>	<b>1,541</b>	<b>100.0%</b>
Abstain	2,350	n/a	3	n/a

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# General Meeting

8 September 2010

# General Meeting

## Proxies – Constitution Amendment

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	Number of Votes		Number of Shareholders	
	<i>Number</i>	<i>%</i>	<i>Number</i>	<i>%</i>
For	44,278,262	96.4%	1,152	80.2%
Against	465,386	1.0%	111	7.7%
Open	1,189,183	2.6%	173	12.0%
<b>Total Proxy Votes</b>	<b>45,932,831</b>	<b>100.0%</b>	<b>1,436</b>	<b>100.0%</b>
Abstain	77,389	n/a	18	n/a

# General Meeting

## Proxies – WESS Amendments

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	Number of Votes		Number of Shareholders	
	<i>Number</i>	<i>%</i>	<i>Number</i>	<i>%</i>
For	44,030,063	96.0%	1,096	77.0%
Against	520,363	1.1%	128	9.0%
Open	1,305,094	2.8%	200	14.0%
<b>Total Proxy Votes</b>	<b>45,855,520</b>	<b>100.0%</b>	<b>1,424</b>	<b>100.0%</b>
Abstain	154,700	n/a	30	n/a