

ASX/MEDIA RELEASE

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United Group reports net profit of \$35.3 million - underlying EBIT of \$80.4 million, up 59%

- **Record interim revenue of \$1.3 billion, up 18%**
- **EBIT (after Rail PPP costs) of \$62.3 million**
- **Interim dividend of 20 cents per share, fully franked**
- **All sectors continue to grow supported by \$4.4 billion order book**
- **Acquisitions performing well**
- **Earnings slightly weighted to second half and expected to exceed long term targets**

SYDNEY: Leading infrastructure and services company United Group Limited (ASX:UGL) today reported revenue of \$1.3 billion (2005: \$1.1 billion), up 18%. Net profit after tax and minority was \$35.3 million (2005: \$35.9 million). EBIT for the half year was \$62.3 million (2005: \$50.6 million), up 23%. The underlying EBIT excluding the \$18.1 million Rail PPP cost (as reported on 10 November 2006) was \$80.4 million, up 59% on the previous corresponding period.

Given the strong underlying earnings growth, the Directors have maintained a fully franked interim dividend of 20 cents per share (2005: 20 cents) payable on 9 March 2007 to shareholders on the register at 23 February 2007.

Managing Director and Chief Executive Officer Richard Leupen said, "United Group continues to deliver earnings at levels well above its stated long term target, and this is supported by contributions from recent acquisitions and stronger margins."

"This is another strong performance for the Group. While the result was significantly impacted by the one off Rail PPP costs, the underlying profit represents the strongest trading half in United Group's history. Spending in the resources and infrastructure sectors and international expansion continue to underpin the Group's future growth. Our property services business performance was a highlight.

"To ensure we continue to deliver future growth rates, we invested significantly in the business, increased the skills base of the management team and are integrating systems and processes across our four operating businesses under a programme designated as "One United". As United Group continues to expand, we have to ensure we have the right structures, systems and teams in place to manage this growth.

"Half year revenue of \$1.3 billion is up 18%, a record performance for United Group. Revenue growth is pleasing as we have maintained the order book at \$4.4 billion. A large percentage of the order book consists of contracts that produce recurring revenue, which gives us greater revenue certainty for a number of years.

"The acquisition of US based Equis was also completed during the period. This has been an excellent expansion for United Group and the business is performing well. A number of large multinational corporations are expressing interest in global end-to-end Commercial Real Estate (CRE) solutions, and with our greatly expanded geographical footprint, this presents us with significant growth opportunities.

"United Group's balance sheet is strong with a debt-to-equity ratio of 51%. This gives us the flexibility to pursue growth opportunities that make sense for shareholders. We also remain focused on managing costs across all of our four operating businesses.

“The U Safe program has been instrumental to our strong first half performance with long term injury frequency rates running at improved levels. Our people’s safety and that of our customers is critical for our success. Investing in safety management and skills development for our 11,500-strong workforce remains a priority.”

United Group Infrastructure

Revenue increased 50% to \$331.5 million and EBIT was up 40% to \$17.1 million. The power and water sectors delivered strong performances and operations in Asia continued to trade well. The business continues to win new work, and major tunnelling services and rail infrastructure projects have been secured in Queensland. The ALSTOM business is now fully integrated and is well placed to secure a greater share of rail infrastructure and road and rail tunnelling projects. The water sector also presents a large number of opportunities both in Australia and Asia.

United Group Rail

United Group Rail performed well during the year delivering record first half revenue of \$546.9 million and EBIT of \$32.4 million, up 25% before accounting for Rail PPP costs. As a result of the Rail PPP, United Group Rail wrote off tender costs of \$18.1 million which impacted earnings. During the period United Group Rail secured a number of orders for locomotives and coal and iron ore wagons to service the Western Australian resource market. United Group also delivered the Hunter Valley diesel electric passenger cars and the OSCAR into service. Performance for the full year remains promising with the resources sector showing no signs of slowing, and freight and passenger refurbishment projects and maintenance activities continuing strongly.

United Group Resources

United Group Resources performed very well during the half with EBIT up 32% to \$17.6 million and an EBIT/sales margin of 8.2%. Revenue was slightly down due to transition to new major projects. The performance reflects a move to combine major construction projects with maintenance and asset services. The Asset Services division has performed particularly well, winning new work in the oil & gas and coal markets. Continued resources sector growth is expected for some years and United Group Resources is well placed to capitalise on these opportunities.

United Group Services

United Group Services performed well, increasing sales by 71% to \$216.3 million and EBIT 167% to \$23.8 million. The acquisition of Equis was also a major achievement and that business continues to perform well. New contracts were secured in all key markets – Australia, Singapore, India, China, United States and New Zealand – for both government departments and other blue chip customers. Key contracts were also renewed. There continues to be wide interest in combined CRE and FM services by major customers at a government and private sector level.

Outlook

“United Group is very well placed to continue to grow, supported by strong market conditions in the resources and infrastructure sectors in Australia, and our move into international markets through property services, infrastructure and rail. United Group is rapidly emerging as a significant participant in the global property services market and this remains a priority for United Group,” Mr Leupen said.

“During the period we have made significant progress in strengthening United Group’s management team and systems to ensure our growth continues. Technology partnerships remain a key part of our strategy as they give United Group the ability to deliver best practice products and services for customers. We are in the process of strengthening our systems and processes to ensure project delivery for our customers is of the highest standard and efficiency.

“Strong market conditions in all of our sectors hold the Group in good stead both domestically and internationally. Significant growth opportunities remain available to United Group in all its key market sectors.

“United Group remains on track to continue to grow at high levels for some time. We expect a strong second half performance with earnings for the full year (pre Rail PPP cost) slightly weighted to the second half.” Mr Leupen said.

Table 1: United Group Limited 2007 Half Year Results Summary

\$million	Reported		Pre Rail PPP Costs		Dec 2005
	Dec 2006	Change	Dec 2006	Change	
Operating Revenues	1,302.4	18%	1,302.4	18%	1,107.6
EBIT	62.3	23%	80.4	59%	50.6
EBIT Margin	4.8%		6.2%		4.6%
Interest (net)	(11.7)		(11.7)		(4.3)
Operating Profit Before Tax	50.6	9%	68.7	48%	46.3
Tax	(15.8)		(20.3)		(11.0)
Net Profit After Tax	34.8		48.4		35.3
Minority Interest	0.5		0.5		0.6
Net Profit After Tax & Minority	35.3	(2%)	47.9	33%	35.9
NPAT Margin	2.7%		3.7%		3.2%
EPS (Cents)	26.0	(10%)	35.2	22%	28.9
ROE (Annualised)	12.7%		17.2%		19.1%

Table 2: United Group Limited Divisional Review

\$million	Dec 2006	Dec 2005	Change
United Group Infrastructure			
Sales	331.5	221.5	50%
EBIT	17.1	12.2	40%
EBIT / Sales	5.2%	5.5%	
United Group Rail			
Sales	546.9	529.0	3%
EBIT (pre Rail PPP cost)	32.4	25.9	25%
EBIT / Sales (pre Rail PPP cost)	5.9%	4.9%	
United Group Resources			
Sales	213.8	236.6	(10)%
EBIT	17.6	13.3	32%
EBIT / Sales	8.2%	5.6%	
United Group Services			
Sales	216.3	126.2	71%
EBIT	23.8	8.9	167%
EBIT / Sales	11.0%	7.1%	
Corporate			
EBIT	(10.5)	(9.7)	8%

Ends

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United Group (ASX - UGL) is a diversified services company specialising in maintenance, facilities management, manufacturing, fabrication, engineering, construction and business process outsourcing. The group consists of four businesses each with specific complementary services:

United Group Infrastructure is a multi-service business offering construction, engineering, operational and maintenance services to the water, power, communications, road & rail transport and defence industries

United Group Rail is Australia's foremost rail and rolling stock company offering services such as; engineering and manufacturing, refurbishment and remanufacture, maintenance services and spare parts

United Group Resources is a long term solution provider of multi-discipline services to clients in the resources industry

United Group Services is a premier global provider of outsourcing services. Services include corporate real estate, facilities management, project management, finance and accounting, procurement, human resource management and learning