ASX/MEDIA RELEASE

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UGL reports strong growth
– reaffirms FY2011 guidance

- **Underlying net profit after tax of $68.1 million*, up 16 per cent**
- **Operating revenue of $2,273.7 million^, up 7 per cent**
- **Secured more than $2.3 billion of new contracts and extensions**
- **Underlying earnings per share of 41.2 cents*, up 16 per cent**
- **Interim dividend per share of 32 cents fully franked, up 10 per cent**
- **Sound balance sheet – gearing down to 14 per cent**
- **Near record order book of $8.9 billion**
- **Growth momentum continuing – 10 to 15 per cent NPAT growth in FY2011**

Sydney: UGL Limited (ASX: UGL) ("UGL") today reported underlying net profit after tax (NPAT) for the half year ended 31 December 2010 of $68.1 million* (HY2010: $58.6 million*), a 16 per cent increase on the previous corresponding period, and in line with market expectations.

The strong profit performance was achieved after three of UGL's four business units generated record first half contributions.

Operating revenue rose 7 per cent to $2.3 billion^ (HY2010: $2.1 billion^), and earnings before interest and tax (EBIT) was strong at $104.6 million* (HY2010: $91.3 million*). Earnings per share (EPS) increased 16 per cent to 41.2 cents* (HY2010: 35.6 cents*), and the Board has declared an interim dividend per share (DPS) of 32 cents (HY2010: 29 cents) fully franked, payable on 18 March 2011 to shareholders registered on 4 March 2011.

Operating cash flow was solid at $65.9 million supported by continuing cash discipline across the Group. UGL's balance sheet is sound with gearing at 14 per cent and no refinancing obligations until 2012. These financial settings provide us the flexibility to pursue an increasing number of growth opportunities.

UGL's Managing Director and CEO, Richard Leupen, said: "This is a satisfactory performance for UGL in what remains a challenging market in some sectors. The profit and revenue growth has allowed us to increase returns for our shareholders, highlighting the effectiveness of our diversified business model.

"It is pleasing to note that we delivered strong organic growth across the Group and maintained a near record order book of $8.9 billion. This demonstrates UGL's ability to continue to secure new projects across all of its markets.

"Our safety performance has also been a highlight for the half and we continue to work towards making UGL a safety leader for the benefit of our people and customers."

*adjusted for amortisation of acquired intangibles
^includes UGL's share of joint ventures

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UGL Infrastructure
EBIT was up 3 per cent to $40.3 million on sales of $495.6 million^. The EBIT to sales margin of 8.1 per cent^ was strong, and due primarily to an overall improvement in project and revenue mix, as well as the continued positive close out of contracts.

The power, telecommunications and rail infrastructure sectors are performing well and present the business with a number of growth opportunities going forward. UGL Infrastructure has a solid pipeline of weighted and qualified tenders which offer further upside. A mix of maintenance related work and major construction and engineering projects, positions the business well for the second half.

UGL Rail
Sales increased 15 per cent to $638.4 million^ and EBIT of $38.5 million was a significant improvement. The EBIT to sales margin of 6.0 per cent^ illustrates that UGL Rail continues to deliver on projects. The solid performance was driven by increased demand for locomotives and freight wagons from the Queensland and Western Australian resources sector, and improved performance in maintenance and build projects in the passenger rail market.

The passenger rail market continues to offer growth opportunities with new manufacturing projects and long term maintenance contracts giving the business ongoing stability. Increased investment in coal and iron ore markets also present further growth opportunities. Bidding activity is at record levels and UGL Rail continues to build market share.

UGL Resources
The business experienced strong sales growth, increasing 50 per cent to $479.7 million^. EBIT of $11.6 million was lower than forecast, due to margin erosion in the major projects division. During the period, UGL Resources also incurred higher bidding costs on the back of an elevated level of tendering activity. The asset services division continued to deliver healthy revenue and profit contributions supported by expanding service delivery and solid operational performance.

Bidding activity is now at record levels, and the business is actively pursuing new projects which support the revenue and earnings mix. During the period, a number of new maintenance contracts and contract extensions have been secured supporting future earnings contributions. UGL Resources is experiencing growth across both maintenance and construction markets.

UGL Services
Sales were steady at $667.7 million, and EBIT increased to $35.6 million* after the impact of adverse foreign exchange movements. Recovering corporate real estate services in the United States and Australia was the main driver of the improved performance. The business was successful in securing a number of new projects, particularly in Asia, and UGL Services has growing levels of work in hand.

Tendering in Asia, the Middle East and North America remains strong, and the turnaround in performance in Australia and New Zealand continues. China is also becoming an area of increasing focus as demand for property related services grows.

Outlook
Mr Leupen said that with the majority of revenue secured for the second half and growth momentum continuing, UGL is on-track to deliver 10 to 15 per cent NPAT growth for the 2011 financial year.

“Tendering activities are at record levels, and UGL currently has almost $7 billion worth of weighted and qualified opportunities across the resources, infrastructure, property services and transport sectors.

*adjusted for amortisation of acquired intangibles
^includes UGL’s share of joint ventures

"However, risk management remains a critical focus for UGL and managing risk at project level and ensuring we secure projects on commercially sensible terms is a top priority. We continue to monitor the impact that the emerging skills shortage could have on project delivery and we are assessing opportunities to attract and retain talent at every level of the business.

"UGL is in good shape. We remain committed to partnering with blue chip organisations and government departments, managing risk, keeping our people safe, continue to strengthen our balance sheet, and operating in multiple growth sectors."

Ends

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About UGL Limited
UGL Limited (ASX: UGL) is an engineering, maintenance and facilities management company operating in the water, power, transport, communications, resources and property sectors. It consists of four divisions – UGL Infrastructure, UGL Rail, UGL Resources and UGL Services. Headquartered in Sydney, Australia, UGL Limited operates in Australia, New Zealand, Asia, North America and the Middle East employing approximately 44,000 people. For more information, visit: www.ugllimited.com

*adjusted for amortisation of acquired intangibles
^includes UGL's share of joint ventures

Appendix: UGL Half Year 2011 Results Summary

Table 1: Group

	HY2011	HY2010	Change
Operating revenue^	$2,273.7m	$2,119.7m	7%
EBIT*	$104.6m	$91.3m	15%
*EBIT margin**	*4.6%*	*4.3%*	-
Net interest	($10.5m)	($10.5m)	0%
Tax*	($26.2m)	($22.3m)	17%
Minority interest	$0.2m	$0.1m	-
NPAT*	$68.1m	$58.6m	16%
*NPAT margin**	*3.0%*	*2.8%*	-
EPS*	41.2¢	35.6¢	16%
DPS	32¢	29¢	10%

Table 2: Divisions

	HY2011^	HY2010^	Change
UGL Infrastructure			
Sales	$495.6m	$582.6m	(15%)
EBIT	$40.3m	$39.0m	3%
EBIT margin	*8.1%*	*6.7%*	-
Order book	$1,912.5m	$2,139.4m	(11%)
UGL Rail			
Sales	$638.4m	$556.1m	15%
EBIT	$38.5m	$13.7m	182%
EBIT margin	*6.0%*	*2.5%*	-
Order book	$3,085.0m	$3,164.1m	(2%)
UGL Resources			
Sales	$479.7m	$320.3m	50%
EBIT	$11.6m	$23.6m	(51%)
EBIT margin	*2.4%*	*7.4%*	-
Order book	$868.5m	$741.4m	17%
UGL Services			
Sales	$667.7m	$673.1m	(1%)
EBIT*	$35.6m	$34.8m	2%
*EBIT margin**	*5.3%*	*5.2%*	-
Order book	$3,054.8m	$2,728.7m	12%

*adjusted for amortisation of acquired intangibles
^includes UGL's share of joint ventures