# ASX Release

13 August 2012

## UGL delivers 11th consecutive year of underlying earnings growth

Key highlights:

- Underlying net profit after tax of $168.3 million[1], up 2 per cent
- Reported net profit after tax of $134.3 million, down 15 per cent
- Operating revenue of $4.8 billion[2], up 5 per cent
- Operating cash flow of $111.0 million
- Reported EPS of 80.8 cents with underlying EPS of 101.3 cents[1], up 2 per cent
- Total dividend of 70 cents per share fully franked
- Secured $6.1 billion of new contract wins and extensions
- Record order book of $9.6 billion
- Becoming a global property services leader through the acquisition of DTZ

**Sydney:** UGL Limited (ASX: UGL) today reported underlying net profit after tax (NPAT) of $168.3 million[1] (FY2011: $164.4 million[3]) for the full year ended 30 June 2012, a 2 per cent increase on the prior year and the eleventh consecutive year of underlying earnings growth. Reported NPAT for the full year period was $134.3 million (FY2011: $158.5 million), down 15 per cent on the prior year. Underlying NPAT excludes $34.0 million of acquisition related costs, restructuring costs and the amortisation of acquired intangibles as set out in the Appendix. The Board believes that underlying NPAT and underlying EPS provide a more accurate comparison of operating performance for shareholders as the adjustments reflect costs incurred by the company which are associated with business acquisitions.

Operating revenue increased 5 per cent to $4.8 billion[2] (FY2011: $4.6 billion[2]) and earnings before interest and tax (EBIT) was $247.0 million (FY2011: $249.4 million) for the full year period.

Underlying EPS increased 2 per cent to 101.3 cents[1] (FY2011: 99.0 cents[3]). A final dividend of 36 cents per share fully franked has been declared by the Board and will be payable on 7 September 2012 to shareholders on the register at 24 August 2012. This takes the total dividend for the 2012 financial year to 70 cents per share fully franked.

UGL Managing Director & CEO, Richard Leupen, said: "UGL has delivered another solid result and the eleventh consecutive year of underlying profit growth, a reflection of our proven, diverse business model which continues to deliver a stability of earnings to our shareholders which is industry-leading.

[1] Adjusted for acquisition related costs, restructuring costs and the amortisation of acquired intangibles
[2] Includes UGL's share of joint venture revenue
[3] Adjusted for amortisation of acquired intangibles

"The 2012 financial year has been transformative for UGL's property services business following the acquisition of the trading operations of DTZ Holdings plc in December 2011. The business has delivered a record financial performance showing initial signs of the strength and momentum of our truly global platform.

"Our Rail and Resources businesses have delivered stable results while our Infrastructure business was impacted by the growing skills and labour shortages across the sector. Following a strategic reorganisation, these businesses are now better aligned to respond to opportunities for expansion, both in existing and new markets.

"In particular, we see significant growth opportunities from emerging sectors including defence as well as increased outsourcing of operational and maintenance activities by non-traditional sectors such as manufacturing and industrials as corporates work to reduce their cost bases in the challenging economic environment."

During the year, UGL was awarded $6.1 billion in new contract wins and extensions, increasing the order book to $9.6 billion as at 30 June 2012. The quality of the order book remains a key strength, with more than 6,500 individual contracts supporting the diversity of UGL's business model and de-risking the earnings profile.

Mr Leupen commented: "We have a quality order book at a record level which continues to be exposed to fundamental growth markets. Over 80 per cent of the order book consists of long term, recurring maintenance style contracts. We also have $1.9 billion of work in the preferred tenderer stage, options to extend existing contracts worth $3.4 billion and $6.8 billion of weighted and qualified opportunities, all of which will continue to underpin the stability of our earnings profile and returns to shareholders."

UGL's operating cash flow for the year was $111.0 million after returning to more normalised levels in the six months to 30 June 2012. Our robust and flexible balance sheet remains a hallmark of the strength of UGL with gearing (defined as net debt to net debt plus equity) of 27%, well below the target range.

With operations now across 52 countries and a workforce of more than 56,000 people including sub-contractors, the safety of our people remains one of our most important priorities. In the 2012 financial year, UGL's global lost-time injury frequency rate improved significantly, down 24 per cent on the prior year and the total recordable case frequency rate also declined, down 11 per cent relative to the prior year.

**UGL Services**

Revenue increased 21 per cent to $1.6 billion[2] while EBIT rose 25 per cent to $95.4 million[1], representing a margin of 5.9 per cent. The record financial performance for the business reflects the momentum already being generated by the acquisition of DTZ and the creation of a unique, truly global end-to-end property services model.

The Services order book supports continued strong earnings growth following an increase of 25 per cent to $3.6 billion as at 30 June 2012. The strength in order book growth is supported by a significant increase in the conversion rate of securing new business since the DTZ acquisition with international activity increasing strongly and continuing to grow.

With the scale and reach of our integrated platform, we are now tendering for mandates of a size and complexity we would not have successfully tendered for prior to the acquisition of DTZ. Globally, bidding levels for property services are robust and we anticipate continued growth in our share of global mandates and cross-border activity going forward.

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**UGL Infrastructure**
Revenue increased 9 per cent to $1.2 billion[2] in the 2012 financial year driven by a solid top line performance from projects across our key sectors of power, transport and communications.

Relative to the prior year, EBIT declined 30 per cent to $58.0 million. The weaker than anticipated contribution was a result of the challenges encountered with the growing skills and labour shortages across the sector, particularly in Western Australia and Queensland. We continue to monitor these developments closely and their potential impact on future project performance.

The Infrastructure order book ended the year up 4 per cent at $1.7 billion, reflecting a number of key wins across the power, communications and defence sectors, including a $90 million contract to construct the Solomon Mine power station in the Pilbara and a $550 million contract in joint venture with EPC firm CH2M HILL, to construct a combined cycle power plant for the Ichthys Liquefied Natural Gas Project in the Northern Territory.

With a $1.4 billion weighted and qualified pipeline of opportunities identified, UGL remains well placed to benefit from continued private and public investment in infrastructure, particularly across the power, transport and defence sectors.

**UGL Rail**
While revenue for Rail was slightly down on the prior year at $1.2 billion[2], EBIT performance was steady at $85.1 million reflecting an expansion in margin to 7.1 per cent. The solid result reflects the ongoing strong demand for freight locomotives as well as steady performance on UGL's core passenger maintenance contracts in New South Wales and Victoria. During the year, UGL also successfully completed the delivery of the last Stage 3 passenger cars for the Outer Suburban Railcar (Oscar) Project to RailCorp both ahead of schedule and under budget.

Significantly, the Rail order book increased 28 per cent to $3.6 billion as at 30 June 2012, reflecting the renewal of the $1.4 billion maintenance and logistics contract with RailCorp as well as a strong win rate in freight locomotives where UGL has grown market share.

The demand dynamics for freight locomotive supply and maintenance services from the Australian resources sector remains particularly strong. Of the $2.2 billion in weighted and qualified opportunities identified across both the freight and passenger sectors, we expect to participate in a significant proportion of these opportunities as they come to market.

**UGL Resources**
While revenue declined 11 per cent to $856.5 million[2] during the year, EBIT increased 2 per cent to $45.0 million. The solid EBIT margin of 5.3 per cent reflects the high proportion of recurring earnings generated from maintenance style contracts. The contribution from project construction work was subdued in the period however, the asset services division delivered substantial growth relative to the prior year following a number of significant awards across the coal, iron ore and oil and gas industries.

Tendering activity for Resources remains robust with a $2.0 billion weighted and qualified pipeline of opportunities identified. We continue to actively pursue this substantial pipeline of both major construction and asset maintenance projects, focusing on opportunities which offer a balanced risk profile and the potential to deliver profitable growth.

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**Organisational Structure**
Commencing from 1 July 2012, UGL formalised the strategic reorganisation of its internal management structure into three business units consisting of Engineering, Operations & Maintenance and Property. We will report to the market on this basis from the 2013 financial year.

Mr Leupen said: "Consistent with the growth of UGL and its expansion globally, our strategic platform continues to evolve to ensure we remain positioned for market leadership across all of the industries in which we currently operate. Importantly, we need to ensure our business model is adaptable and allows us to capitalise on new growth opportunities as they arise. We believe the reorganisation of our business units optimally positions UGL for growth in the next stage of our strategic journey."

**Outlook**
Mr Leupen said: "Continuing global economic uncertainty increases the difficulty of predicting trading outcomes in the 2013 financial year.

"Nevertheless, UGL expects its property services business to grow strongly again in FY2013 with the DTZ acquisition on track.

"Under the new business structure, UGL's Operations & Maintenance business has solid momentum going into the 2013 financial year. UGL expects Operations & Maintenance to contribute modest growth in FY2013 from a very strong pipeline and recent wins in mining and defence services. This business will form a major part of UGL's future.

"Our Rail business delivered a strong performance in 2012 and similar results are expected for the 2013 financial year. Growth in iron ore and coal export volumes remains strong despite weakening commodity prices.

"Uncertainty exists in the Australian resources and infrastructure sectors where approval delays and project cancellations combined with increased international competition and UGL's balanced risk appetite limits our growth outlook in these sectors. UGL will likely contract in these sectors in FY2013 depending on the extent of the resources capex slowdown and the level of investment directed to infrastructure projects across the power, water and transportation markets.

"When considered together, UGL expects 2013 trading conditions overall to result in similar outcomes to the 2012 financial year with stronger growth to return when global economic conditions stabilise and confidence returns."

**Annual General Meeting**
UGL will hold its 2012 Annual General Meeting at the Sheraton on the Park at 161 Elizabeth Street, Sydney at 2pm on 13 November 2012. The company will send a notice of meeting containing full details in October 2012.

**ENDS**

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**Appendix: UGL Full Year 2012 Results Summary**

Table 1: Underlying Results Overview

| $m | FY12 | FY11 | Change |
|---|---|---|---|
| Operating revenue[2] | 4,803.0 | 4,583.6 | 5% |
| EBIT | 247.0[1] | 249.4[3] | (1%) |
| *EBIT margin* | *5.1%* | *5.4%* | |
| NPAT | 168.3[1] | 164.4[3] | 2% |
| *NPAT margin* | *3.5%* | *3.6%* | |
| EPS | 101.3[1] | 99.0[3] | 2% |
| DPS | 70.0 | 70.0 | 0% |

Table 2: Reconciliation of Underlying Results

| $m | Underlying | JVs & intersegment | Amort of intangibles acquired | Restructuring costs | Acquisition related costs | Reported |
|---|---|---|---|---|---|---|
| Revenue | 4,803.0 | (348.6) | - | - | - | 4,454.4 |
| EBIT | 247.0 | (3.2) | (11.5) | (15.8) | (14.0) | 202.5 |
| Net interest | (24.8) | - | - | - | - | (24.8) |
| Tax | (52.8) | 3.2 | 3.7 | 2.5 | 1.1 | (42.3) |
| | 169.4 | - | (7.8) | (13.3) | (12.9) | 135.4 |
| Non-controlling interests | (1.1) | - | - | - | - | (1.1) |
| **NPAT** | **168.3** | **-** | **(7.8)** | **(13.3)** | **(12.9)** | **134.3** |

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Table 3: Business Unit Results

| $m | FY12 | FY11 | Change |
|---|---|---|---|
| **UGL Services** | | | |
| Sales[2] | 1,603.2 | 1,328.9 | 21% |
| EBIT | 95.4[1] | 76.5[3] | 25% |
| *EBIT margin* | *5.9%* | *5.8%* | |
| Order book ($b) | 3.6 | 2.8 | 25% |
| **UGL Infrastructure** | | | |
| Sales[2] | 1,163.4 | 1,065.6 | 9% |
| EBIT | 58.0 | 83.3 | (30%) |
| *EBIT margin* | *5.0%* | *7.8%* | |
| Order book ($b) | 1.7 | 1.6 | 4% |
| **UGL Rail** | | | |
| Sales[2] | 1,198.6 | 1,249.6 | (4%) |
| EBIT | 85.1 | 84.8 | 0% |
| *EBIT margin* | *7.1%* | *6.8%* | |
| Order book ($b) | 3.6 | 2.8 | 28% |
| **UGL Resources** | | | |
| Sales[2] | 856.5 | 959.0 | (11%) |
| EBIT | 45.0 | 44.0 | 2% |
| *EBIT margin* | *5.3%* | *4.6%* | |
| Order book ($b) | 0.8 | 1.0 | (16%) |

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[3] Adjusted for amortisation of acquired intangibles