ASX Release

27 February 2013

UGL reports underlying half year NPAT of $51 million

UGL strengthens business model for changing market conditions and repositions for growth into 2014

- **Reported result includes impact from restructuring costs and non-performing projects**
- **Underlying net profit after tax of $51.0 million[1] and underlying EPS of 30.7 cents per share[1]**
- **Reported net profit after tax of $26.0 million and reported EPS of 15.6 cents per share**
- **Operating revenue of $2.1 billion[2]**
- **Interim dividend steady at 34 cents per share, 50% franked**
- **$2.1 billion in new contract wins and extensions**
- **Strong organic growth in Property**
- **Strong performance of Rail operations**
- **Underlying NPAT of $150-160 million[1] expected in FY2013**
- **Near record order book of $9.3 billion – underpins outlook**
- **Repositioning and strengthening UGL for changing market conditions**

Sydney: UGL Limited (ASX: UGL) today reported underlying net profit after tax (NPAT) of $51.0 million[1] (HY12: $72.2 million[3]) for the half year ended 31 December 2012.

Reported NPAT for the half year period was $26.0 million (HY12: $55.4 million) after booking net costs of $25.0 million. These included costs for restructuring, the rebranding of DTZ, the amortisation of acquired intangibles, and the gain on the sale of property. A reconciliation of underlying NPAT to reported NPAT is set out in the Appendix.

An interim dividend of 34 cents per share, franked to 50 per cent, has been declared by the Board and will be payable on 27 March 2013 to shareholders on the register at 13 March 2013.

[1] Adjusted for restructuring costs, rebranding, the amortisation of acquired intangibles and gain on sale of property. The Board believes that underlying NPAT and underlying EPS provide a more accurate reflection of operating performance as the adjustments reflect costs incurred by the business which are associated with business acquisitions, the sale of non-core assets and business repositioning
[2] Includes UGL's share of joint venture revenue
[3] Adjusted for acquisition related costs and amortisation of acquired intangibles

UGL Managing Director & CEO, Richard Leupen said: "The half was impacted by UGL undertaking significant restructuring, rebranding and business repositioning initiatives to address the markets we see ahead. Cost overruns on several non-performing infrastructure projects also contributed to the result however, these are now either completed or near complete. A slowing domestic resources sector also contributed to a softer first half.

"Despite these isolated events, the Group's DTZ Property business and the Rail operations are trading at record levels for UGL and are performing very well.

"Operating revenue of $2.1 billion[2] continues to be driven by our diverse, recurring revenue streams, with more than 80 per cent of our order book consisting of long term, recurring maintenance contracts. Year to date, we have secured $2.1 billion of new projects and our $9.3 billion order book is at near record levels and supports future earnings.

"Our Property business is performing strongly with the DTZ acquisition delivering on its turnaround and the underlying business generating good organic growth with significant success in all markets.

"Our Rail operations continue to deliver a solid contribution reflecting our market-leading position.

"The Engineering and Operations & Maintenance businesses contracted during the period, due to start-up delays, cancellations and reduced project scope. Major mining clients' cost cutting programs, driven by softer commodity markets, was also a key factor affecting performance.

"UGL is now trading solidly again in the second half and is repositioning to address the challenging markets we see ahead. Opportunities are available in LNG, coal and rail sectors, and our bidding activity is increasing in these areas of the business. We will also benefit from strong growth in global property services as we further build the DTZ brand.

"Accompanying our marketing efforts has been a strong focus on managing costs and UGL has undertaken significant downsizing of our overheads in Australia to address slowing markets.

"We are pursuing strategic initiatives to drive long term growth. These include select expansion of our Engineering and Operations & Maintenance businesses into Asia where we can leverage our strong brand presence.

"We are also investing heavily in our project management capability and have recruited specialists in this area to expand UGL's core competencies, building world class capabilities as a key differentiator.

"Simultaneously, we are aggressively expanding our global property services platform, both by capability and geography, building on the strong momentum DTZ is now delivering."

UGL's balance sheet is strong with gearing (defined as net debt to net debt plus equity) at 33 per cent, at the low end of our target gearing range. One-off events and timing factors impacted the cash flow in the half year period. Gearing below 30 per cent is being targeted for the end of FY2013 with a strong second half cash flow expected.

UGL's commitment to safety is unchanged and remains at the forefront of our management focus. UGL's lost-time injury frequency rate improved significantly, down from 4.13 to 2.78 per million hours worked and the total recordable case frequency rate also declined, down from 10.30 to 7.88 per million hours worked, period on period. Notably, we saw real improvement in our US Property business resulting from strong management engagement.

Property

Revenue increased 36 per cent to $920.0 million[2] while EBIT rose 33 per cent to $45.8 million[1]. The strength of the financial performance reflects the momentum already being delivered from the DTZ acquisition as well as the strong organic growth generated by the underlying business.

The US business is performing well, benefiting from a recovery in the US corporate real estate and facilities management markets with sizeable opportunities coming to market, including from first time outsourcers. The China and Asia Pacific businesses also delivered an improved performance during the half year period. European markets continue to remain challenging although opportunities to expand market share remain our key focus.

The Property order book stands at $3.5 billion, supporting continued strong earnings growth. Globally, bidding levels for property services are strong and DTZ is well positioned to benefit from the macro trends which continue to support growth in real estate outsourcing and the rationalisation of service providers. We are now established as a contender for global bids amongst the industry leaders, already achieving strong momentum in securing global mandates across a broad range of blue-chip clients.

Engineering

Revenue decreased 34 per cent to $907.5 million[2] and EBIT declined 45 per cent to $47.1 million[1] in the half year period. A delay in major project awards as well as cost overruns on non-performing projects from the prior financial year affected performance.

The Rail operations continued to deliver a solid contribution in the first half reflecting our market leadership and the on-going growth in resources volumes. The business secured a number of key wins in the period including the $540 million renewal of the maintenance contract with Pacific National Rail which includes the upgrade and provision of maintenance services for a portion of their locomotive fleet, as well as locomotive orders for various blue-chip clients including Rio Tinto, CFCLA and Pacific National Rail.

The MTM Melbourne train operations contract is also performing well with new opportunities identified.

The Ichthys LNG power station and BHP Billiton Iron Ore Jimblebar projects are ramping up and will contribute to earnings from the second half of the 2013 financial year. Engineering's $5.1 billion order book continues to be strong and significant bidding activity is underway for a number of major project opportunities for which UGL is well positioned, particularly in the LNG and iron ore sectors.

Operations & Maintenance

Revenue decreased 20 per cent to $261.6 million[2] and EBIT declined 34 per cent to $12.5 million[1] in the half year period. Fluctuating commodity prices affected revenue in the first half with asset management and maintenance projects in the resources sector affected by cancellations and scope reductions.

The new ANZAC frigate maintenance contract is performing well and the business is strongly positioned to benefit from the momentum in outsourcing across the defence sector. Securing a new $200 million contract to provide integrated maintenance services at Shell Geelong was a key win for the business in the period.

The business is experiencing a significant level of bidding activity and future growth continues to be supported by the trend to outsource non-core operational and maintenance activities as corporates work to reduce their cost bases in the current economic environment.

Strengthening the business model for changing market conditions

With a continued focus on managing costs, UGL is undertaking a programme of restructuring initiatives to ensure a lower, more sustainable cost base. Restructuring costs are expected to total approximately $40 million in FY2013, $22 million of which were incurred in the first half.

Outlook

Volatility in commodity prices continues to result in cancellations and delays of major projects in the resources and infrastructure sectors. Combined with UGL's balanced risk appetite and focus on margin protection, this has led to a delay in the major projects pipeline for FY2013. While largely offset by the strength in Property and the Rail operations, this is likely to result in underlying NPAT of between $150-160 million[1] in FY2013.

"With the restructuring and repositioning now largely behind us, UGL is now returning to normal trading in the second half of FY2013," Richard Leupen said.

"The Property business has excellent growth prospects to offset the slowing Australian market, and it is already benefiting from the significant investment in restructuring and rebranding. The new property systems rollout is also progressing to plan with the US now live and other markets to follow over the next 12 months.

"The resilience of our business model is supported by our diversified earnings streams, the quality of our near record order book, our strong balance sheet and our rigorous focus on costs and risks. We are well positioned to benefit from significant bidding activity in the property services, energy and rail sectors, and this underpins our confidence for a resumption of growth from here," Richard Leupen said.

"Longer term, the opportunities in global outsourcing are unchanged and our business is aligned to respond to the trend in outsourcing. We are also pursuing expansion opportunities in Asia across all of our business units which will also contribute to growth from 2014 onwards, and importantly, deliver sustainable value creation and returns for shareholders," Richard Leupen concluded.

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Appendix: UGL Half Year 2013 Results Summary

The Board believes that underlying NPAT and underlying EPS provide a more accurate reflection of operating performance as the adjustments reflect costs incurred by the business which are associated with business acquisitions, the sale of non-core assets and business repositioning.

Table 1: Underlying Results Overview

$m	HY13	HY12	Change
Operating revenue[1]	2,081.5	2,379.8	(13)%
EBIT[2,3]	85.7	110.3	(22)%
EBIT margin[2,3]	*4.1%*	*4.6%*	
NPAT[2,3]	51.0	72.2	(29)%
NPAT margin[2,3]	*2.4%*	*3.0%*	
EPS[2,3] (cents per share)	30.7	43.4	(29)%
DPS (cents per share)	34.0	34.0	0%

Table 2: Reconciliation of Underlying Results

$m	Underlying	JVs	Amort of intangibles acquired	Restructuring costs	Rebranding costs	Profit on sale	Reported
Revenue	2,081.5	(194.2)	-	-	-	-	1,887.4
EBIT	85.7	(1.3)	(6.9)	(22.2)	(31.9)	17.4	40.7
Net interest	(16.2)	-	-	-	-	-	(16.2)
Tax	(16.6)	1.3	1.9	7.1	11.4	(1.6)	3.5
	52.9	-	(5.1)	(15.1)	(20.5)	15.7	27.9
Non-controlling interests	(1.9)	-	-	-	-	-	(1.9)
NPAT	**51.0**	**-**	**(5.1)**	**(15.1)**	**(20.5)**	**15.7**	**26.0**

[1] Includes UGL's share of joint venture revenue
[2] H1 FY13 Adjusted for restructuring costs, rebranding, the amortisation of acquired intangibles and gain on sale of property
[3] H1 FY12 Adjusted for acquisition related costs and amortisation of acquired intangibles