

7 November 2016

Majority of Directors Recommend UGL Shareholders Accept CIMIC Takeover Offer

Sydney: UGL Limited (ASX: UGL) today confirmed that it has released its Target's Statement in response to the off-market takeover offer from CIMIC Group Investments No. 2 Pty Limited (CIMIC).

The UGL Board recommends, by a majority of 4:1 (Majority Directors), that UGL shareholders **ACCEPT** the off-market takeover offer from CIMIC for all the ordinary shares of UGL at a price of \$3.15 cash per UGL share (Offer), in the absence of a superior proposal.

Grant Samuel, the UGL Board appointed Independent Expert, has determined that the value of UGL on a 100% controlling interest basis ranges from \$3.11 to \$3.94 per UGL share. As the Offer Price falls within the Independent Expert's assessed range, the Independent Expert considers the Offer to be fair and reasonable, in the absence of a superior offer.

Overview of the Offer

On 10 October 2016, CIMIC announced its intention to make a final¹ off-market takeover (which is subject only to a "prescribed occurrences" condition) for all the ordinary shares of UGL at a price of \$3.15 cash per UGL share.

The Offer represents approximately a 47.2% premium to \$2.14, being the undisturbed UGL closing share price on 7 October 2016 and approximately a 37.7% premium to UGL's volume weighted average price since announcement of the potential for a further Ichthys provision on 6 June 2016 of \$2.29².

The offer represents an equity value of approximately \$534 million and an enterprise value of approximately \$762 million³. The multiple implied by the Offer is 8.5x⁴ FY2016 EBITDA.

UGL Board Recommendation

The UGL Board recommends, by a majority of 4:1, that UGL Shareholders accept the Offer in the absence of a superior proposal.

¹ The Offer price can only be increased in the event there is a competing proposal.

² The undisturbed trading price represents the closing price of UGL shares on ASX on 7 October 2016, the last trading day prior to 10 October 2016, the date upon which CIMIC announced its intention to make a takeover offer for UGL. UGL's VWAP since the announcement of the potential for a further Ichthys provision represents the volume weighted average price of shares traded on and off the ASX for the period from 6 June 2016 to 7 October 2016.

³ Assumes \$3.15 per UGL share, \$64.6m of net debt, \$5.6m of minorities, contract loss provisions of \$131.7m, restructure provisions of \$8.1m and make good and onerous lease provisions of \$17.7m as set out in UGL's FY2016 Balance Sheet and fully diluted shares on issue of 169.6m.

⁴ Assumes FY2016A EBITDA of \$89.4m, \$64.6m of net debt, \$5.6m of minorities, contract loss provisions of \$131.7m, restructure provisions of \$8.1m and make good and onerous lease provisions of \$17.7m as set out in UGL's FY2016 Balance Sheet and fully diluted shares on issue of 169.6m.

In the Majority Directors' view, the decision as to whether or not to accept the Offer is finely balanced and depends on the circumstances for each individual shareholder, including risk profile, portfolio strategy, financial circumstances and investment time horizon.

After careful consideration of the Offer, the Majority Directors recommend that UGL Shareholders accept the Offer in the absence of a superior proposal. The key reasons for the Majority Directors' recommendation are set out below with full details of this recommendation outlined in the Target's Statement:

1. The Independent Expert has concluded that the Offer is fair and reasonable, in the absence of a superior offer.
2. The Offer represents an attractive premium to historic trading prices.
3. The Offer represents an attractive acquisition multiple.
4. The Offer provides UGL Shareholders with certainty of receiving \$3.15 per UGL Share in cash, which must be weighed against the risks associated with remaining a UGL Shareholder.
5. No superior proposal has emerged and CIMIC's Offer is final in the absence of a competing proposal.
6. The trading price of UGL Shares may fall in the absence of the Offer or a superior proposal.
7. Should CIMIC acquire a controlling ownership stake, there could be a number of potentially adverse consequences for non-accepting UGL Shareholders.

Notwithstanding the above, the Majority Directors recognise that UGL shareholders with a greater tolerance for risk or a longer investment time horizon may consider rejecting the Offer.

Mr Robert Kaye SC, a Non-Executive Director, recommends that you reject the Offer as he is of the view that the Offer price may not reflect the full underlying value of UGL. Mr Robert Kaye SC's reasons for his recommendation are set out in the Target's Statement.

Other information

A printed version of the Target's Statement will be sent to UGL shareholders on or around 9 November 2016. The UGL Board encourages shareholders to read the Target's Statement in full, including the Independent Expert Report contained within this document.

The offer period is due to close at 7pm (AEDT time) on 25 November 2016, unless withdrawn or extended by CIMIC.

Shareholders who require further information in relation to the Offer can contact the UGL Shareholder Information Line on 1300 415 866 (calls within Australia) or +61 2 8022 7947 (calls from outside Australia). Updates in relation to the Offer will also be available on UGL's website: ugllimited.com

ENDS

FOR FURTHER INFORMATION CONTACT:

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