ASX Release

17 February 2014

UGL reports underlying half year NPAT of $49.7 million

- **Reported result includes impact from restructuring costs, demerger costs and the amortisation of acquired intangibles**
- **Underlying net profit after tax of $49.7 million[1] and underlying EPS of 29.8 cents per share[1]**
- **Reported net profit after tax of $29.5 million and reported EPS of 17.7 cents per share**
- **Operating revenue of $2.2 billion[2]**
- **DTZ continues to perform strongly delivering another half year of revenue growth**
- **Rail operations performing solidly underpinned by strong maintenance franchise**
- **Significant cost reduction initiatives undertaken over the last twelve months reducing overheads by approximately $100 million**
- **$2.0 billion in new contract wins and extensions**
- **Strong order book of $8.0 billion supports outlook**
- **No interim dividend declared in order to conserve cash position**
- **Continuing to strengthen UGL for subdued domestic market conditions**
- **FY2014 underlying NPAT of around $120 million[1] expected - at the lower end of previous guidance, subject to a continued reasonable trading outlook**
- **Targeting a separation of DTZ and Engineering in the 2014 calendar year**
- **The Board will evaluate unsolicited third party interest in DTZ to determine whether these indicative proposals are in the best interests of shareholders**

Sydney: UGL Limited (ASX: UGL) today reported underlying net profit after tax (NPAT) of $49.7 million[1] (HY13: $51.0 million[3]) for the half year ended 31 December 2013.

Reported NPAT for the half year period was $29.5 million (HY13: $26.0 million) including net costs of $20.2 million comprising restructuring costs, demerger costs and the amortisation of acquired intangibles. A reconciliation of underlying NPAT to reported NPAT is set out in the Appendix.

[1] Adjusted for restructuring costs, demerger costs and the amortisation of acquired intangibles. 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 repositioning, the demerger and business acquisitions.
[2] Includes UGL's share of joint venture revenue
[3] Adjusted for restructuring costs, rebranding, the amortisation of acquired intangibles and gain on sale of property

Operating revenue increased 7 per cent to $2.2 billion[2] (HY13: $2.1 billion) and earnings before interest and tax (EBIT) was $78.5 million[1] (HY13: $85.7 million).

UGL Managing Director & CEO, Richard Leupen said: "Despite ongoing challenging market conditions in Australia, operating revenue for the Group grew seven per cent in the half year period. DTZ delivered another half year of revenue growth with our North Asia and UK businesses delivering particularly strong results.

"Our Engineering business performed resiliently in a challenging market environment underpinned by a strong base of diversified recurring revenue streams.

"Continued project delays, increased competition and margin compression in our Engineering business impacted earnings performance in the half year period. We are repositioning UGL for these softer domestic market conditions with further significant restructuring initiatives underway to protect margins in the current environment.

"Year to date, we have secured $2.0 billion of new projects and our $8.0 billion order book, 86 per cent of which consists of long term, recurring maintenance contracts, supports future earnings. We are bidding on significant opportunities in the rail, transport, power and LNG sectors and we are well positioned to benefit from the strong growth in global property services as we further build the DTZ brand.

"We continue to invest in our global property services platform, both by capability and geography, strengthening DTZ's unique market position. Cross-border momentum across the DTZ platform continues to build with the business successfully securing 25 global or multi-regional mandates for the six months to 31 December 2013."

DTZ

Revenue increased 18 per cent to $1,081.9 million[2] while EBIT grew 27 per cent to $58.3 million[1].

Our North Asia and UK businesses delivered a strong performance during the half year period due to increased capital markets and leasing activity. The US business also continues to benefit from increased activity in the US corporate real estate and facilities management markets. While European markets remain challenging, signs of increased activity and improving business confidence are encouraging.

DTZ's order book stands at $3.4 billion underpinning our expectations for solid growth in DTZ's major markets in FY2014. 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.

Engineering

Revenue declined marginally to $1,152.7 million[2] in the half year period.

Over the last twelve months, overheads have been reduced by approximately $100 million reflecting the challenging domestic engineering markets. Further cost reduction initiatives will be undertaken to improve margin performance in the second half of FY2014 and into FY2015.

EBIT declined 40 per cent to $35.9 million[1] reflecting cost under-recoveries due to the delay in new project awards as well as margin compression resulting from increased competition and the cost reduction focus of resources clients.

The Rail operations continued to deliver a solid contribution in the first half reflecting our market leading maintenance franchise in both passenger and freight rail which continues to generate long term recurring revenue streams. Our freight locomotive build business successfully secured $87 million in new locomotive contracts as of February 2014, supporting key clients in Australia across the coal and iron ore sectors.

Engineering's $4.6 billion order book remains solid with recurring revenues comprising 79 per cent of the order book, providing UGL with a degree of insulation in a contracting market environment. Solid bidding activity is also underway for a number of project opportunities for which UGL is well positioned, particularly in the rail, transport, power and LNG sectors.

Cashflow and gearing

Operating cashflow for the half year period was $9.2 million after absorbing the impact of restructuring and demerger costs. Gearing (defined as net debt to net debt plus equity) was 35.3 per cent as at 31 December 2013 and interest cover remained sound at 5.6 times.

UGL continues to focus on actively reducing gearing with initiatives such as the restriction of expansionary capital expenditure on track for FY2014. The divestment of non-core property is well underway with an outcome expected to be finalised during the second half of FY2014.

Safety

UGL's commitment to safety is unchanged and remains at the forefront of our management focus. UGL's lost-time injury frequency rate was flat at 3.13 per million hours worked. The total recordable case frequency rate reduced marginally to 7.75 per million hours worked.

Restructuring initiatives

While early action to reduce costs in FY2013 anticipated the slowdown in domestic markets, the ongoing subdued conditions in Australia has led to further significant restructuring initiatives being undertaken in the half year period in order to balance the cost base with the softer revenue environment. Restructuring costs of $18 million were incurred in the first half. We anticipate further restructuring will also be undertaken in the second half of FY2014.

Demerger update

The Board, in recognition of its obligation to act in the best interests of shareholders, will evaluate unsolicited third party interest received in DTZ to determine whether these indicative proposals are in the best interests of shareholders.

Demerger preparation continues as our primary approach to ensure that a separation of DTZ and Engineering is completed by the end of the 2014 calendar year, subject to regulatory and statutory approvals, including shareholder approval.

We are making good progress on establishing DTZ and Engineering as two standalone entities and this work is expected to be completed by 30 June 2014. While we continue to proceed as quickly as we can to prepare the businesses to operate on a standalone basis, it is business as usual for both DTZ and Engineering and we are working to ensure no disruption to clients, employees, partners or other stakeholders.

To facilitate a separation of DTZ and Engineering, the Board has resolved to conserve its cash position and an interim dividend will not be paid.

Outlook

Mr Leupen said: "Despite the contraction in Australian resources capital spending, UGL's business model is responding well to the challenging domestic operating environment, given our diverse base of recurring revenues as well as our exposure to global property services, with over half of Group earnings now generated offshore. UGL is also well placed to benefit from the emerging infrastructure pipeline in Australia, particularly in the power and transportation sectors.

"The revenue performance of Engineering in the half year period suggests that we remain on track to operate in FY2014 at similar revenue levels to FY2013. The restructuring of UGL's cost base should also lead to improved margin performance in the second half of FY2014.

"DTZ continues to provide solid growth prospects to offset the softer Australian market with its favourable exposure to the growth potential in Asia, and the recovering UK and North American markets.

"When considered together, UGL expects to be at the lower end of previous guidance generating underlying NPAT of around $120 million in FY2014, subject to a continued reasonable trading outlook," Richard Leupen concluded.

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Appendix: UGL Half Year 2014 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 repositioning, the demerger and business acquisitions.

Table 1: Underlying Results Overview

$m	HY14	HY13	Change
Operating revenue[1]	2,233.6	2,081.5	7%
EBIT[2,3]	78.5	85.7	(8%)
EBIT margin[2,3]	*3.5%*	4.1%	
Interest	(18.8)	(16.2)	(16%)
Tax	(8.3)	(16.6)	50%
Minority interest	(1.8)	(1.9)	6%
NPAT[2,3]	49.7	51.0	(3%)
NPAT margin[2,3]	*2.2%*	2.4%	
EPS[2,3] (cents per share)	29.8	30.7	(3%)

Table 2: Reconciliation of Underlying Results

$m	Underlying	JVs	Amort of intangibles acquired	Restructuring costs	Demerger costs	Statutory
Revenue	2,233.6	(240.0)	-	-	-	1,993.6
EBIT	78.5	(2.4)	(7.3)	(17.7)	(3.1)	48.1
Net interest	(18.8)	-	-	-	-	(18.8)
Tax	(8.3)	2.4	2.0	5.1	0.8	2.0
	51.5	-	(5.3)	(12.6)	(2.3)	31.3
Non-controlling interests	(1.8)	-	-	-	-	(1.8)
NPAT	**49.7**	**-**	**(5.3)**	**(12.6)**	**(2.3)**	**29.5**

[1] Includes UGL's share of joint venture revenue
[2] HY14 adjusted for restructuring costs, demerger costs and the amortisation of acquired intangibles
[3] HY13 adjusted for restructuring costs, rebranding, the amortisation of acquired intangibles and gain on sale of property