ASX Release

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1 June 2015

Market Update briefing including revised earnings guidance

Sydney: As previously advised, UGL Limited (ASX:UGL) is providing an update to the market today on the outcomes of the comprehensive review undertaken across UGL since the commencement of CEO, Ross Taylor in November 2014, including:

- The findings and actions resulting from the project and business reviews
- An update on the Ichthys CCPP project
- The defined path to improving financial performance including a new operational structure
- Updated guidance for FY2015
- Outlook for FY2016 and FY2017.

A briefing will be provided to analysts and institutional investors at 10.00am AEST today. Details of the briefing and webcast / teleconference facilities are available on UGL's website (www.ugllimited.com).

Ichthys CCPP Project update

The UGL and CH2M Hill JV project scope is now 56% complete, with the construction component 30% complete. Since the HY15 result announcement, the project has stabilised with productivity targets being achieved and performance in line with the revised cost to complete. Current performance has increased UGL's confidence that the $175 million provision raised at the HY15 result is adequate.

Organisational structure

UGL has undertaken a thorough assessment of the performance of its underlying businesses and functions to determine the optimal operating model going forward. We are well advanced in a significant overhead restructure program to right size the organisation for a new business structure which removes the duplication of roles as the company has transitioned to a standalone engineering company following the sale of DTZ.

By 30 June 2015, headcount will reduce by approximately 200 FTE employees with restructuring costs of $36.7m to be incurred in the 2HFY15. Annual cost savings of $33m are expected to be realised from FY16.

Order Book

Year to date, UGL has secured $2.1bn in new contract wins and renewals and the committed order book as at 31 May 2015 was $5.1bn. Strong tender activity is occurring across transport infrastructure, LNG maintenance and rail opportunities with UGL well positioned on a number of significant near term opportunities.

About UGL Limited ABN 85 009 180 287

UGL Limited (ASX: UGL) is a diversified services company delivering critical assets and essential services that sustain and enhance the environment in which we live. UGL provides whole of life cycle solutions to clients across the rail, transport & technology systems, power, resources, water and defence sectors. Headquartered in Sydney, Australia, UGL operates across Australia, New Zealand and South East Asia employing over 8,000 people, including subcontractors.

FY15 Guidance

UGL expects to generate FY15 revenue of $3.1bn and underlying EBIT of $75m. Excluding DTZ, revenue of $2.3bn and underlying EBIT of $47m is expected.

The 2H15 statutory result will be impacted by $74m of one-off charges and provisions to complete the reset of the business including restructuring and property consolidation costs, removal of prior year capitalised tender costs and further write-offs associated with continued settlement of long-dated WIP and dispute claims.

Significant progress continues to be made on WIP with closing gross WIP expected to reduce to approximately $165-175m at 30 June 2015, down from $257m at 31 December 2014. We expect to receive $66m in cash from claims settled in 2HFY15 with a write-down of $7.6m expected to be incurred in relation to these cash settlements. Reassessing the certainty of other WIP, $16m of historical claims will be written down in 2HFY15.

Outlook from FY16

Ross Taylor, CEO, said: "A significant amount of work has been undertaken to reposition UGL for its future and I am confident from FY16 we will deliver improved profitability. UGL is very well positioned in the current growth markets of transport infrastructure and LNG maintenance with future growth underpinned by our strong order book of $5.1bn.

"In FY16, we expect to deliver revenue in line with FY15 with around 70% of FY16 revenue already sold. With improved project execution and the full realisation of overhead cost savings, our FY16 EBIT margin is expected to return to 3%. Cash flow conversion will return to a minimum of 70% (of EBITDA less interest and tax) from FY16, excluding Ichthys CCPP."

"We expect that in FY17 there will be a substantial step change in revenue of at least $300m driven by UGL's exposure to transport infrastructure and LNG maintenance. We have already secured or are preferred on new contracts which underpin this growth. We also expect new profitable projects will replace current nil margin revenue and combined with a more appropriate overhead structure will see further improvement in EBIT margins towards 4%.

"Beyond FY17, we will continue to build on the momentum we have created through FY16 and FY17. I also believe we will be strongly positioned as an industry leader to deliver significant growth in new and adjacent market opportunities."

ENDS

FOR FURTHER INFORMATION CONTACT:

Rebecca Hill
EGM Investor Relations & Corporate Development
UGL Limited
+61 2 9492 1431
rebecca.a.hill@ugllimited.com

Ross Taylor
CEO
UGL Limited
+61 2 9492 8802
ross.taylor@ugllimited.com

Carrie Barrack
Group Investor Relations & Corporate Affairs Manager
UGL Limited
+61 2 9492 1510
carrie.barrack@ugllimited.com

Media please contact:
Fleur Jouault
GRACosway
+61 2 8353 0419
+61 405 669 632

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