

Half Year 2015 Results Presentation

Monday, 23 February 2015

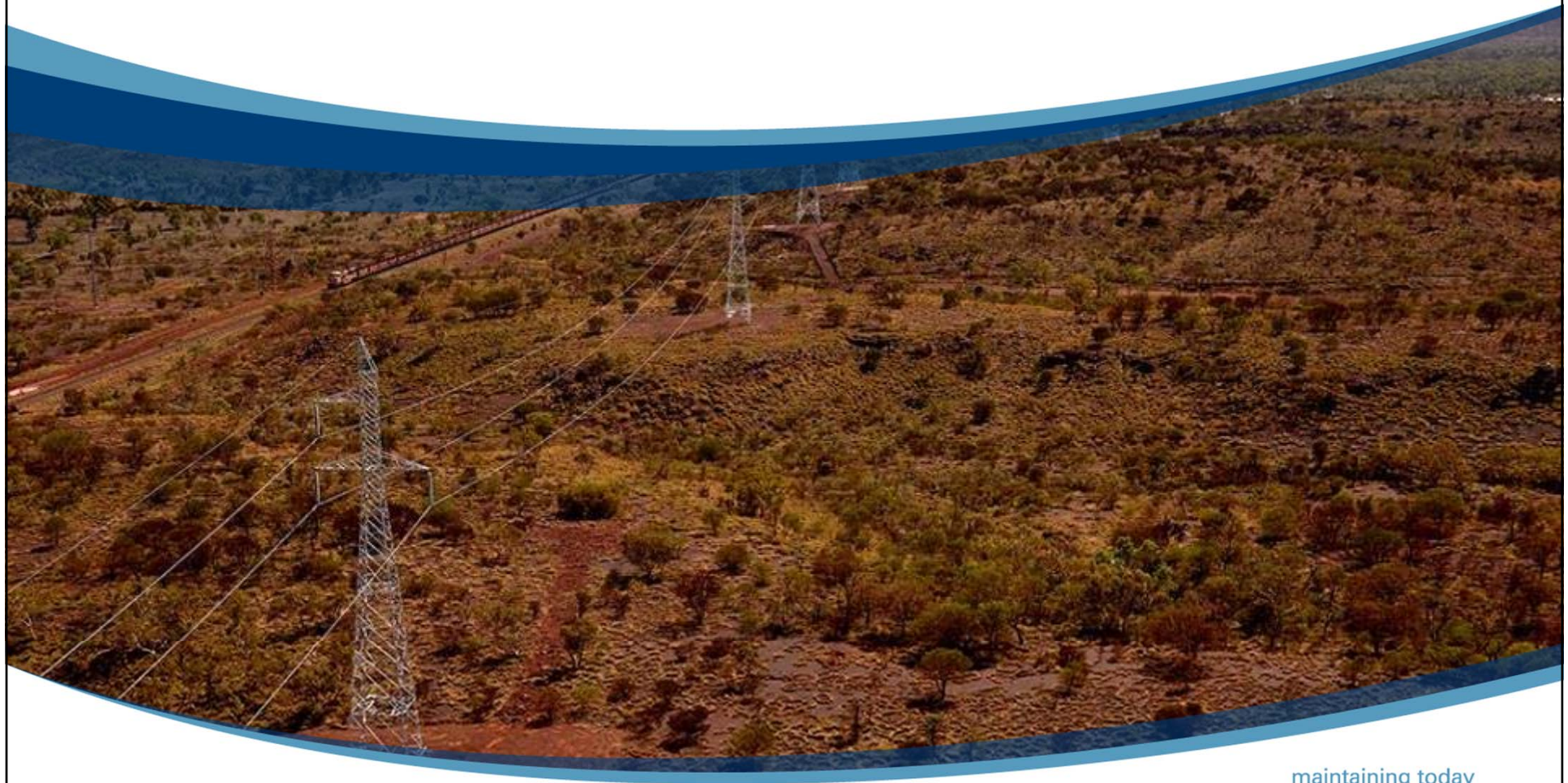


Agenda

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| 6. Outlook and Next Steps | Ross Taylor |

Introduction

Ross Taylor, Managing Director & CEO



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Overview of First Three Months

Key Focus Areas

- ✓ Business familiarisation and meeting key stakeholders
- ✓ Ichthys Combined Cycle Power Plant (Ichthys CCPP)
- ✓ Independent project and business reviews commenced

Business & Project Reviews

- ✓ Completion expected in March
- ✓ Progress to date not raising any unexpected issues
- ✓ Critical inputs for business and strategic planning

Half Year Results Context

- ✓ Various one-off events
- ✓ DTZ sale completion
- ✓ Ichthys CCPP project issues
- ✓ Resources sector slowdown

Early Impressions

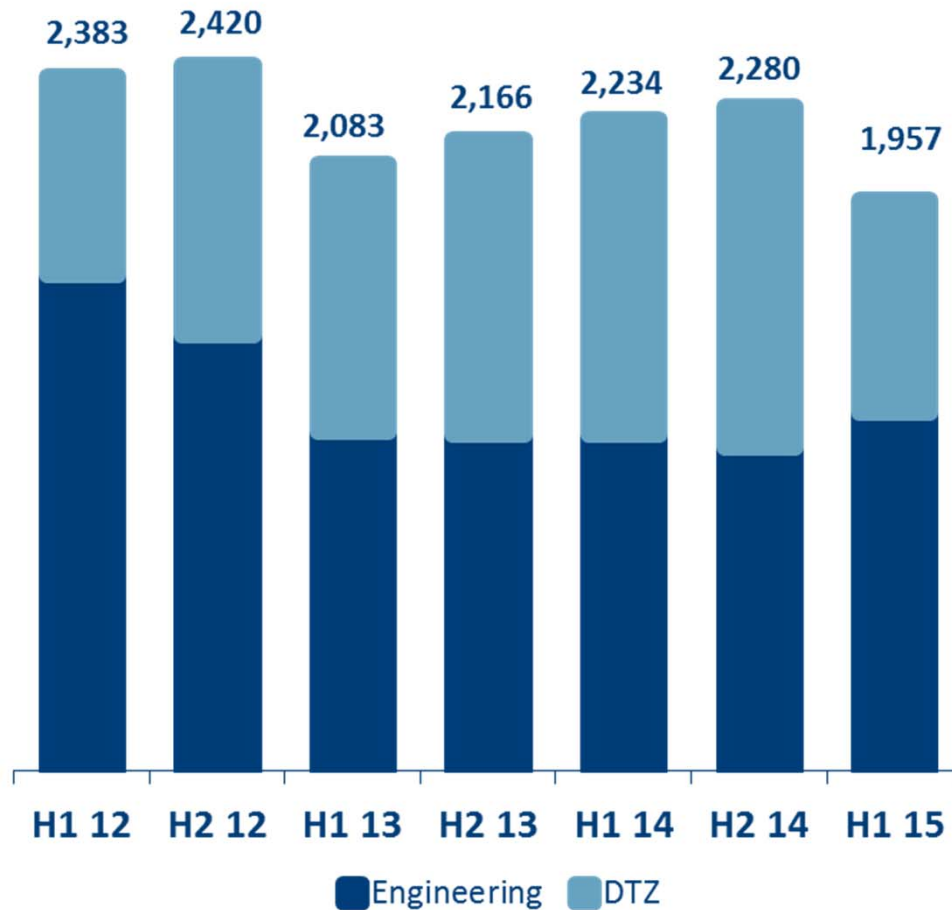
- ✓ Well positioned for growth in LNG and transport infrastructure
- ✓ Diversity in revenue with solid recurring base
- ✓ Strong capabilities

May Market Update

- ✓ Path to improved performance and operating structure defined
- ✓ Ichthys CCP project update
- ✓ Guidance refined

Operating Revenue

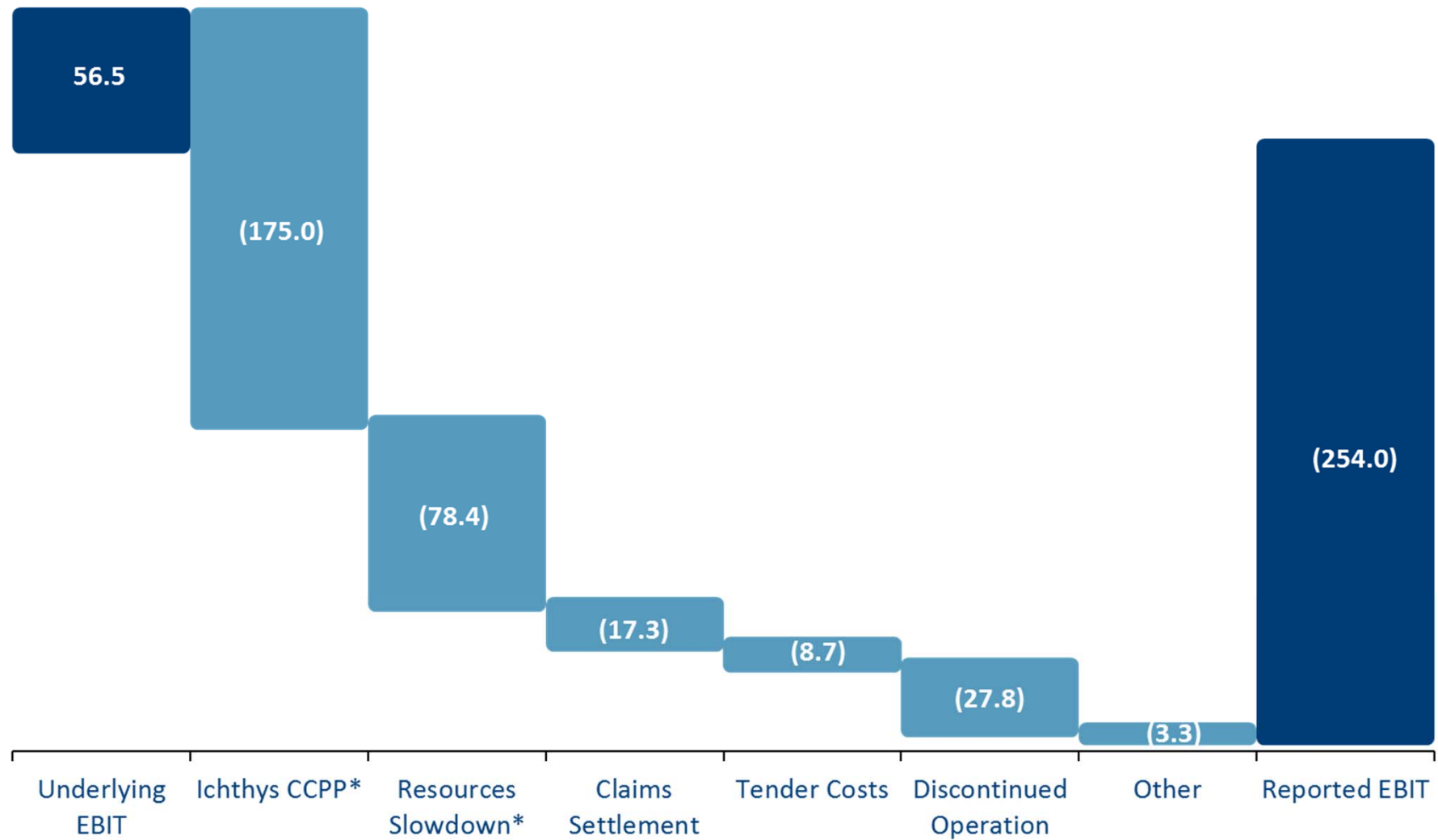
Underlying (\$m)



- Fall in revenue due to DTZ sale
- Engineering revenue up 7%

EBIT Waterfall

Underlying to Statutory EBIT



* Cash component Ichthys CCPP \$175m, Resources Slowdown \$8.9m

Ichthys CCPP Project Update

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Ichthys CCPP Project Recap

Client and Scope

- \$550m (\$275m UGL share) construction of CCPP
- Awarded by JKC Australia LNG Pty Ltd; Joint Venture between JGC Corporation, KBR and Chiyoda Corporation
- Scope includes design, supply of the balance of plant and construction

Delivery Partners

- 50/50 joint venture between UGL and CH2M HILL
- CH2M HILL is lead partner and manager for the Joint Venture
- Joint Venture is a member of a consortium with GE
- GE is contracted to supply gas turbines, steam turbines and heat recovery steam generators

Original Schedule of Delivery

- Originally scheduled to be completed by December 2016
- Design to be completed by April 2014 with construction ramping up in 2015 and 2016

Current Project Status



- Design 95% complete
- Construction 23% complete
- Financial forecast aligns with revised delivery schedule
- Project team changes largely implemented
- Commercial negotiations remain ongoing

Financial Impact

- Provision of \$175 million raised
- Includes assumptions on risk contingency and some allowance for future commercial settlements
- Cashflow impact of the provision will be spread over a three year period

Cashflow phasing (\$m)

2H FY2015	1H FY2016	2H FY2016	1H FY2017	Total
45	50	60	20	175

Next Steps

Delivery Schedule

- Revised program and forecast cost to complete now in place
- Monitor performance against revised program and cost estimate over the next 2-3 months

Claims

- Detailed work on historical claims expected to take some time to complete
- Commercial claims outcome being actively pursued with client

May Update

- Run rate of actual performance against program and cost estimate
- Progress on claims

One-Off Events

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Resources Slow Down Impacting Rail and Resources Businesses

- | | |
|---|---------|
| 1. PH37 locomotive | \$48.5m |
| • Significant decline in coal market investment impacting demand for new locomotive product | |
| 2. UGL Texmaco Joint Venture | \$9.7m |
| • Reduction in freight rail growth impacting production throughput in India | |
| 3. Property consolidation | \$14.9m |
| • Consolidation of under-utilised facilities | |
| • Annual savings of \$3m | |
| 4. Other | \$5.3m |

- | | |
|------------------------|---------|
| • Total EBIT impact | \$78.4m |
| • Cash write-downs | \$8.9m |
| • Non-cash impairments | \$69.5m |

Other One-Off Events

Claims Settlement

- Progress on WIP since 31 December 2014:
 - ✓ Settlement of longstanding claims with resources sector customers
 - ✓ Avoids costly legal action
 - ✓ Positive outcome
 - ✓ \$40 million to be received 2H FY2015
 - ✓ \$17.3 million write down included in half year result
- Continued focus on WIP reduction in 2H 2015

Tender Costs

- Change in policy
- Tender costs capitalised only where UGL is either preferred bidder or successful in securing a contract
- One-off EBIT adjustment of \$8.7m for tender costs previously capitalised that do not meet new criteria

Underlying HY2015 Results

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Financial Overview

**OPERATING
REVENUE[^]** **\$1.96b**

**OPERATING
CASH FLOW** **(\$3.6m)**

**UNDERLYING
NPAT*** **\$29.3m**

GEARING **10.2%**

**REPORTED
NPAT** **(\$122.5m)**

CAPEX **\$17m**

ORDER BOOK **\$4.9b**

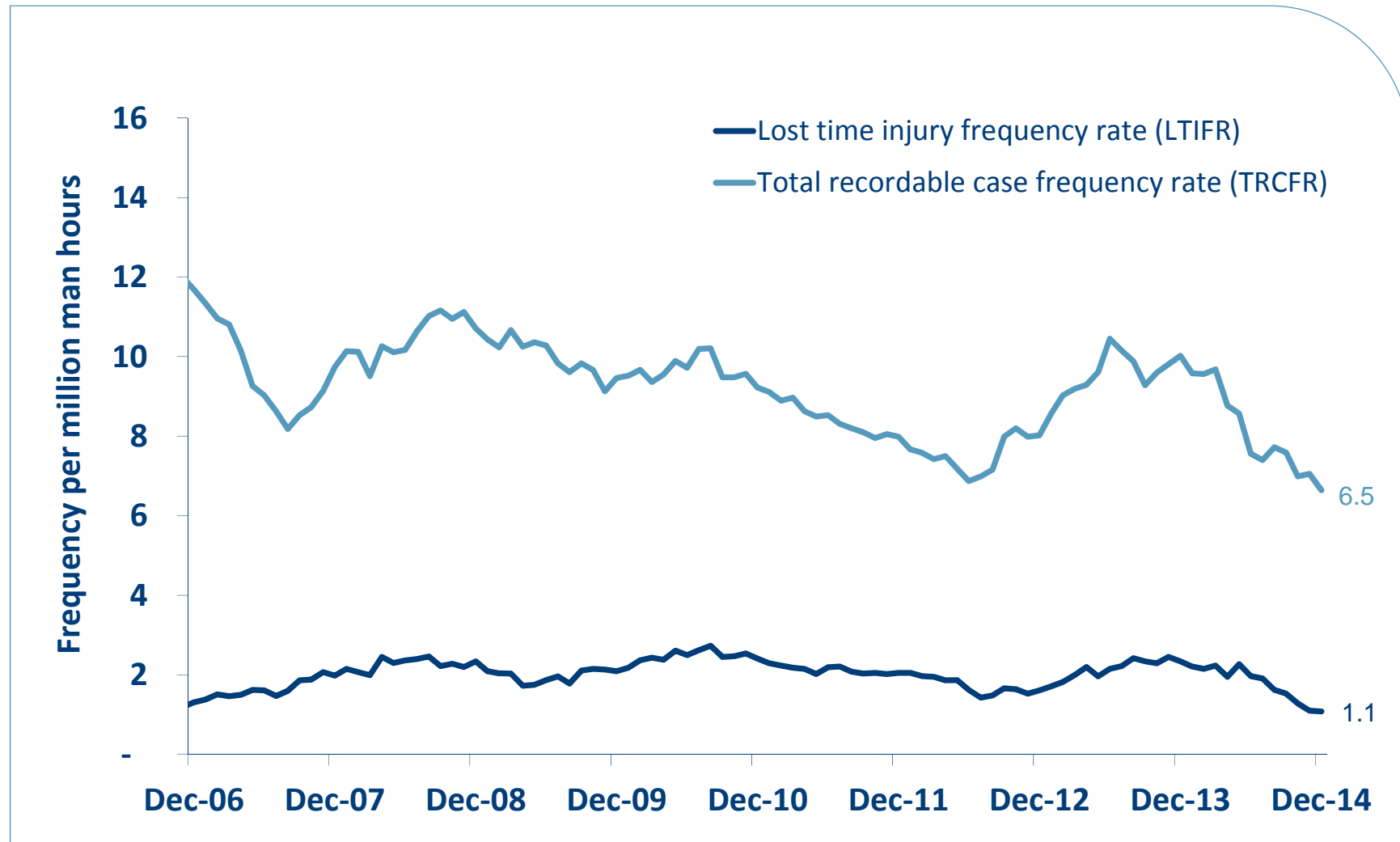
SAFETY # **LTIFR 1.1**
TRCFR 6.5
 Improved from prior period

[^] Includes UGL's share of joint venture revenue

*Adjusted for []

Frequency rate per million man hours

Safety



Historical safety data excludes DTZ

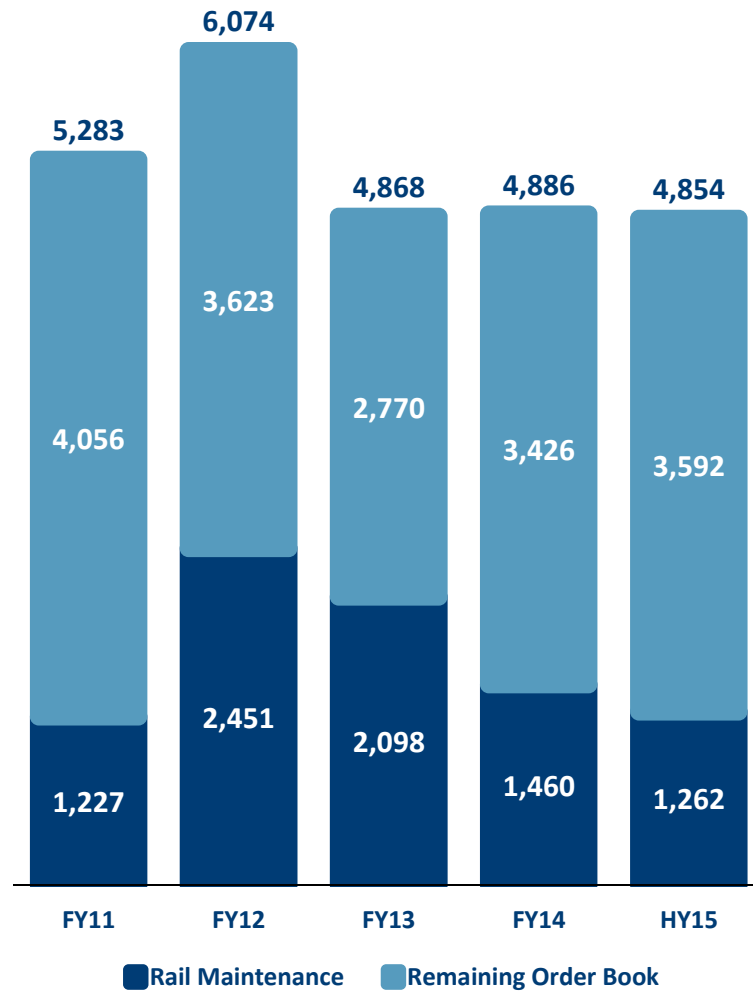
New Contract Wins and Extensions



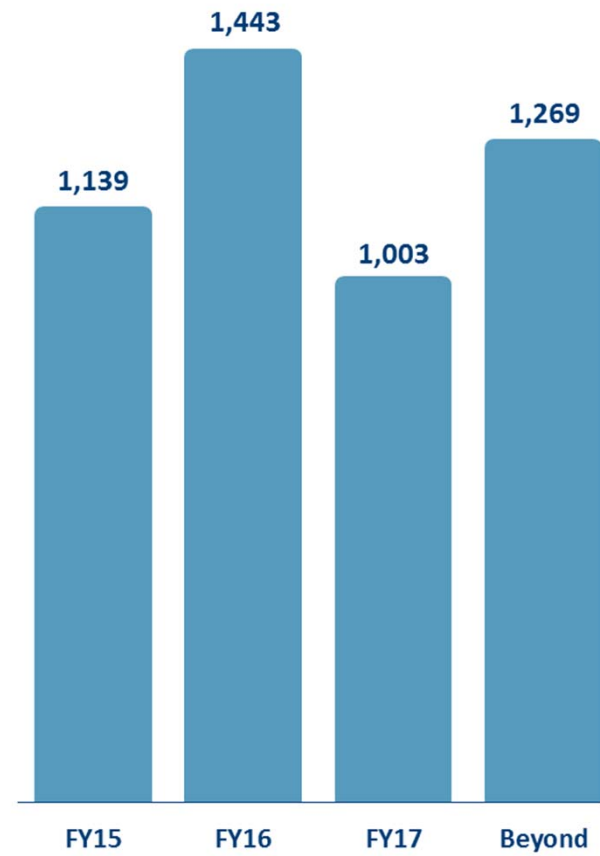
- ✓ \$1.2 billion in contract wins and renewals in the half year
- ✓ North West Rail Link: operations contract to be delivered by UGL as part of the Northwest Rapid Transport Consortium
- ✓ APLNG: Multi-million dollar 4 year downstream maintenance services contract

Order Book

Order Book (\$m)

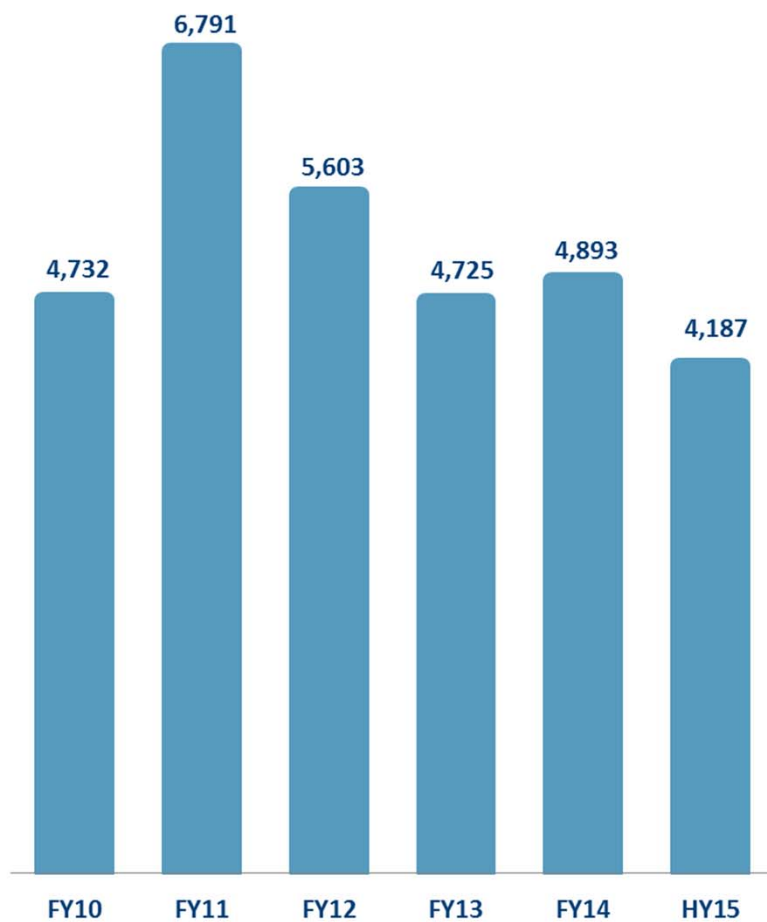


Order Book By Year (\$m)

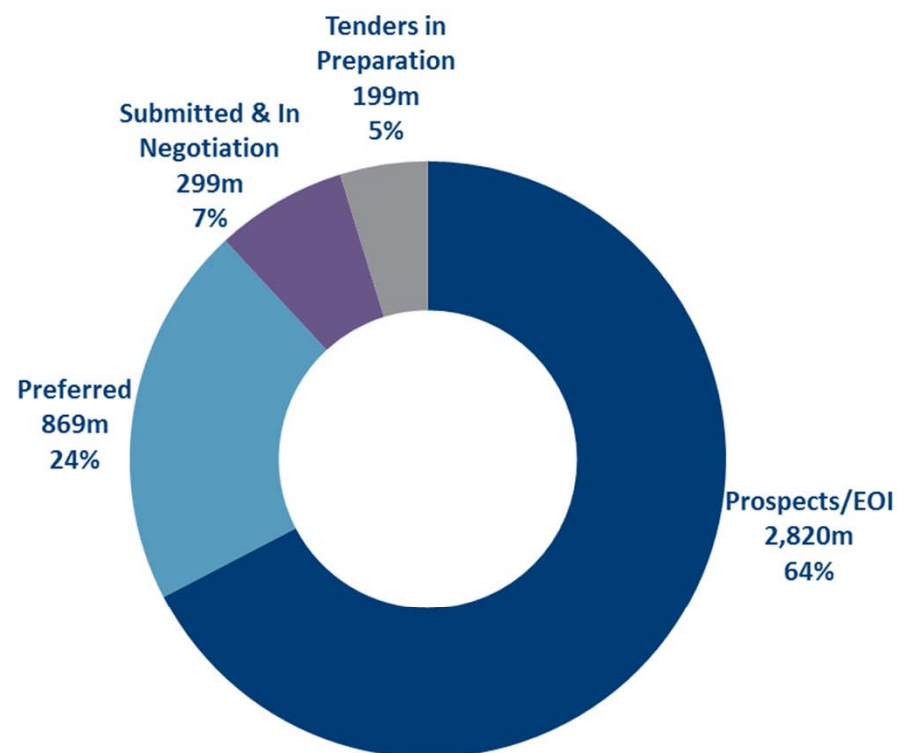


Pipeline

Weighted and Qualified (\$m)



Status



5. Financial Analysis

Rob Bonaccorso, Chief Financial Officer



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Results Overview

(Underlying Results)

\$m	HY15	HY14	Change
Operating revenue	1,957.2	2,233.6	(12%)
EBIT	56.5	78.5	(28%)
<i>EBIT margin</i>	<i>2.9%</i>	<i>3.5%</i>	
Interest	(15.7)	(18.8)	16%
Tax	(9.8)	(8.3)	(18%)
Minority interest	(1.7)	(1.8)	6%
NPAT	29.3	49.7	(41%)
<i>NPAT margin</i>	<i>1.5%</i>	<i>2.2%</i>	
EPS	17.6	29.8	(41%)

Reconciliation to Statutory

\$m	Underlying	JVs	Provision for contract loss	Claims resolution & settlement	Resources slowdown	Tender costs written off	Discontinued operation	Continuing operations
Revenue	1,957.2	(231.8)	-	-	-	-	(717.5)	1,007.9
EBIT	56.5	(3.3)	(175.0)	(17.3)	(78.4)	(8.7)	(27.8)	(254.0)
Net interest	(15.7)	-	-	-	-	-	6.2	(9.5)
Tax	(9.8)	3.3	52.5	5.2	20.6	2.6	4.1	78.5
	31.0	-	(122.5)	(12.1)	(57.8)	(6.1)	(17.5)	(185.0)
Non-controlling interests	(1.7)	-	-	-	-	-	0.1	(1.6)
NPAT	29.3	-	(122.5)	(12.1)	(57.8)	(6.1)	(17.4)	(186.6)
Profit attributable to discontinued operations								64.1
Loss								(122.5)

DTZ Overview

\$m	Trading	Accounting Profit	HY15
Operating revenue	729.1	-	729.1
EBIT	27.8	-	27.8
Sale Costs	-	(17.3)	(17.3)
Accounting Profit on Sale	-	81.7	81.7
Reported EBIT	27.8	64.4	92.2
Interest	(6.2)	-	(6.2)
Tax	(4.1)	(17.7)	(21.8)
Non-Controlling Interest	0.1	-	0.1
Profit from Discontinued Operations	17.4	46.7	64.1

DTZ Separation Costs (\$m)

\$m	Cost	FY14	H1 15	H2 15
Retention	23.6	18.8	4.8	-
Group Restructure	14.1	14.1	-	-
Transaction Costs	32.4	19.9	12.5	-
	70.1	52.8	17.3	-
Cash	70.1	20.5	17.3	32.3

Proceeds from DTZ Sale

<i>Completion</i>	<i>\$m</i>	<i>First Half</i>	<i>\$m</i>	<i>Second Half</i>	<i>\$m</i>
Sale proceeds	1,215	Sale proceeds	1,215	DTZ retained Cash	110
IBNR Escrow	(36)	IBNR Escrow	(36)	PI claims	(23)
PI claims	(23)		1,179	UK pensions	(36)
UK pensions	(36)			Tax & other debt like items	(15)
Transaction costs	(70)	Debt Repayment	(624)		
		Capital Return	(490)		
		Dividend	(10)	Working Capital Adjustment	23
		DTZ Retained cash	(110)		
Net proceeds	1,050		(1,234)		59

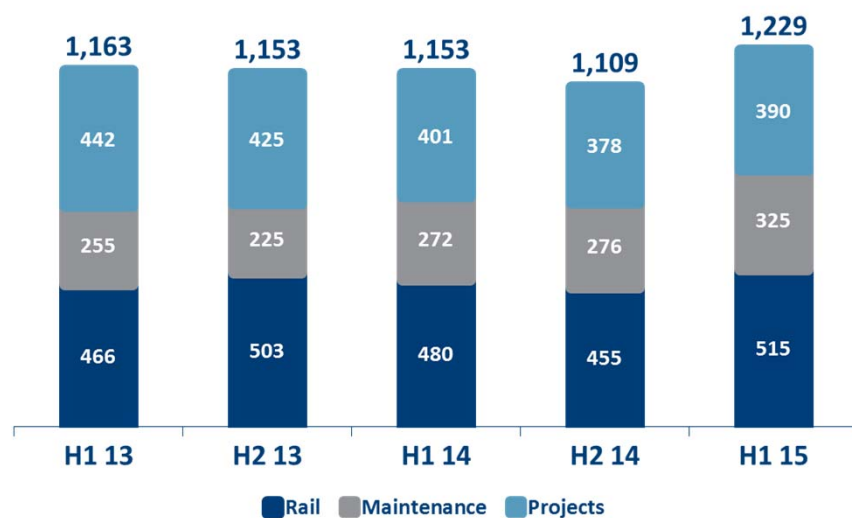
* Balance of IBNR escrow to be returned 5 November 2017

Operational Report - Engineering

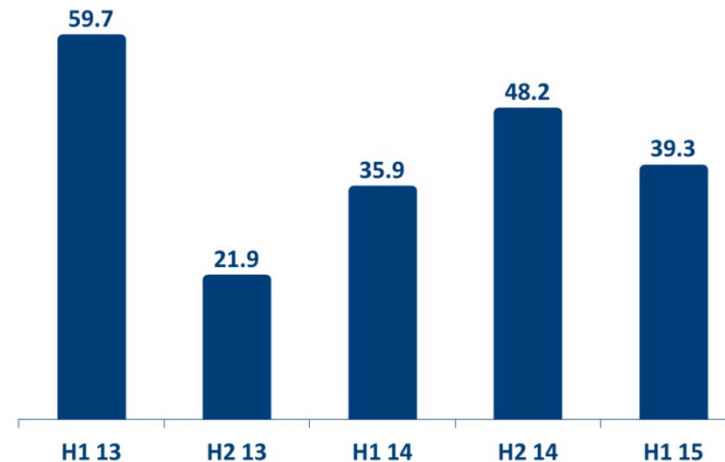
\$m	HY15	HY14	Change
Operating revenue	1,229.1	1,152.7	7%
EBIT	39.3	35.9	9%
<i>EBIT margin</i>	3.2%	3.1%	
Orderbook - \$b	4.9	4.6	7%

- Revenue recognition impacting margin
- Loss making operations

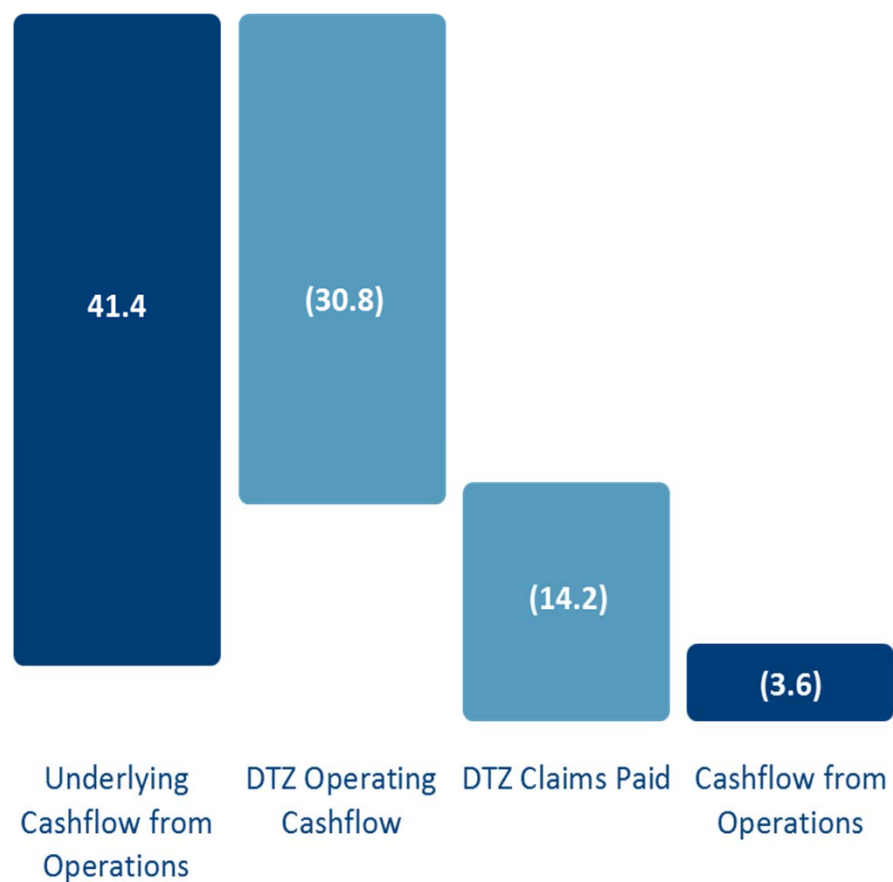
Revenue \$m



EBIT \$m



Operating Cash Flow (\$m)



Cash Realisation	HY15
Engineering	39.3
Group	(10.6)
Reportable EBIT total	28.7
Add Depreciation & Amortisation	18.8
Less Interest	(9.5)
	38.1
Underlying Cashflow from Operations	41.4
Underlying Cash conversion	109%

Impact of material items on debt levels (\$m)

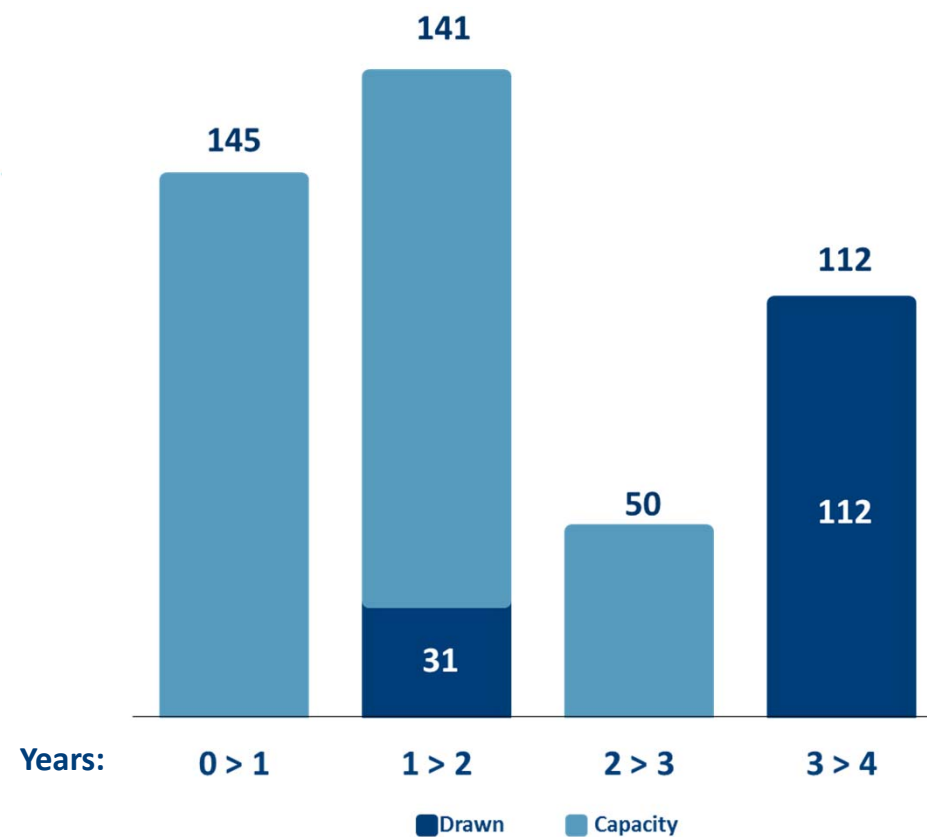
Cash Impact H2 2015	\$m
Ichthys CCPP	(45)
Under-Utilised Facilities	(9)
DTZ Sale Costs	(32)
Claims Resolved	40
DTZ Cash	59
Net Movement	13

Financial Position

\$m	HY15	FY14
Net debt	63	567
Net debt to net debt plus equity	10.2%	32.4%
Net debt to EBITDA	0.3x	2.4x
Interest cover	4.2x	5.2x

- Average term 1.8 years
- \$305m available bank capacity

Debt (\$m)



Outlook

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Market Outlook

- Diversity in revenue across UGL portfolio balancing resources downside
- Core capabilities in growth sectors:
 - ✓ Government investment in transport infrastructure
 - ✓ Oil and gas capex projects reaching operational phase
- Shortlisted or preferred for key transport infrastructure opportunities:
 - ✓ Cranbourne Pakenham Rail Corridor Project
 - ✓ NorthConnex
 - ✓ WestConnex
- Strongly positioned in LNG maintenance as greenfield sites move to operational phase
- Future growth in Power limited by lack of private investment in off-grid generation. Continued solid win rates in current opportunities, particularly substations
- Ongoing challenges in Rail and Resources

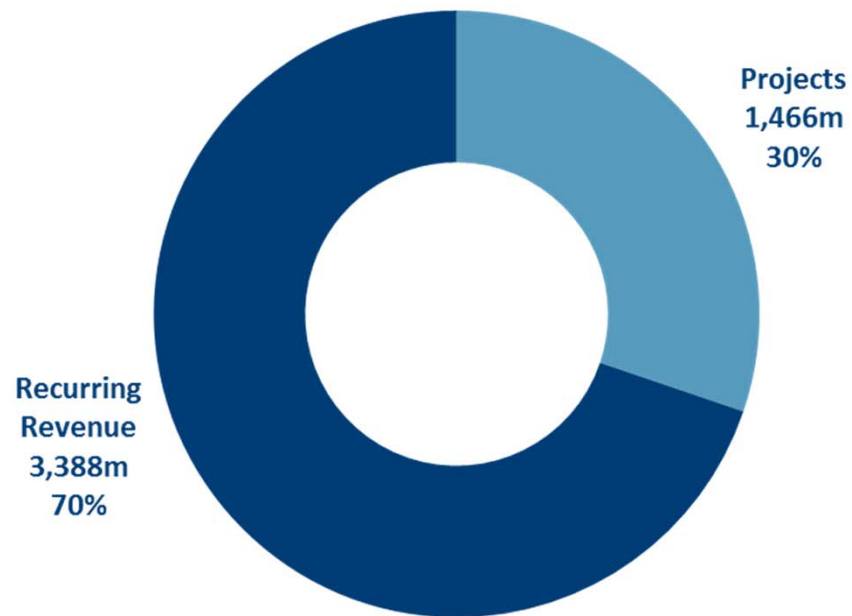
Guidance Update

- On track to achieve full year revenue target of \$2.4 billion - 97% sold
- Expect to generate similar underlying EBIT margins in 2H FY2015
- Second half focus on resetting the business for improved margin performance from FY2016
 - 2H FY2015 EBIT margin impacted by initiatives undertaken to strengthen the business
- Earnings guidance will be refined on completion of review and planning process
- Board does not intend to declare an interim or final dividend in F2015
- Reinstatement of dividends is unlikely until underlying earnings have normalised and it is considered appropriate in the context of UGL's capital requirements and outlook

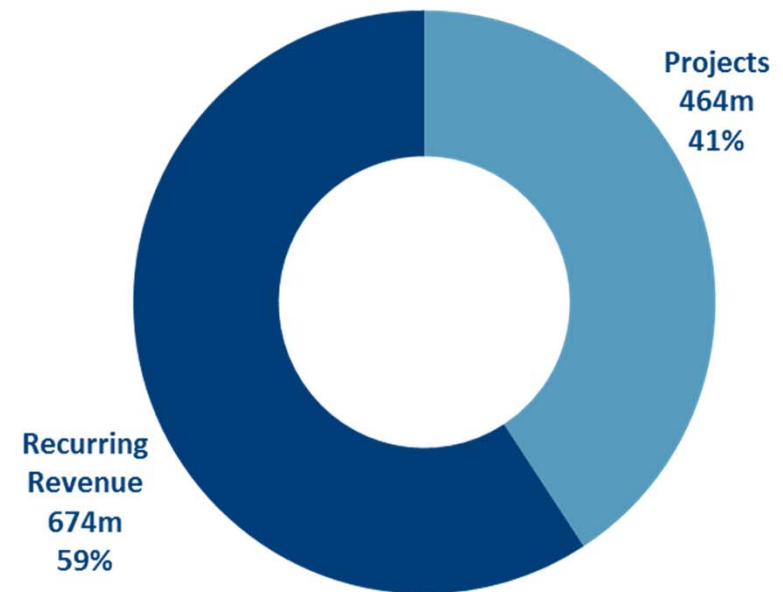
Appendix

Order Book – Recurring/Project Mix

All Years

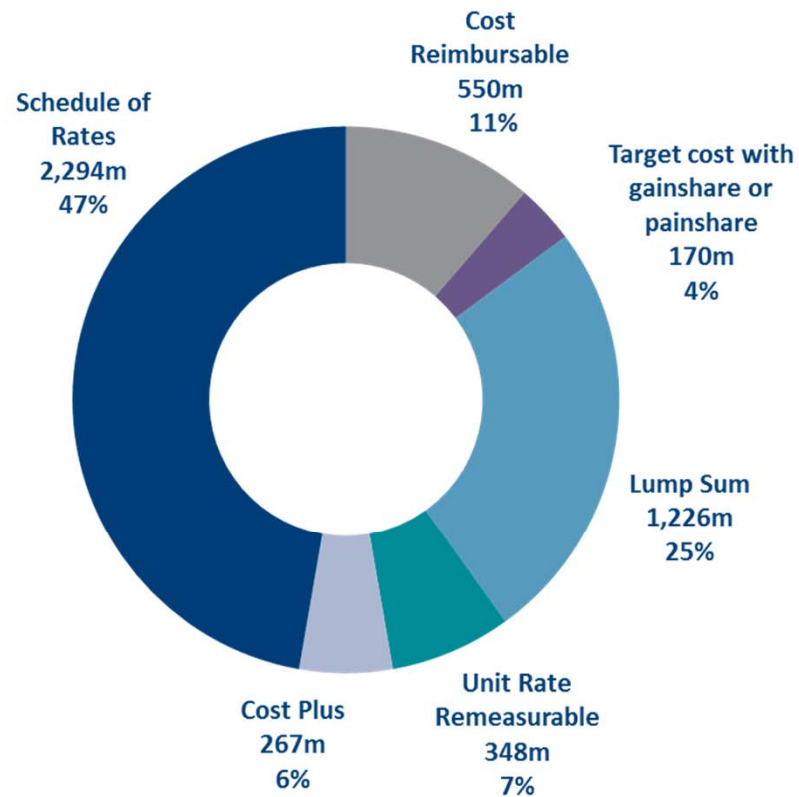


FY15

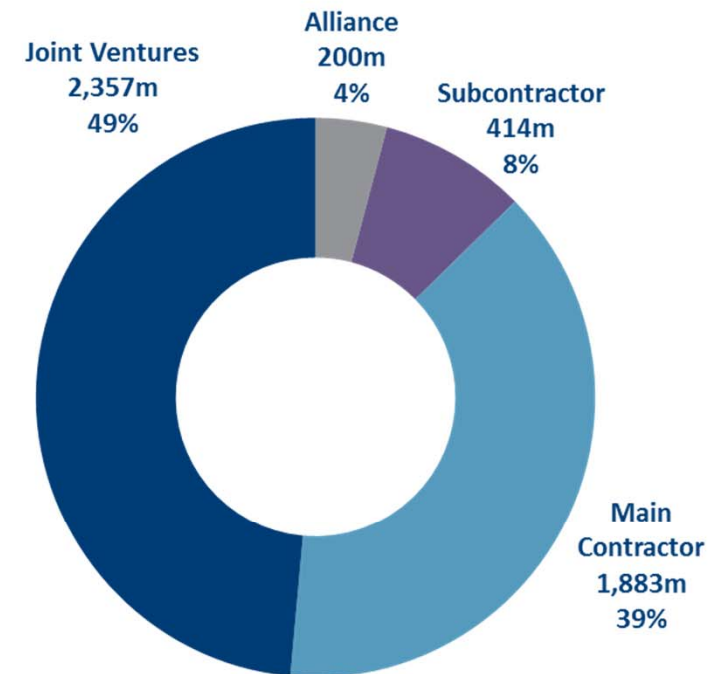


Order Book Breakdown

By Type



By Delivery Structure



Major Contracts in Order Book

Projects > \$100m remaining contract value	Contract Type	% complete
UGL Unipart	Recurring	43%
Metro Trains Melbourne JV	Joint Venture	65%
North West Rail Link - NRT SJV	Joint Venture	1%
Inpex Mech1 - UGL Kentz JV	Joint Venture	6%
Chevron Maintenance	Recurring	N/A
North West Rail Link - MTS JV	Joint Venture	0%
Stanwell FOAMMA Execution & Transition	Recurring	89%
Ichthys CCPP Power Station	One Off	42%
ESSO - UGL Kaefer JV	Joint Venture	N/A

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