



29 January 2014

FY2014 Earnings Guidance and Company Update

- **Pro-forma FY2014 EBITDA loss expected to be between \$(20) million to \$(25) million**
- **Earnings impacted by one-off and non-recurring factors and macro conditions**
- **\$25 million in new Asset Management contracts secured in Australia**
- **Continued support from Forge Group's financiers**
- **Euroz Securities Limited appointed as corporate advisors to manage third-party interest in Forge Group**

Forge Group Ltd (ASX: FGE) ("Forge Group" or "the Company") (ASX: FGE) today provides an update to shareholders following recent monthly operational and financial reviews of its operating businesses.

FY2014 Earnings Guidance

Forge Group now expects pro-forma earnings before interest, tax, depreciation and amortisation (EBITDA) loss for the period ended 30 June 2014 to be between \$(20) million to \$(25) million. Previous guidance was pro-forma FY2014 EBITDA of \$45 million to \$50 million. This revision is due to a number of one-off and macro factors including:

- To meet Forge Group's immediate cash requirements for completion of some major projects, the foremost focus has been on generating cash flow. This has impacted profit margins on some contracts and the settlement of commercial claims which has therefore impacted overall earnings. However, it is allowing Forge Group to deliver on its current work-in-hand.
- Forge Group expects the performance of two contracts being performed by Forge Group's Pilbara Logistics Joint Venture as part of the Company's Indigenous Involvement Strategy to incur further cost pressures resulting in both projects being unprofitable. One project is now complete with the other expected to be completed within the next three months.
- Forge Group's immediate priority is to close out current projects in the Power sector which has resulted in less emphasis being placed on booking new major projects which will have a short-term earnings impact.
- Domestic market conditions remain challenging, with increased cost and margin pressures.

Update on New Projects and North America Operations

Notwithstanding the challenges with some isolated projects, Forge Group is pleased to report it is realising value from its current tendering pipeline with \$25 million of Asset



Management works secured in Western Australia in the past week. This takes the total value of new Asset Management works secured in FY2014 to circa \$115 million.

In North America, the Company expects to shortly secure a number of new Asset Management projects, a further reflection of the strength of the Taggart Global acquisition.

Financing Support

Forge Group continues to work closely with its financier, the Australia and New Zealand Banking Group Limited (“ANZ”). ANZ continues to provide overall support to the Company through existing facilities. This support enables Forge Group to deliver on current work in hand and operate on a business as usual basis.

Corporate Update

Following a number of approaches by various third parties, the Board of Forge Group has appointed Euroz Securities Limited as corporate advisors to formally manage these approaches.

This appointment will ensure Forge Group’s management team is focused on managing the operations of the business and delivering current projects in a timely and cost effective manner.

Managing Director & CEO Commentary

Forge Group’s Managing Director & Chief Executive Officer, David Simpson commented: “As previously stated, FY2014 has been a challenging year for Forge Group and for the broader engineering and construction sectors, with increased competition and slowing activity in the domestic market. This is reflected in today’s full year earnings guidance.

“The management team is very focused on completing the Diamantina Power Station and West Angelas Power Station projects as quickly as possible so the Company is better positioned for a stronger performance in FY2015.

“Forge Group is encouraged by the interest shown in the Company by third parties despite recent challenges. This level of interest reflects the strength of the underlying business, which is supported by an order book of \$1.5 billion and \$1.3 billion in active tenders as at January 2014.

“The Company will also be shortly lodging a notice of meeting to renew its 15 per cent annual placement capacity, as set out in ASX Listing Rule 7.1. This is a prudent measure to take into account the current circumstances and the Company continues to assess its capital requirements going forward. If approved by shareholders, this will provide the Company with the flexibility to issue equity securities up to the 15 per cent placement capacity without the requirement to obtain prior shareholder approval.

MARKET ANNOUNCEMENT



“We will update shareholders on any corporate developments and operational performance when applicable.”

ENDS



About Forge Group

Headquartered in Perth, Western Australia, Forge Group is a multidisciplinary Engineering, Procurement and Construction (EPC) and Asset Management service provider delivering end-to-end turnkey solutions to the power and infrastructure, minerals and resources, and oil and gas sectors in Australia, Asia, Africa and North America.

With an experienced workforce of approximately 3,000, Forge Group services some of the world's leading resources, energy and utilities sector clients including BHP Billiton, Rio Tinto, Peabody Energy, ArcelorMittal, Chevron, MCC and AngloGold Ashanti.

With four fully-integrated business units, Forge Group's capabilities encompass state-of-the-art open and combined power stations, intuitive process solutions for the minerals, coal and resources industry, civil, mechanical, electrical and non-process solutions to the construction industry, and world-leading processing technology for the clean coal sector. These capabilities are supported by asset management services to ensure minimum lifecycle costs.

Forge Group Minerals & Resources provides a wide range of engineering, design and construction services for the minerals and resources sector including feasibility studies, front-end engineering design, EPC contract execution; clean coal technology and turnkey project solutions.

Forge Group Power provides turnkey power generation solutions to clients in the resources, oil & gas and infrastructure sectors globally. It specialises in Gas Turbine Power Plants, providing solutions in open or combined cycle configurations to meet client specifications.

Forge Group Construction provides a full range of multidiscipline construction and engineering solutions, including civil & concrete; structural, mechanical, piping & tanks; electrical & instrumentation; and building services. It services clients in the resources and oil & gas sectors globally.

Forge Group Asset Management compliments the group services providing integrated operations and maintenance, shutdown and capital works, emission reduction solutions and technology services in all sectors across multiple geographies.

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