

21 February 2012

Company Announcements  
Australian Securities Exchange Limited  
Level 4, 20 Bridge Street  
SYDNEY NSW 2000  
AUSTRALIA

Dear Sir / Madam

**RE: MONADELPHOUS REPORTS RECORD 2012 FIRST HALF REVENUE AND PROFIT**

Please find attached a copy of the announcement to be issued today by Monadelphous Group Limited regarding the Company's 2012 Half Year Results.

Yours sincerely,



Philip Trueman  
**Company Secretary**

## ASX RELEASE

21 February 2012

### MONADELPHOUS REPORTS RECORD 2012 FIRST HALF REVENUE AND PROFIT

Leading engineering group Monadelphous Group Limited (ASX:MND) today reported a record net profit after tax of \$57.5 million for the first half of 2011/12. The 26.3 per cent increase in profit flowed from record sales revenue of \$879.5 million which was driven by strong sales growth from the Maintenance and Industrial Services and Infrastructure divisions.

"The results reflect strong operational performance and increasing demand from our customers in all our key markets," Monadelphous Managing Director Rob Velletri said.

"Monadelphous secured \$1.4 billion in new contracts during the period and we have signed more contracts in the early stages of the second half. We enter the second half of 2012 well positioned for future growth and expect the strong revenue momentum achieved in the first half to continue for the remainder of the financial year and into the near term."

### Key Points

- **Sales revenue** was a record \$879.5 million (\$700.1 million H1 2011), up 25.6%, due to significant revenue growth from the Maintenance and Industrial Services division and continued strong demand from customers in the resources, energy and infrastructure sectors.
- **Earnings before interest, tax, depreciation and amortisation (EBITDA<sup>^</sup>)** was a record \$90.7 million (\$74.0 million H1 2011), up 22.5%.
- **Net profit after tax (NPAT)** for the period was a record \$57.5 million (\$45.5 million H1 2011), up 26.3%.
- **Earnings per share (EPS)** increased to a record 65.4 cps (52.3 cps H1 2011), up 25.2%.
- **Interim dividend** of 50 cps (fully franked) (40 cps H1 2011), up 25.0%.
- **Robust balance sheet** with net cash of \$136.9 million (\$129.1 million H1 2011) to support future growth.
- **Operating cash flow** for the period was \$68.4 million (\$61.5 million H1 2012), up 11.2%.
- **Capital expenditure** in property, plant and equipment totalled \$27.3 million.
- **New contracts and contract extensions** of approximately \$1.4 billion due to strong market conditions and the Company's proven track record in delivery. Further new contracts valued at approximately \$180 million have been secured subsequent to the reporting period.
- **Bond facilities** were increased by \$150 million to \$360 million and its club banking facility was expanded with the addition of HSBC.
- **Norfolk Divestment:**
  - In February 2012, a 13.98 per cent interest in Norfolk Group Limited was sold in an on-market transaction for a cash consideration of \$24.4 million.
  - This transaction will result in a one-off pre-tax profit of approximately \$16.2 million and will support further growth and continued development of the infrastructure business.
- **Market Index Rating:**
  - In November 2011, Monadelphous shares were included in the S&P/ASX 100 index.

## **OPERATIONAL OVERVIEW**

### **OUR STRATEGY**

Monadelphous continued to make progress towards its long term strategic objective of establishing and maintaining a leadership position in core markets and further diversifying in infrastructure during the reporting period.

The Company maintained a strategic focus on attracting and retaining the right people and further developing a safety leadership culture.

### **HEALTH AND SAFETY**

Monadelphous continued its focus on health and safety management with further implementation of the safety leadership program. No lost time injuries were recorded for the period and the total case injury frequency rate (TCIFR) trended lower with a 24 per cent reduction compared with the previous corresponding period.

### **PEOPLE**

The Company's total workforce at 31 December was 6,237, up 8.6 per cent on 12 months earlier. The attraction and retention of employees remains the Company's most significant challenge. A broad range of initiatives continued to be executed throughout the period. The introduction of a new long-term employee incentive program was a highlight.

### **OPERATIONAL ACTIVITY**

Monadelphous provides extensive services to the resources, energy and infrastructure sectors through its three operating divisions.

#### **Engineering Construction (EC)**

The Engineering Construction division, which provides large-scale multidisciplinary project management and construction services, reported sales revenue of \$480.1 million, an increase of 2.8 per cent on the previous corresponding period. The division was awarded approximately \$1,075 million in new contracts in H1 2012.

The new contracts included a number of large construction contracts valued at approximately \$980 million with blue-chip customers in the iron ore and coal markets. These wins will provide revenue momentum well beyond the current financial year and support the Company's leadership position in core markets.

During the period Monadelphous secured its first marine construction contract, valued at \$330 million, in joint venture with Muhibbah Construction Pty Ltd for Wiggins Island Coal Export Terminal (WICET) in Queensland. This was a significant highlight which broadens the Company's service offering.

Work on major projects during the period included:

- Engineering construction services at Woodside's Pluto LNG Project at Karratha in Western Australia (WA);
- Structural, mechanical, electrical and piping work for BHP Billiton's Worsley Alumina Efficiency and Growth Project at Collie in WA;
- Structural, mechanical and piping work for Newcrest Mining's Cadia East Project at Orange in New South Wales (NSW);
- Mechanical and electrical instrumentation work for Boyne Smelters Limited at Gladstone in Queensland; and

- Structural, mechanical and piping work for MCC at CITIC Pacific Mining's Sino Iron Project at Cape Preston in WA.

New contracts awarded to the Company during the period included:

- Two contracts for structural, mechanical, piping, electrical and instrumentation work as part of the Rio Tinto Coal Australia-managed Kestrel Mine, near Emerald in Queensland;
- Structural, mechanical, piping, electrical and instrumentation work as part of the upgrade of the coal preparation plant and stockyards at the Kestrel Mine;
- Two contracts for BHP Billiton Mitsubishi Alliance's (BMA) Project Delivery Group for ongoing construction work on various sites in the northern region of the Bowen Basin in Queensland;
- Mechanical commissioning support for Woodside's Pluto LNG Plant on the Burrup Peninsula, WA;
- Structural, mechanical and piping work for the greenfields mine processing plant for Rio Tinto and Hancock Prospecting's Hope Downs 4 Iron Ore Project in WA;
- Construction and commissioning of coal conveyors associated with Xstrata Coal's Ulan West Project in the central west of NSW;
- Structural and mechanical work associated with the coarse ore stockpiles at Cape Lambert for Rio Tinto Iron Ore in WA;
- Structural, mechanical and piping work associated with the supply and installation of the screenhouse for Rio Tinto at Cape Lambert in WA;
- A construction general services contract for Bechtel (Western Australia) at the Chevron-operated Wheatstone Project near Onslow in WA; and
- Structural, mechanical and piping work associated with the materials handling and processing facilities at the port operations for BHP Billiton Iron Ore's Port Hedland Inner Harbour Project at Finucane Island and Nelson Point in WA.

In February, subsequent to the reporting period, Monadelphous announced it had entered into two non-exclusive, five-year framework agreements with Rio Tinto's iron ore operations for its major program of construction works in the Pilbara region of WA. The first agreement is for the provision of structural, mechanical and piping packages of work. The second is for the provision of electrical and instrumentation packages of work. The milestone agreements provide Monadelphous with preferred contractor status and their key characteristic is early contractor involvement, which will enable the Company to work with Rio Tinto to optimise project delivery outcomes.

### **Maintenance and Industrial Services (M&IS)**

The Maintenance and Industrial Services division, which specialises in the planning, management and execution of multi-disciplinary maintenance services, shutdowns and sustaining capital works, performed strongly in H1 2012.

The division achieved record sales revenue of \$311.3 million, up 65.5 per cent on the previous corresponding period.

This exceptional growth was the result of a significant increase in service volumes through most existing contracts, full period revenue from new contracts and a ramp up in workload through the recently established operations at Mackay in Queensland. Other factors contributing to the division's strong performance were growth of existing maintenance contracts, major shutdown activity and an increase in sustaining capital works from regional operations.

Major contract activity during the period included:

- Facilities management services at the Chevron-operated Gorgon Project at Barrow Island in WA;
- Maintenance and shutdown services for Rio Tinto's coastal and inland West Pilbara operations in WA;
- Major shutdown, minor capital and maintenance services for BHP Billiton's Nickel West in WA;
- Minor capital project services for BHP Billiton's Worsley Alumina refinery at Collie in WA;
- Field construction services for Oil Search at the oil and gas production support facilities in Papua New Guinea;
- Maintenance, minor capital work and shutdown support for BHP Billiton's Olympic Dam Services at Roxby Downs in South Australia; and
- General maintenance services and projects for Chevron at its Barrow Island and Thevenard Island operations in WA.

The division was awarded approximately \$220 million in new contracts and contract extensions during H1 2012.

The announcement during the period of the Company's first long-term dragline shovel shutdown contract following the establishment of the workshop facility in Mackay has facilitated an increased presence in the Bowen Basin and revenue growth from coal customers. The new three-year contract with BHP Mitsubishi Alliance for work across its Bowen Basin coal operations is a strategic milestone, representing geographic diversification of the Company's services.

The following contract extensions were secured during the period:

- A three-year contract extension to provide minor capital project services for BHP Billiton's Worsley Alumina refinery at Collie in WA; and
- A two-year extension to an onshore maintenance and shutdown services contract with ConocoPhillips Australia at its Darwin LNG facility in the Northern Territory.

## **Infrastructure**

The Infrastructure division, established in July 2010 as part of Monadelphous's diversification strategy to support long-term growth, delivered strong sales revenue of \$96.3 million in H1 2012, an increase of 33.8 per cent on the previous corresponding period.

This pleasing result was due to growth in transmission pipeline services, progress on a number of water projects, substantial progress on the construction of the solid waste management project and expansion into the power sector following the acquisition in July 2011 of PearlStreet Energy Services Pty Ltd (renamed Monadelphous Energy Services Pty Ltd).

KT, the Company's transmission pipeline business, continued to grow in H1 2012 following the award of additional pipeline construction contracts. Further investment was also made in specialised pipe laying equipment.

Significant progress was achieved in the Stage 2 expansion of the DiCOM bioconversion waste processing facility for Western Metropolitan Regional Council at Shenton Park in WA, with joint venture partner AnaeCo Ltd.

The integration of PearlStreet Energy Services during the period contributed additional sales revenue through its two long-term operate and maintain contracts in the power sector. Other major infrastructure projects under way included:

- Supply and construction of a new waste water treatment facility for the Water Corporation at Picton, near Bunbury in WA; and
- Construction of pipelines, cables and tubes at the Chevron-operated Gorgon Project at Barrow Island in WA.

The Infrastructure division was awarded approximately \$100 million in new contracts in H1 2012, including:

- Construction of the onshore DomGas pipeline for Clough Sea Trucks Joint Venture associated with the Chevron-operated Gorgon Project in WA;
- Pipeline remediation work for Ok Tedi Mining in Tabubil, Western Province in Papua New Guinea;
- Construction of the Toowoomba Wastewater Infrastructure Projects program for the Toowoomba Regional Council in Queensland, in joint venture with Transfield Services; and
- Construction work for Unitywater's Cooroy and Woodford Sewage Treatment Plant Augmentation projects in Queensland.

In January 2012, subsequent to the reporting period, the division was awarded a further \$180 million in new contracts.

The division secured a contract to construct a potable water supply system with Rio Tinto's Coastal Waters Project at Bungaroo Valley in the Pilbara region of WA. This will support Rio Tinto's iron ore expansion operations in the Pilbara and position the division to deliver further large-scale water projects.

Also in January 2012, Monadelphous announced KT had been awarded a contract for the preparation and construction of a CO<sub>2</sub> injection pipeline for the Chevron-operated Gorgon project on Barrow Island, WA. This is the third pipeline contract secured by the Company on the Gorgon Project.

## **OUTLOOK**

With a historically high level of large-scale resources and energy projects currently in the execution phase throughout Australia and a healthy pipeline of projects in planning stages – particularly for iron ore, coal and LNG developments – Monadelphous expects the strong revenue momentum achieved in H1 2012 will continue for the remainder of the financial year.

At this stage, the Company expects sales revenue growth for the full year to be similar to the first half of the 2012 financial year.

A significant amount of revenue flow from the more than \$1.4 billion of new contracts secured by Monadelphous during H1 2012, along with others secured subsequent to the reporting period, will extend well into the 2013 financial year and beyond, providing continuing strong revenue visibility.

The Company anticipates that supply constraints, particularly for skilled labour, will remain as demand for resources continues to increase in the short term. Monadelphous will continue to develop and implement initiatives to maximise employee retention and attraction.

A robust level of capital investment in property, plant and equipment is expected to continue in support of ongoing core business growth and further expansion in infrastructure markets.

By maintaining its leadership position in its core markets and sustaining the successful execution of its diversification strategy, Monadelphous is confident it is well positioned to capitalise on the strong pipeline of construction and maintenance opportunities.

EBITDA<sup>^</sup> is a non-IFRS earnings measure which does not have any standardised meaning prescribed by IFRS and therefore may not be comparable to EBITDA presented by other companies. This measure is important to management when used as an additional means to evaluate the Company's performance.

#### EBITDA Reconciliation

|                      | H1 2012 | H1 2011 |
|----------------------|---------|---------|
|                      | \$'000  | \$'000  |
| Profit before tax    | 78,627  | 64,093  |
| Interest expense     | 1,679   | 1,234   |
| Interest received    | (3,458) | (2,424) |
| Depreciation expense | 12,787  | 10,599  |
| Amortisation expense | 1,097   | 537     |
| EBITDA               | 90,732  | 74,039  |

#### Further Information

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*Monadelphous Group Limited is a leading Australian engineering group providing services to the resources, energy and infrastructure industry sectors. The company has a solid track record in the safe and effective delivery of complex and large-scale engineering construction projects and maintenance and industrial services for industry throughout Australia. For more information or to join our free email alerts service visit:*

[www.monadelphous.com.au](http://www.monadelphous.com.au)