

MONADELPHOUS GROUP LIMITED

ABN 28 008 988 547

CONDENSED FINANCIAL REPORT

HALF-YEAR ENDED 31 DECEMBER 2012

MONADELPHOUS GROUP LIMITED
ABN 28 008 988 547
CORPORATE DIRECTORY

Directors

Calogero Giovanni Battista Rubino
Chairman

Robert Velletri
Managing Director

Irwin Tollman
Non-Executive Director

Peter John Dempsey
Lead Independent Non-Executive Director

Christopher Percival Michelmore
Independent Non-Executive Director

Company Secretaries

Zoran Bebic
Philip Trueman

Principal Registered Office in Australia

59 Albany Highway
Victoria Park
Western Australia 6100
Telephone: +61 8 9316 1255
Facsimile: +61 8 9316 1950
Website: www.monadelphous.com.au

Postal Address

PO Box 600
Victoria Park
Western Australia 6979

Share Registry

Computershare Investor Services Pty Ltd

Level 2, 45 St George's Terrace
Perth
Western Australia 6000
Telephone: 1300 364 961
Facsimile: +61 8 9323 2033

ASX Code

MND – Fully Paid Ordinary Shares

Bankers

National Australia Bank Limited

50 St George's Terrace
Perth
Western Australia 6000

Westpac Banking Corporation

109 St George's Terrace
Perth
Western Australia 6000

HSBC

188-190 St George's Terrace
Perth
Western Australia 6000

Auditors

Ernst & Young

The Ernst & Young Building
11 Mounts Bay Road
Perth
Western Australia 6000

Solicitors

Clifford Chance

Level 12, London House
216 St George's Terrace
Perth
Western Australia 6000

King and Wood Mallesons

152 St George's Terrace
Perth
Western Australia 6000

Controlled Entities

Monadelphous Engineering Associates Pty Ltd
Monadelphous Engineering Pty Ltd
Skystar Airport Services Pty Ltd
Monadelphous Properties Pty Ltd
Monadelphous Workforce Pty Ltd
Genco Pty Ltd
Monadelphous Electrical & Instrumentation Pty Ltd
(formerly M I & E Holdings Pty Ltd)
Monadelphous PNG Ltd
Skystar Airport Services Holdings Pty Ltd
Skystar Airport Services NZ Pty Ltd
Moway International Limited
SinoStruct Pty Ltd
Moway AustAsia Steel Structures Trading (Beijing)
Company Limited
Monadelphous Group Limited Employee Share Trust
Monadelphous KT Pty Ltd (formerly KT Pty. Ltd.)
Monadelphous Energy Services Pty Ltd
Monadelphous Singapore Pte Ltd (incorporated 2
November 2012)
Monadelphous Mongolia LLC (incorporated 5 February
2013)

Your directors submit their report for the half-year ended 31 December 2012.

DIRECTORS

The names and details of the directors of the Company in office during the half-year and until the date of this report are:-

Calogero Giovanni Battista Rubino	<i>Chairman</i> Appointed 18 January 1991 Resigned as Managing Director on 30 May 2003 and continued as Chairman 46 years experience in the construction and engineering services industry Also a director of one other publicly listed entity, Fortunis Resources Limited (ASX:FOT) – appointed 20 March 2012. Fortunis Resources Limited listed on the ASX on 18 December 2012
Robert Velletri	<i>Managing Director</i> Appointed 26 August 1992 Mechanical Engineer, Corporate Member of the Institution of Engineers Australia Appointed as Managing Director on 30 May 2003 33 years experience in the construction and engineering services industry
Irwin Tollman	<i>Non-Executive Director</i> Appointed 26 August 1992 Chartered Accountant, Member Institute of Chartered Accountants in Australia 20 years experience in the construction and engineering services industry Retired as Executive Director on 25 July 2003 and continued as a Non-Executive Director
Peter John Dempsey	<i>Lead Independent Non-Executive Director</i> Appointed 30 May 2003 Civil Engineer, Fellow of the Institution of Engineers Australia 40 years experience in the construction and engineering services industry Also a non-executive director of two other publicly listed entities, Becton Property Group Limited (ASX:BEC) – appointed 25 July 2008 and Service Stream Limited (ASX:SSM) – appointed 1 November 2010
Christopher Percival Michelmore	<i>Independent Non-Executive Director</i> Appointed 1 October 2007 Civil Engineer, Fellow of the Institution of Engineers Australia Member Institution of Structural Engineers, UK 40 years experience in the construction and engineering services industry

COMPANY SECRETARIES

Zoran Bebic	<i>Company Secretary and Chief Financial Officer</i> Appointed 24 August 2009 Certified Practising Accountant, Member of CPA Australia 19 years experience in the construction and engineering services industry
Philip Trueman	<i>Company Secretary and General Manager, Human Resources</i> Appointed 21 December 2007 Chartered Accountant, Member Institute of Chartered Accountants in Australia and the South African Institute of Chartered Accountants 12 years experience in the construction and engineering services industry

NATURE OF OPERATIONS AND PRINCIPAL ACTIVITIES

Engineering Services

Monadelphous is a diversified services company operating in the resources, energy and infrastructure industry sectors.

Services provided include:

- Fabrication, modularisation, offsite pre-assembly, procurement and installation of structural steel, tankage, mechanical and process equipment, piping, demolition and remediation works
- Multi-disciplined construction services
- Plant commissioning
- Specialist electrical and instrumentation services
- Fixed plant maintenance services
- Shutdown planning, management and execution
- Water and waste water asset construction and maintenance
- Construction of transmission pipelines and facilities
- Operation and maintenance of assets in the power sector

Skystar Airport Services

Provides aviation support services.

General

The Monadelphous Group operates from major offices in Perth and Brisbane, with regional offices in Beijing (China) and Adelaide, and a network of workshop facilities in Kalgoorlie, Karratha, Darwin, Roxby Downs, Gladstone, Hunter Valley and Mackay.

The consolidated entity's revenue is earned predominantly from the resources, energy and infrastructure industry sectors.

OPERATING RESULTS

The consolidated entity's profit after providing for income tax for the half-year was \$79.096 million (2011: \$57.507 million).

DIVIDENDS PAID OR PROPOSED

A 62.0 cent fully franked interim dividend has been approved by the directors payable on 15 March 2013 (2012: 50.0 cent interim dividend). A final fully franked dividend of \$67,969,307 was paid during the period in respect of the financial year ended 30 June 2012.

REVIEW OF OPERATIONS

	Consolidated 2012 \$'000	Consolidated 2011 \$'000
Revenue from services	1,289,270	879,450
Profit after income tax	79,096	57,507

FINANCIAL OVERVIEW

The Directors of Monadelphous Group Limited are pleased to advise the Company achieved record sales and earnings results for shareholders.

Revenue

Sales revenue for the first half (H1 2013) was a record \$1,289 million, up 46.6 per cent on the previous corresponding period. This outstanding result has been driven by an extraordinary surge in construction work.

Earnings

Earnings before interest, tax, depreciation and amortisation (EBITDA[^]) for H1 2013 was up 38.1 per cent on the previous corresponding period to \$125.3 million. EBITDA[^] margin was 9.7 per cent. Net profit after tax (NPAT) for the period was \$79.1 million, an increase of 37.5 per cent. Earnings per share (EPS) rose by 35.5 per cent to 88.6 cents.

Interim Dividend

The Board declared an interim dividend of 62 cents per share (fully franked), up 24.0 per cent on the previous corresponding period. Monadelphous recently introduced a Dividend Reinvestment Plan which will apply to this dividend with a discount of 2 per cent to the issue price.

Surge in Construction Activity

The large number of projects ramping up concurrently generated a greater than anticipated surge in construction activity, to record levels, in H1 2013.

During this intense period of growth, significant demands were placed on the Company's operational and financial resources. For the six month period, working capital* requirements of the business grew by approximately \$45 million and bond facilities increased by \$60.0 million to support the increased level of construction activity. The Company's balance sheet remained strong with a net cash position of \$126.3 million at 31 December 2012.

Continued to Secure New Work

During the period, Monadelphous was awarded approximately \$860 million in new contracts and extensions, including major construction contracts in the iron ore and coal sectors, and maintenance contracts in the oil and gas market. A further \$140 million in new contracts and extensions has been secured subsequent to the reporting period with further major contract awards expected in the coming months.

OPERATIONAL OVERVIEW

Markets and Growth

The Company strengthened its position as a leading maintenance services provider in the rapidly growing oil and gas market by securing two significant new liquefied natural gas (LNG) services contracts.

The new long term maintenance and shutdown services contract with Woodside Energy Limited at the Karratha Gas Plant in Western Australia is a strategic milestone as it is the largest onshore LNG plant in Australia. Monadelphous also entered into its first long-term LNG maintenance services contract with QGC Pty Ltd (QGC) at its new LNG plant which is currently under construction at Gladstone in Queensland.

With these new contracts, Monadelphous is providing maintenance services for all of Australia's major operating onshore LNG plants.

Health and Safety

Monadelphous continued to focus on health and safety management. The total case injury frequency rate (TCIFR) improved by 28.6 per cent to 5.5 incidents per million hours worked, an excellent outcome given the challenges presented by the rapid growth in activity and workforce numbers.

People

The Company's total workforce increased 27.2 per cent, to 7,932 employees, compared with 12 months earlier. The main focus for the period was on the attraction and retention of people to meet significant workforce requirements and support high levels of work. Overall employee retention improved due to the slight softening of the labour market and Monadelphous's long term development and retention initiatives.

OPERATIONAL ACTIVITY

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

Engineering Construction

The Engineering Construction division, which provides large-scale, multidisciplinary project management and construction services, reported sales revenue of \$876.9 million, an increase of 71.1 per cent on a like-for-like basis over the previous corresponding period.

The extraordinary revenue growth was driven by a wave of new construction projects, brought on by a surge in demand from major resources and energy projects currently in the development phase. The \$1.3 billion in new contracts awarded to the division in the previous financial year provided strong revenue momentum and contributed to the exceptional half-year result.

During the period, major contract activity included:

- 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 Western Australia (WA);
- Construction of an approach jetty and ship berth through the Monadelphous Muhibbah Marine (MMM) joint venture, and a further contract to construct and commission a shiploader associated with the Wiggins Island Coal Export Terminal Pty Ltd (WICET) project at Gladstone in Queensland (Qld);
- The supply of fabricated steelwork for stacker bridges and runway support gantries for WICET's coal stockyard at Gladstone (Qld);
- Structural and mechanical works associated with coarse iron ore stockpiles, installation of a screenhouse and a new car dumper for Rio Tinto at Cape Lambert (WA);
- Structural, mechanical, piping, electrical and instrumentation works as part of the Rio Tinto-managed Kestrel Mine, near Emerald (Qld);
- Structural, mechanical and piping works for a greenfield mine processing plant at Rio Tinto's and Hancock Prospecting's Hope Downs 4 Iron Ore Project (WA);
- Structural, mechanical and piping installation works for BHP Billiton Petroleum associated with the construction of the onshore gas plant at the Macedon Gas Project near Onslow (WA);
- A construction general services contract for Bechtel (Western Australia) at the Chevron Australia-operated Wheatstone Project near Onslow (WA);

- Installation of onshore pipelines, cables and tubes for the Chevron Australia-operated Gorgon Project on Barrow Island (WA); and
- Pipeline remediation works for OK Tedi Mining at Tabubil, Western Province, Papua New Guinea.

New contracts, with a combined value of \$300 million, awarded during the period included:

- Construction of stacking, reclaiming, train load out, product sampling and water infrastructure facilities for BHP Billiton Iron Ore's Jimblebar Mine, east of Newman (WA);
- Structural, mechanical and piping works for Rio Tinto's Marandoo Mine Phase 2 Expansion Project, east of Tom Price (WA); and
- Civil, structural, mechanical, piping, and electrical and instrumentation works for a coal handling plant for BHP Billiton Mitsubishi Alliance (BMA) Caval Ridge Mine Project, south-east of Moranbah (Qld).

Subsequent to the reporting period, the division was awarded a further \$100 million in new contracts, which included:

- Engineering, procurement and construction, with JKC, of the gas export pipeline works for the onshore facilities of the Ichthys Project in the Northern Territory; and
- Design and construction, in joint venture with OSD Projects Pty Ltd, of approximately two kilometres of pipeline and a delivery station for Rio Tinto's Cape Lambert Petroleum Gas Pipeline (WA).

Maintenance and Industrial Services

The Maintenance and Industrial Services division, which specialises in the planning, management and execution of multidisciplinary maintenance services and shutdowns, recorded sales revenue of \$331.0 million, an increase of 6.3 per cent on the previous corresponding period. This first half result reflects what is likely to be a year of consolidation for the division, which grew 58.1 per cent in the 2012 financial year.

Strong growth in oil and gas maintenance activity was offset by lower volumes in the mining and minerals sector, as customers across-the-board focused on cost reduction and discretionary capital spending in response to changing market conditions.

Major contract activity during the period included:

- Facilities management services at the Chevron-operated Gorgon Project at Barrow Island in Western Australia (WA);
- Shutdown and maintenance services for Rio Tinto's coastal and inland west operations (WA);
- Maintenance and shutdown services for BHP Billiton's Nickel West operations in Kalgoorlie (WA);
- Multidisciplinary services at the Darwin LNG facility, operated by ConocoPhillips, in the Northern Territory; and
- The associated gas-related project for Oil Search Limited at the oil and gas production support facilities in the Southern Highlands Province of Papua New Guinea.

The division was awarded approximately \$560 million in new maintenance contracts and contract extensions during the period, including two new LNG service contracts. The recent award by QGC of a 6½-year contract for the provision of maintenance services at its Queensland Curtis Island LNG plant, near Gladstone, follows a new three-year contract for maintenance and shutdown services at the Woodside-operated Karratha Gas Plant in Western Australia (WA).

Contract extensions awarded to the division during H1 2013 included:

- Three-year extensions to two shutdown and maintenance services contracts for Rio Tinto's coastal and inland west operations in the Pilbara region (WA); and
- A one-year extension to the facilities management services contract associated with the Gorgon Project, operated by Chevron-Australia on Barrow Island (WA).

Subsequent to the reporting period, the division secured a one-year extension to the general maintenance services contract with Chevron Australia for its oil operations on Barrow Island and Thevenard Island (WA).

Infrastructure

The Infrastructure division, which supports the Company's diversification strategy and long-term growth, recorded sales revenue of \$95.5 million, an increase of 49.6 per cent on a like-for-like basis, when compared with the previous corresponding period.

Following a strategic review of the role of the Infrastructure division in the achievement of the Company's market growth strategy, KT Pty Ltd (KT) the Company's transmission pipeline business was transferred to the Engineering Construction division at the end of last financial year. This follows a period of rapid growth in which KT developed a strong position with blue chip oil and gas customers.

The water business, which provides construction, operations and maintenance service solutions, contributed approximately three-quarters of the division's revenue for the period. Strong activity was also recorded by integrated power asset management business Monadelphous Energy Services and aviation support services business Skystar.

Major contract activity during the period included:

- Construction of a potable water supply system with Rio Tinto's Coastal Waters Project at Bungaroo Valley in the Pilbara region of Western Australia (WA);
- Construction of the Toowoomba Wastewater Infrastructure Projects program in joint venture with Transfield Services for the Toowoomba Regional Council in Queensland; and
- Construction of the DiCOM Waste Processing Facility for the Western Metropolitan Regional Council in joint venture with AnaeCo in Shenton Park (WA).

Subsequent to the reporting period, the division was awarded a contract with Unitywater to upgrade the Maleny Sewage Treatment Plant in Queensland.

OUTLOOK

The exceptional sales performance achieved in H1 2013 reflects the record level of resources and energy developments underway, the unprecedented volume of new contracts secured in the previous financial year and the intensity of engineering construction activity.

The \$1 billion of new contracts and contract extensions secured in the financial year-to-date provides strong revenue visibility for the current financial year and beyond. At this stage, the expectation is for full-year revenue growth of approximately 35 per cent.

The pipeline of engineering construction opportunities flowing from the large volume of approved projects, particularly in the iron ore and LNG sectors, will continue to drive solid demand for the Company's services.

The market for maintenance services will continue to expand as new resource development operations come on stream, providing Monadelphous with opportunities for recurring revenue growth in the Maintenance and Industrial Services division.

Uncertainty remains in respect of the rate of new project approvals in the resources and energy sector as customers reassess their capital expenditure plans and focus their attention on high-return options along with improvements in project delivery productivity.

Customers are tightening discretionary expenditure and reducing overall costs. With margins under pressure in this environment, the Company remains focused on managing execution risks and improving productivity.

Whilst the opportunities for construction beyond this financial year remain solid based on the volume of approved projects, project delays and a slowdown in near-term new major project approvals are likely to reduce the pipeline of opportunities in the medium-term.

Looking beyond the current financial year, after two consecutive years of extraordinary growth of more than 30 per cent, 2013/14 is currently anticipated to be a period of consolidation in which the achievement of any revenue growth will be challenging.

The Company's leadership position in its core resources and energy markets and continued development of its diversification strategy will support long-term growth. Opportunities for expansion in existing infrastructure markets of water and power and longer term market diversification, including new services and overseas expansion for existing customers, will continue to be pursued.

[^]EBITDA 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 profitability.

Reconciliation of Profit before tax to EBITDA (unreviewed)

	H1 2013	H1 2012
	\$'000	\$'000
Profit before tax	110,200	78,627
Interest expense	1,853	1,679
Interest received	(1,870)	(3,458)
Depreciation expense	14,534	12,787
Amortisation expense	560	1,097
EBITDA	125,277	90,732

*Working capital is a non-IFRS financial measure which does not have any standardised meaning prescribed by IFRS and therefore may not be comparable to working capital presented by other companies. This measure is important to management when used as an additional means to evaluate the Company's performance.

Working capital movement includes the change in cash and cash equivalents, trade and other receivables, inventories, trade and other payables and provisions.

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

On 8 February 2013, Monadelphous Group Limited announced the introduction of a Dividend Reinvestment Plan allowing eligible shareholders to reinvest their dividends into Monadelphous shares.

On 11 February 2013 the Company announced it had been awarded contracts for construction and maintenance work in the oil and gas, iron ore and water sectors with a total value of approximately \$140 million. The contracts include:

- A \$90 million contract secured through its wholly owned subsidiary Monadelphous KT Pty Ltd for the engineering, procurement and construction of the gas export pipeline for the Ichthys Project onshore LNG facilities in Darwin, Northern Territory;
- Engineering, procurement and construction, in joint venture with pipeline design partner OSD, of a pipeline and delivery station for the Cape Lambert Petroleum Gas Pipeline for Rio Tinto in Western Australia (WA);
- Design, construction and commissioning works to upgrade the Maleny Sewage Treatment Plant in Queensland for Unitywater; and
- A 12-month extension to the general maintenance services contract with Chevron Australia for its oil operations at Barrow Island and Thevenard Island, WA.

On 18 February 2013, Monadelphous Group Limited declared an interim dividend on ordinary shares in respect of the 2013 financial year. The total amount of the dividend is \$56,211,397, which represents a fully franked interim dividend of 62 cents per share. This dividend has not been provided for in the 31 December 2012 Financial Statements.

Other than the items noted above, there are no matters or circumstances that have arisen since the end of the half-year ending 31 December 2012 which significantly affected or may significantly affect the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in subsequent financial years.

AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001

The auditor's independence declaration is set out on page 10 and forms part of the Directors' Report for the half-year ended 31 December 2012.

ROUNDING

The amounts contained in this report and the half-year financial report have been rounded to the nearest \$1,000 (where rounding is applicable) under the option available to the Company under ASIC Class Order 98/0100. The Company is an entity to which the Class Order applies.

Signed in accordance with a resolution of the directors.

A handwritten signature in black ink, appearing to read 'C G B Rubino', with a large, stylized flourish above the name.

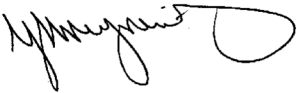
C G B Rubino
Chairman
Perth, 18 February 2013

Auditor's Independence Declaration to the Directors of Monadelphous Group Limited

In relation to our review of the financial report of Monadelphous Group Limited for the half-year ended 31 December 2012, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

A handwritten signature in black ink, appearing to read 'Ernst & Young', with a large, stylized circular flourish at the end.

Ernst & Young

A handwritten signature in black ink, appearing to read 'G H Meyerowitz', with a large, stylized circular flourish at the end.

G H Meyerowitz
Partner
18 February 2013

Independent review report to members of Monadelphous Group Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Monadelphous Group Limited, which comprises the consolidated statement of financial position as at 31 December 2012, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2012 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Monadelphous Group Limited and the entities it controlled during the half-year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the Directors' Report.

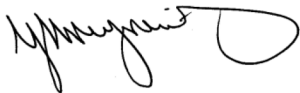
Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Monadelphous Group Limited is not in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2012 and of its performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A handwritten signature in black ink, appearing to read 'Ernst & Young', with a large, stylized loop at the end.

Ernst & Young

A handwritten signature in black ink, appearing to read 'G H Meyerowitz', with a large, stylized loop at the end.

G H Meyerowitz
Partner
Perth
18 February 2013

DIRECTORS DECLARATION

In accordance with a resolution of the Directors of Monadelphous Group Limited, I state that:

In the opinion of the directors:

- (a) the financial statements and notes of the consolidated entity are in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the financial position as at 31 December 2012 and the performance for the half-year ended on that date of the consolidated entity; and
 - (ii) complying with Accounting Standard AASB 134 "Interim Financial Reporting" and the Corporations Regulations 2001; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

On behalf of the Board

A handwritten signature in black ink, appearing to read 'C. G. B. Rubino', with a large, stylized flourish above it.

C. G. B. Rubino
Chairman
Perth, 18 February 2013

**INCOME STATEMENT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2012**

	Notes	Consolidated Half-year ended 31 December 2012 \$'000	Consolidated Half-year ended 31 December 2011 \$'000
CONTINUING OPERATIONS			
REVENUE	2	1,291,140	883,352
Cost of services rendered		<u>(1,149,346)</u>	<u>(773,666)</u>
GROSS PROFIT		141,794	109,686
Other income	2	1,554	1,248
Business development and tender costs		(8,826)	(10,361)
Occupancy costs		(1,398)	(1,474)
Administrative costs		(18,957)	(18,569)
Finance costs		(1,853)	(1,679)
Other expenses		<u>(2,114)</u>	<u>(224)</u>
PROFIT BEFORE INCOME TAX		110,200	78,627
Income tax expense		<u>(31,104)</u>	<u>(21,120)</u>
PROFIT AFTER INCOME TAX		<u>79,096</u>	<u>57,507</u>
PROFIT ATTRIBUTABLE TO MEMBERS OF MONADELPHOUS GROUP LIMITED		<u>79,096</u>	<u>57,507</u>
Basic earnings per share for the half-year (cents per share)		88.6	65.4
Diluted earnings per share for the half-year (cents per share)		86.9	64.3

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2012**

	Consolidated Half-year ended 31 December 2012 \$'000	Consolidated Half-year ended 31 December 2011 \$'000
NET PROFIT FOR THE PERIOD	79,096	57,507
OTHER COMPREHENSIVE INCOME		
Items that may be reclassified subsequently to profit or loss:		
Net fair value (loss)/gain on available-for-sale financial assets	(880)	(2,332)
Reclassification adjustment for impairment losses included in the income statement	880	-
Foreign currency translation	(22)	6
Income tax on items of other comprehensive income	-	699
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	(22)	(1,627)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO MEMBERS OF MONADELPHOUS GROUP LIMITED	79,074	55,880

**STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2012**

	Notes	Consolidated as at 31 December 2012 \$'000	Consolidated as at 30 June 2012 \$'000
ASSETS			
Current assets			
Cash and cash equivalents		189,349	203,556
Trade and other receivables		226,474	239,595
Inventories		130,913	72,090
Derivative financial instruments		-	433
Total current assets		546,736	515,674
Non-current assets			
Property, plant and equipment	4	146,876	141,102
Deferred tax assets		33,001	29,215
Intangible assets and goodwill		5,357	5,918
Available-for-sale financial assets	5	1,232	-
Total non-current assets		186,466	176,235
TOTAL ASSETS		733,202	691,909
LIABILITIES			
Current liabilities			
Trade and other payables		246,705	280,686
Interest bearing loans and borrowings		23,390	18,783
Income tax payable		19,912	15,678
Provisions		114,468	93,578
Derivative financial instruments	8a	611	-
Total current liabilities		405,086	408,725
Non-current liabilities			
Interest bearing loans and borrowings		39,618	31,838
Provisions		7,554	5,427
Deferred tax liabilities		277	277
Total non-current liabilities		47,449	37,542
TOTAL LIABILITIES		452,535	446,267
NET ASSETS		280,667	245,642
EQUITY			
Contributed equity		77,105	57,876
Reserves		30,900	26,231
Retained earnings		172,662	161,535
TOTAL EQUITY		280,667	245,642

STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2012

Consolidated	<i>Attributable to equity holders</i>					Total \$'000
	Contributed Equity \$'000	Net Unrealised Gains Reserve \$'000	Share- Based Payment Reserve \$'000	Foreign Currency Translation Reserve \$'000	Retained Earnings \$'000	
At 1 July 2012	57,876	-	26,441	(210)	161,535	245,642
Other comprehensive income	-	-	-	(22)	-	(22)
Profit for the period	-	-	-	-	79,096	79,096
Total comprehensive income for the period	-	-	-	(22)	79,096	79,074
Transactions with owners in their capacity as owners						
Exercise of employee options	19,229	-	-	-	-	19,229
Share-based payments	-	-	3,400	-	-	3,400
Deferred tax asset recognised on Employee Share Trust	-	-	1,291	-	-	1,291
Dividends paid	-	-	-	-	(67,969)	(67,969)
At 31 December 2012	77,105	-	31,132	(232)	172,662	280,667

Consolidated	<i>Attributable to equity holders</i>					Total \$'000
	Contributed Equity \$'000	Net Unrealised Gains Reserve \$'000	Share- Based Payment Reserve \$'000	Foreign Currency Translation Reserve \$'000	Retained Earnings \$'000	
At 1 July 2011	46,612	12,395	17,210	(279)	117,296	193,234
Other comprehensive income	-	(1,633)	-	6	-	(1,627)
Profit for the period	-	-	-	-	57,507	57,507
Total comprehensive income for the period	-	(1,633)	-	6	57,507	55,880
Transactions with owners in their capacity as owners						
Exercise of employee options	11,264	-	-	-	-	11,264
Shares issued on acquisition of subsidiary	-	-	2,198	-	-	2,198
Deferred tax asset recognised on Employee Share Trust	-	-	2,147	-	-	2,147
Dividends paid	-	-	-	-	(48,759)	(48,759)
At 31 December 2011	57,876	10,762	21,555	(273)	126,044	215,964

**STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2012**

	Consolidated Half-year ended 31 December 2012 \$'000	Consolidated Half-year ended 31 December 2011 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	1,414,793	1,023,647
Payments to suppliers and employees	(1,342,634)	(930,681)
Income tax paid	(29,363)	(26,944)
Other income	682	566
Interest received	1,729	3,501
Borrowing costs	(1,853)	(1,679)
NET CASH FLOWS FROM OPERATING ACTIVITIES	43,354	68,410
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of property, plant and equipment	16,874	6,922
Purchase of property, plant and equipment	(26,910)	(21,833)
Dividends received	-	444
Acquisition of subsidiary, net of cash acquired	-	(4,434)
NET CASH FLOWS USED IN INVESTING ACTIVITIES	(10,036)	(18,901)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	19,229	11,264
Dividend paid	(67,969)	(48,759)
Proceeds from borrowings	12,418	5,207
Repayment of borrowings	(358)	(362)
Payment of finance leases	(9,073)	(8,642)
NET CASH FLOWS USED IN FINANCING ACTIVITIES	(45,753)	(41,292)
NET INCREASE IN CASH AND CASH EQUIVALENTS	(12,435)	8,217
Opening cash and cash equivalents brought forward	203,556	172,479
Net foreign exchange difference	(1,772)	883
CLOSING CASH AND CASH EQUIVALENTS CARRIED FORWARD	189,349	181,579

1. BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The half-year financial report of Monadelphous Group Limited for the year ended 31 December 2012 was authorised for issue in accordance with a resolution of directors on 18 February 2013.

The half-year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report.

The half-year financial report should be read in conjunction with the annual financial report of Monadelphous Group Limited as at 30 June 2012.

It is also recommended that the half-year financial report be considered together with any public announcements made by Monadelphous Group Limited and its controlled entities during the half-year ended 31 December 2012, in accordance with the continuous disclosure obligations arising under the Corporations Act 2001.

a) Basis of Preparation

The half-year financial report is a general-purpose condensed financial report which has been prepared in accordance with the requirements of the Corporations Act 2001 and AASB 134 Interim Financial Reporting.

The half-year financial report has been prepared in accordance with the historical cost basis except for derivative financial instruments and available-for-sale financial assets which have been measured at fair value. The half-year financial report is presented in Australian Dollars.

For the purpose of preparing the half-year financial report, the half-year has been treated as a discrete reporting period.

b) New and amended Accounting Standards and Interpretations

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the Company's annual financial report for the year ended 30 June 2012. The Group has adopted all new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are relevant to the consolidated entity and the effective for annual reporting periods beginning on or after 1 July 2012. The adoption of new and revised Standards and Interpretations has not affected the amounts reported for the current or prior half-year.

1. BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

c) Basis of Consolidation

Subsidiaries

The consolidated financial statements comprise the financial statements of Monadelphous Group Limited and its subsidiaries ('the Group') as at 31 December 2012.

The financial statements of subsidiaries are prepared for the same reporting period as the parent entity, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

All intercompany balances and transactions, income and expenses and profit and losses arising from intra-group transactions, have been eliminated in full.

Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group.

Where there is loss of control of a subsidiary, the consolidated financial statements include the results for the part of the reporting period during which Monadelphous Group Limited has control.

	Consolidated 31 December 2012 \$'000	Consolidated 31 December 2011 \$'000
2. REVENUE AND EXPENSES		
(a) Specific Items		
Profit before income tax expense includes the following revenues and expenses whose disclosure is relevant in explaining the financial performance of the entity:		
(i) Revenue		
Rendering of services	1,289,270	879,450
Finance income	1,870	3,458
Dividends received	-	444
	<u>1,291,140</u>	<u>883,352</u>
(ii) Other income		
Gain on disposal of property, plant and equipment	872	681
Other income	682	567
	<u>1,554</u>	<u>1,248</u>
(b) Expenses		
Depreciation of non-current assets	14,534	12,787

3. DIVIDENDS PAID AND PROPOSED

(a) Fully franked dividends declared and paid during the half-year	67,969	48,759
(b) Dividends proposed and not yet recognised as a liability	56,211	44,337

4. PROPERTY, PLANT AND EQUIPMENT

During the half-year the consolidated entity acquired assets with a cost of \$36,308,964 (2011: \$27,317,701), including assets purchased by means of finance leases and hire purchase contracts (see Note 6), and excluding property, plant and equipment purchased through a business combination.

Included in the cost of assets acquired during the half-year, is an amount of \$15,723,723 (2011: \$6,213,130) relating to assets purchased then subsequently sold and immediately leased back under operating leases.

5. AVAILABLE-FOR-SALE FINANCIAL ASSETS

Available-for-sale financial assets consists of investments in ordinary shares at fair value in Anaeco Limited (ASX Code: ANQ).

6. NON-CASH FINANCING AND INVESTING ACTIVITIES

During the half-year the consolidated entity acquired plant and equipment with an aggregate fair market value of \$9,398,336 (2011: \$5,478,303) by means of finance leases and hire purchase agreements.

7. OPERATING SEGMENTS

Revenue is derived by the consolidated entity from the provision of engineering services to the resources, energy and infrastructure industry sector. For the half-year ended 31 December 2012 the Engineering Construction division contributed revenue of \$876.9 million (2011: \$512.6 million*), the Maintenance and Industrial Services division contributed revenue of \$331.0 million (2011: \$311.3 million) and the Infrastructure division contributed revenue of \$95.5 million (2011: \$63.8 million*). Included in these amounts is \$14.1 million (2011: \$8.2 million) of inter-entity revenue, which is eliminated on consolidation. The operating divisions are exposed to similar risks and rewards from operations, and are only segmented to facilitate appropriate management structures.

The directors believe that the aggregation of the operating divisions is appropriate for segment reporting purposes as they:

- have similar economic characteristics;
- perform similar services for the same industry sector;
- have similar operational business processes;
- provide a diversified range of similar engineering services to a large number of common clients;
- utilise a centralised pool of engineering assets and shared services in their service delivery models, and the services provided to customers allow for the effective migration of employees between divisions; and
- operate predominately in one geographical area, namely Australia.

Skystar Airport Services is not considered material for segment reporting purposes.

Accordingly all services divisions have been aggregated to form one reporting segment.

* The 2011 figures have been restated to reflect the transfer of the transmission pipelines business from Infrastructure to Engineering Construction.

8. FINANCIAL ASSETS AND FINANCIAL LIABILITIES**(a) Forward currency contracts**

At 31 December 2012, the Group had seven foreign currency forward contracts which are denominated in foreign currency. The maturity of the foreign currency forward contracts has been aligned with the expected payment dates of the purchases. The Group does not apply hedge accounting and the fair value movement of \$1,044,202 (2011: \$264,695) has been taken to the Income Statement. The fair value of the Group's financial instruments are exposed to market movements in interest and exchange rates.

(b) Fair value hierarchy

There have been no changes to the fair value valuation hierarchy of financial instruments since the date of the last annual report.

9. CONTINGENT ASSETS AND LIABILITIES

(a) Contingent assets

There have been no changes in contingent assets since the date of the last annual report.

(b) Contingent liabilities

There have been no changes in contingent liabilities since the date of the last annual report, except for the following:

	Consolidated 31 December 2012 \$'000	Consolidated 31 December 2011 \$'000
Guarantees given to various clients for satisfactory contract performance	383,143	256,175

10. INTERESTS IN JOINT VENTURES

A joint venture agreement establishing the Anaeco Monadelphous joint venture was executed on 29 March 2010. The principal activity of the joint venture is to deliver design-and-construct waste management systems for the WMRC DiCOM facility at Shenton Park in Western Australia.

Monadelphous Muhibbah Marine joint venture was established on 1 July 2011. The principal activity of the joint venture is to construct the approach jetty and ship berth associated with the Wiggins Island Coal Export Terminal project at Gladstone in Queensland.

A joint venture agreement between Skystar Airport Services Pty Ltd and Menzies Aviation (Australia) Pty Ltd was executed on 28 July 2011. The principal activity of the joint venture is to provide aviation support services at Perth International Airport.

A joint venture agreement between Monadelphous Engineering Pty Ltd and Transfield Services (Australia) Pty Ltd was executed on 5 September 2011. The principal activity of the joint venture is to undertake construction of the Toowoomba Wastewater Infrastructure Projects program for the Toowoomba Regional Council in Queensland.

A joint venture agreement between KT Pty Ltd and OSD Projects Pty Ltd was established on 10 November 2011. The principal activity of the joint venture is design and construction of a transmission pipeline and associated facilities for Hamersley Iron at West Angelas, near Newman in WA.

(a) Commitments

There were no capital commitments relating to the jointly controlled operations at 31 December 2012 (2011: nil).

(b) Contingent liabilities

There were no contingent liabilities relating to the jointly controlled operations at 31 December 2012 (2011: nil).

(c) Impairment

No assets employed in the jointly controlled operations were impaired during the year ended 31 December 2012 (2011: nil).

11. SHARE BASED PAYMENT

In November 2012, a total of 560,000 options were granted by Monadelphous Group Limited under the Employee Option Plan – October 2012 at an exercise price of \$19.70. The exercise price of the options granted under the Employee Option Plan – October 2012 was calculated as the average closing market price of the shares for the five trading days prior to 2 October 2012. The fair value of each option issued during the half-year was estimated on the date of grant using a Binomial option-pricing model. The following weighted average assumptions were used for grants during the half-year:

Dividend yield	6.7%
Expected volatility	30.0% - 40.0%
Historical volatility	30.0% - 40.0%
Risk-free interest rate	2.56%
Expected life of option	25% - 2 years
	25% - 3 years
	50% - 4 years

The dividend yield reflects an analysis of past dividends and future dividend expectations. The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which also may not necessarily be the actual outcome. No other features of options granted were incorporated into the measurement of fair value.

For the half-year ended 31 December 2012, the Group has recognised \$3,399,506 of share-based payment expense in the Income Statement (2011: \$2,198,376).

12. CAPITAL COMMITMENTS

The consolidated group has capital commitments of \$3,316,132 at 31 December 2012 (2011: \$56,006,357).

13. EVENTS AFTER BALANCE SHEET DATE

On 8 February 2013, Monadelphous Group Limited announced the introduction of a Dividend Reinvestment Plan allowing eligible shareholders to reinvest their dividends into Monadelphous shares.

On 11 February 2013 the Company announced it had been awarded contracts for construction and maintenance work in the oil and gas, iron ore and water sectors with a total value of approximately \$140 million. The contracts include:

- A \$90 million contract secured through its wholly owned subsidiary Monadelphous KT Pty Ltd for the engineering, procurement and construction of the gas export pipeline for the Ichthys Project onshore LNG facilities in Darwin, Northern Territory;
- Engineering, procurement and construction, in joint venture with pipeline design partner OSD, of a pipeline and delivery station for the Cape Lambert Petroleum Gas Pipeline for Rio Tinto in Western Australia (WA);
- Design, construction and commissioning works to upgrade the Maleny Sewage Treatment Plant in Queensland for Unitywater; and
- A 12-month extension to the general maintenance services contract with Chevron Australia for its oil operations at Barrow Island and Thevenard Island, WA.

13. EVENTS AFTER BALANCE SHEET DATE (continued)

On 18 February 2013, Monadelphous Group Limited declared an interim dividend on ordinary shares in respect of the 2013 financial year. The total amount of the dividend is \$56,211,397, which represents a fully franked interim dividend of 62 cents per share. This dividend has not been provided for in the 31 December 2012 Financial Statements.

Other than the items noted above, there are no matters or circumstances that have arisen since the end of the half-year ending 31 December 2012 which significantly affected or may significantly affect the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in subsequent financial years.