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MONADELPHOUS DELIVERS RECORD 2013 FIRST HALF PROFIT AND REVENUE

Leading engineering group Monadelphous Group Limited (ASX: MND) has delivered a record net profit after tax (NPAT) of $79.1 million for the first half of 2012/13, a 37.5 per cent increase on the previous corresponding period.

The significant profit increase was a result of record sales revenue for the first half of 2013 of $1.3 billion, a 46.6 per cent increase over the previous corresponding period, driven by growth across all divisions of the Company and in particular an extraordinary surge in construction work.

Commenting on today's results, Monadelphous Managing Director Rob Velletri said:

"The Company's performance in the first half of 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 current intensity of engineering construction activity."

During the first half of 2013, Monadelphous secured $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. In the early stages of the second half of 2013, the Company has been awarded a further $140 million in new contracts with additional major contract awards expected in the coming months.

The Company currently expects year-on-year revenue growth of approximately 35 per cent for the 2013 financial year.

Key Points

- **Sales revenue** was a record $1,289 million, up 46.6% on H1 2012 revenue of $879.5 million due to a major surge in construction work.
- **Net profit after tax** (NPAT) for the period was a record $79.1 million ($57.5 million H1 2012), up 37.5%.
- **Earnings before interest, tax, depreciation and amortisation** (EBITDA^) was a record $125.3 million ($90.7 million H1 2012) up 38.1%.
- **Earnings per share** (EPS) increased by 35.5% to a record 88.6cps (65.4cps H1 2012).
- **Interim dividend** of 62cps (fully franked) (50cps H1 2012), up 24%.
- **Strong balance sheet** with net cash of $126.3 million ($136.9 million H1 2012) to support future growth.
- **New contracts and contract extensions** of approximately $1 billion ($860 million during H1 2013 and $140 million subsequent to H1 2013) due to the record level of resources and energy developments underway.
- **Continued focus on health and safety management with total case injury frequency rate** (TCIFR) improving by 28.6% to 5.5 incidents per million hours worked.
- **Workforce has increased** 27.2% to 7,932 employees (6,237 employees at 31 December 2011).
- **Surge in construction activity** resulted in a 71.1% increase in reported sales revenue to $876.9 million ($512.6 million H1 2012) for Engineering Construction division.

OPERATIONAL OVERVIEW

MARKETS AND GROWTH

During the reporting period, Monadelphous continued to progress towards its long term strategic objective of establishing and maintaining a leadership position in core markets and to continue developing its diversification strategy.

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

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

HEALTH AND SAFETY

Monadelphous continued its 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 at 31 December, 2012, was 7,932, up 27.2 per cent on 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.

The Company will continue to invest in this area, with attraction and retention of employees a major focus across all areas of the business.

OPERATIONAL ACTIVITY

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.

Engineering Construction (EC)

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 of 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 (M&IS)

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 million, up 6.3 per cent on the previous corresponding period. The 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 contracts in oil and gas. 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 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.

Monadelphous

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 $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.

Currently, the Company expects 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.

DIVIDEND ENTITLEMENTS

The interim dividend of 62 cents per share fully franked will be paid to shareholders on 15 March 2013, with the record date for entitlements being 8 March 2013. Monadelphous recently introduced a Dividend Reinvestment Plan which will apply to this dividend with a 2 per cent discount to the issue price.

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*

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^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 $'000	**H1 2012 $'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.