

**ASX RELEASE**  
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**MONADELPHOUS REPORTS HY 2015 SALES AND EARNINGS**

**Performance Highlights – HY 2015 compared to HY 2014**

**Sales revenue \$1,052 million**, down 17.6%, impacted by tighter market conditions

**Net profit after tax (NPAT) \$60.7 million**, down 23.4% on an underlying<sup>^</sup> basis

**Earnings per share (EPS) 65.4 cents**

**Interim Dividend 46 cps** fully franked

**Awarded new contracts and contract extensions** valued at \$450 million

**Continued to secure work in new markets** of water and pipelines

**Maintained strong balance sheet** with net cash position of \$184.4 million

**Record safety performance**; 8% improvement in Total Case Injury Frequency Rate (TCIFR)

Leading engineering company Monadelphous Group Ltd (ASX: MND) today announced its financial results for the first half of 2014/15.

Sales revenue for the period was \$1,052 million, down 17.6 per cent from the near-record levels achieved in the previous corresponding period. This was similar to the level of activity in the second half of the 2014 financial year and reflected the impact of considerably tighter market conditions, and a sustained reduction in capital expenditure by customers.

Net profit after tax was \$60.7 million, down 23.4 per cent on an underlying<sup>^</sup> basis, compared with the previous corresponding period.

Monadelphous Managing Director Rob Velletri said the company had maintained a strong balance sheet during the period, and continued to focus on productivity improvements and cost reduction.

“Despite challenging market conditions, we strengthened our position in new service markets, winning contracts in both water and pipelines.

“The mining and minerals market remains subdued on the back of low commodity prices, and the recent sharp fall in the oil price has impacted negatively on the oil and gas sector,” Mr Velletri said.

“While opportunities for new major construction contracts have reduced, tendering continues on a number of iron ore, oil and gas and infrastructure projects and the company has been awarded preferred contractor status on new construction work valued at approximately \$150 million.

“Maintenance prospects remain positive in the oil and gas sector. We are currently tendering for a number of upstream and downstream service contracts associated with several new multi-billion dollar LNG facilities moving into the operations phase.

“We remain committed to our long term market growth strategy through diversification of our revenue sources and our strong balance sheet provides us with the capacity to pursue investment opportunities.”

The company’s recent decision to enter into a purchase agreement with Water Infrastructure Group, which will extend its footprint in the Australian and New Zealand water market, is a milestone in this strategy.

Mr Velletri said it was particularly pleasing to report another record safety performance.

Given the current workload and tight market conditions, the company expects 2014/15 full-year revenue will be around 15 to 20 per cent lower than the previous year.

## **OPERATIONAL OVERVIEW**

### **Markets**

Market conditions in mining and minerals remained challenging with lower commodity prices placing further pressure on customers' budgets.

Recent falls in global oil prices led to companies in the energy sector reassessing their expansion plans and reviewing operating and maintenance expenditure.

The Company strengthened its position in new service markets, winning contracts in both water and pipelines.

### **Health and Safety**

Monadelphous achieved another record safety performance during the period. The total case injury frequency rate (TCIFR) was 3.13 incidents per million man-hours worked, an eight per cent improvement on the previous corresponding period. The Company's focus on frontline safety leadership contributed to this reduction and underlies its commitment to continued improvement in this area.

The lost time injury frequency rate (LTIFR) was 0.14 incidents per million man-hours worked.

During the period there was further development work on the Company's safety management system, with a specific focus on fatal risk controls.

### **People**

The Company's total workforce at 31 December 2014 was 4,520, down approximately 20 per cent on 12 months earlier. The reduction was in line with slowing construction activity.

The improved availability of labour has contributed to greater workforce productivity, and high levels of key talent retention and an improving trend in permanent staff turnover should support further improvements in the future.

During the period Monadelphous announced that as of November 2014 the company's Chief Financial Officer, Zoran Bebic, would be appointed to the role of Executive General Manager of the Maintenance and Industrial Services Division, following the retirement of Arif Erdash. The Board of Monadelphous would like to extend their gratitude to Arif for his valued contribution to the company's successful growth and development and wish him well for his retirement.

Philip Trueman, the company's General Manager, Human Resources, has been appointed to replace Zoran as Chief Financial Officer.

### **Productivity in focus**

The Company remained focused on reducing costs and driving productivity improvements to protect margins and ensure overheads reflect reduced activity levels.

The ongoing company-wide cost reduction program identified additional cost savings of approximately \$17 million on an annualised basis, including \$4 million in overhead reductions.

Key initiatives implemented during the six months included further reductions in staffing levels, structural changes to support and service functions to drive increased efficiency and process effectiveness, and continued disposal of surplus plant and equipment.

## OPERATIONAL ACTIVITY

Monadelphous provided a broad range of services to the resources, energy and infrastructure markets.

### Engineering Construction

The Engineering Construction division, which provides large-scale, multidisciplinary project management and construction services, recorded sales revenue of \$730 million, down 24.0 per cent when compared to the previous corresponding period, largely impacted by the challenging conditions in the mining and minerals market.

Major contract activity for the period included:

- Installation of onshore pipelines, cables and tubes and construction of a CO<sub>2</sub> injection pipeline for the Chevron Australia-operated Gorgon Project on Barrow Island, WA;
- Structural, mechanical and piping works, with JKC, for the utility and offsite area of the Ichthys Project Onshore LNG Facility in Darwin, Northern Territory (NT);
- Engineering, procurement and construction, with JKC, of the gas export pipeline works for the Ichthys Project Onshore LNG Facility in Darwin, NT;
- 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 ship loader, associated with the Wiggins Island Coal Export Terminal Project at Gladstone, Queensland;
- Supply and installation of a screen house, two car dumpers and associated conveyor and transfer stations for Rio Tinto Iron Ore at its Cape Lambert Port B Project, WA;
- Construction of the Fortescue River Gas Pipeline from Compressor Station 1 on the Dampier to Bunbury Natural Gas Pipeline to the Fortescue-operated Solomon Iron Ore Mines for the Fortescue River Gas Pipeline Joint Venture in the Pilbara, WA;
- Design and construction of the East Nogoia Water Treatment Plant for the Central Highlands Regional Council in Emerald, Queensland;
- Construction of the Wheatstone Ashburton West Pipeline for the DBP Development Group (DDG) near Onslow, WA; and
- Construction of Australia Pacific LNG (APLNG) Project's upstream gas processing facilities associated with its coal seam gas projects in Roma, Queensland.

New contracts awarded included:

- Structural, mechanical and piping installation and commissioning works within Concentrator Lines 3 to 6, valued at approximately \$160 million, with Sino Iron at Cape Preston, near Karratha, WA;
- Construction of the Spring Gully Pipeline Compression Facility for APLNG at Roma, Queensland;
- Design, supply, construction and commissioning of the flood-affected stages 1 – 4 of the Oxley Creek Sewage Treatment Plant in Brisbane for Queensland Urban Utilities; and
- Construction for DDG Ashburton of a 24km gas pipeline from DDG's Ashburton West facilities to a new power station near Onslow, WA.

## Maintenance and Industrial Services

The Maintenance and Industrial Services division, which specialises in the planning, management and execution of multidisciplinary maintenance services, sustaining capital projects and shutdowns, recorded sales revenue of \$322.9 million for the period, a 1.8 per cent increase on the previous corresponding period.

Major contract activity undertaken included:

- Facilities management services at the Chevron-operated Gorgon Project on Barrow Island, WA;
- Shutdown and maintenance services for Rio Tinto's coastal and inland operations in the Pilbara, WA;
- Maintenance and shutdown services for BHP Billiton's Nickel West operations in the Goldfields, WA;
- Maintenance and major shutdown services at the Woodside-operated Karratha Gas Plant at Karratha, WA;
- Field construction services for Oil Search Limited at its oil and gas production and support facilities in Papua New Guinea; and
- Multidisciplinary services and a major shutdown at the Darwin LNG facility operated by ConocoPhillips in the NT.

During the period, the Company was awarded a \$200 million contract extension to the facilities management services contract associated with the Gorgon Project, operated by Chevron Australia, on Barrow Island, WA.

## Outlook

The mining and minerals market remains subdued on the back of low commodity prices. Resource customers across all sectors continue to focus on optimising production and reducing costs.

The recent sharp fall in the oil price has impacted negatively on the oil and gas sector, adversely affecting the capital and operating expenditure plans of energy customers.

While opportunities for new major construction contracts have reduced, tendering continues on a number of iron ore, oil and gas and infrastructure projects and the Company has been awarded preferred contractor status on new construction work valued at approximately \$150 million.

Maintenance prospects, however, remain positive in the oil and gas sector. Monadelphous is currently tendering for a number of upstream and downstream LNG service contracts associated with several new multi-billion dollar LNG facilities moving into the operations phase.

The Company is also pursuing the extension of fabrication services to overseas customers and has generated a significant number of tendering opportunities.

Margins remain under pressure as competition increases for a smaller pipeline of work, with capital expenditure decisions delayed and operating expenditure tightened.

Monadelphous will focus on the further reduction of costs to protect margins and improve sustainability. Further consolidation of the Company's fixed cost base will be a priority.

Given the current workload and tight market conditions, sales revenue is continuing to moderate and full-year revenue is anticipated to be around 15 to 20 per cent lower than 2013/14.

The Company remains committed to advancing its long term market growth strategy through the diversification of revenue sources.

It will extend its engineering capability and broaden services to undertake multi-disciplinary projects and provide more cost-effective solutions for customers.

Monadelphous will continue to expand its position in growing infrastructure markets. The Company's recent decision to enter into a purchase agreement with Water Infrastructure Group, which will extend its footprint in the Australian and New Zealand water market, is another milestone in this strategy.

Options to extend core services in overseas markets, particularly in the growing oil and gas sector in North America, will also be pursued.

Importantly, the Company's strong balance sheet provides the capacity to pursue investment opportunities that support these diversification objectives.

On behalf of the Board, I take this opportunity to thank all our stakeholders for their loyalty and support and particularly our people for their dedication, commitment and highly valued contribution.

## **DIVIDEND ENTITLEMENTS**

The interim dividend of 46 cents per share fully franked will be paid to shareholders on 2 April 2015 with the record date for entitlements being 12 March 2015. The Monadelphous Group Limited Dividend Reinvestment Plan will apply to this dividend with no discount to the issue price.

## **FURTHER INFORMATION**

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^ The term "underlying" used within this document, is a non-IFRS profit measure which refers to the statutory result for the half year ended 31 December 2013, excluding the one-off gain from the sale of subsidiaries, Skystar Airport Services Pty Ltd and Skystar Airport Services NZ Pty Ltd ("Skystar"). This measure is important to management as an additional way to evaluate the Company's performance. The underlying profit measure is unaudited.

Underlying NPAT represents NPAT excluding the after tax profit on sale of Skystar of \$7.9 million.