

1 May 2020

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

Dear Sir / Madam

**RE: MARKET UPDATE**

Please find attached a copy of an announcement to be issued today by Monadelphous Group Limited providing a market update on its business and operations.

Authorised by



Philip Trueman  
**Company Secretary**

## ASX RELEASE

1 May 2020

### MARKET UPDATE

Engineering company Monadelphous Group Limited (ASX: MND) (“Monadelphous” or “the Company”) wishes to provide a market update regarding the impact the coronavirus (COVID-19) is having on its business and operations, as well as the outcome of a strategic review undertaken into the Company’s Water Infrastructure business.

#### COVID-19 operational impact

Measures taken by governments and industry across the world to prevent further spread of the virus have impacted the economy, resulting in the delay, suspension, deferral or reduction of services across a range of the Company’s projects and worksites, as well as materially disrupting productivity levels. Monadelphous continues to take all necessary measures required to proactively manage the business through this unprecedented period to ensure the safety of its employees and sustain business continuity.

The Company’s Engineering Construction division has experienced supply chain issues causing delays on large resources construction projects currently in progress, as well as a number of temporary deferrals to potential new construction contract award dates. In its Maintenance division, the Company has experienced a material reduction in activity levels, particularly in fly in fly out operations with customers reducing non-essential work, delaying discretionary maintenance expenditure and deferring shutdowns.

While it is the Company’s intention to ensure that it continues to meet its continuous disclosure obligations, due to the heightened level of uncertainty and disruption in the economy, it remains unable at this time to provide definitive revenue guidance for the financial year ended 30 June 2020. However, should the activity levels that the Company is currently experiencing continue to the end of the financial year, revenue would be similar to that of the previous corresponding period. Margins in the second half of the financial year are expected to be significantly challenged as a result of the extent of the disruption and the impact it has had on the Company’s operations.

As previously highlighted, the short- to medium-term financial performance of the business is, and will remain, dependent on the extent and duration of the impact to the Company’s operational activity and productivity levels resulting from the outbreak of COVID-19.

#### Strategic review of Water Infrastructure business

Several water projects approaching completion have recently experienced an escalation in contract disputes and disappointing levels of profitability.

After undertaking a strategic and operational review of its Water Infrastructure business in Australia and New Zealand, the Company has decided to discontinue its operations in New Zealand and consolidate its east coast engineering construction operations into a single Eastern Australian business unit. The restructure will enable the Company to reduce costs and focus on improving the quality of its earnings from the water sector.

As a result of the decision to refocus the business and the disappointing project outcomes, the Board of Directors will make a provision of \$14 million before tax in the financial report for the year ended 30 June 2020 for project underperformance and restructuring costs.

#### Strategic response

The Company has taken, and will continue to implement, a large number of actions to protect the business during this period of market turmoil, and has implemented a targeted cost reduction plan across the business to ensure the company operates as productively and profitably as possible.

To support these cost reduction measures the Chairman, the Managing Director and the Non-Executive Directors have all agreed to a 30 per cent reduction in salary and fees for the next six months. The Executive and General Management teams have also agreed to salary reductions for the same period ranging between 10 and 20 per cent.

Monadelphous Managing Director Rob Velletri said “We will continue to work closely with our customers during these challenging and uncertain times. Our disciplined and prudent management, loyal workforce and strong balance sheet mean that we are well positioned to deal with the challenges ahead, and the opportunities that will arise in time. I am confident that the actions we have taken to refocus the Water Infrastructure business will deliver more profitable and sustainable pipeline of opportunities over the longer term.”

### Further Information

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### About Monadelphous

*Monadelphous Group Limited (ASX: MND) is a leading Australian engineering group providing construction, maintenance and industrial services to the resources, energy and infrastructure sectors. The Company has two operating divisions – Engineering Construction, providing large-scale multidisciplinary project management and construction services, and Maintenance and Industrial Services, specialising in the planning, management and execution of mechanical and electrical maintenance services, shutdowns, fixed plant maintenance services and sustaining capital works.*

*Monadelphous is headquartered in Perth, Western Australia, with a major office in Brisbane, Queensland, and offices, projects, facilities and workshops across Australia and in China, Mongolia, Papua New Guinea, Chile and the United States of America. Please visit [www.monadelphous.com.au](http://www.monadelphous.com.au) for further information.*