

ASX RELEASE

21 August 2012

MONADELPHOUS REPORTS ELEVENTH CONSECUTIVE YEAR OF EARNINGS GROWTH

Leading Australian engineering company Monadelphous Group Limited (ASX: MND) (“Monadelphous” or “the Company”) has delivered earnings growth for an eleventh consecutive year, after announcing record net profit after tax (NPAT) of \$137.3 million for the full year ended 30 June 2012. This was a 44.5 per cent increase on the previous corresponding period and flowed from record sales revenue of \$1.9 billion.

NPAT included a one-off after tax gain of \$11.4 million from the sale of Norfolk Group Limited shares. Underlying NPAT[^] was also a record \$126.0 million, up 32.5 per cent.

Commenting on today’s record results, Monadelphous Managing Director Rob Velletri said the Company continued to deliver strong operational performance, had maintained a leadership position in core markets and further developed its presence in infrastructure sectors.

“We have a significant number of existing and new projects underway and more starting to ramp up from about \$2 billion of work we secured in 2011/12,” Mr Velletri said.

“What Monadelphous is seeing is a strong pipeline of engineering construction opportunities, reflecting the numerous large-scale LNG, iron ore and coal projects in the early phases of execution.”

“While there has been some recent market commentary about potential delays and uncertainty of commitments to future new projects, the current crop of approved projects, particularly in the LNG sector, will drive strong demand for the next few years.”

Key Points

- **Sales revenue** a record \$1,897 million (\$1,444 million FY2011), up 31.4%, with the biggest percentage increases in the Maintenance and Industrial Services and Infrastructure divisions.
- **Earnings before interest, tax depreciation, amortisation** and the gain from the sale of Norfolk Group Limited shares (underlying EBITDA[^]) was \$196.5 million (\$153.3 million FY2011), up 28.2%.
- **Net profit after tax** (NPAT) for the period was a record \$137.3 million (\$95.1 million FY2011), up 44.5%. NPAT before the one-off after tax gain from the sale of Norfolk Group Limited shares of \$11.4 million (underlying NPAT[^]), was also a record \$126 million, up 32.5 per cent on the previous year.
- **Earnings per share** (EPS), excluding a one-off after tax gain of \$11.4 million from the sale of Norfolk Group Limited shares (underlying EPS[^]) rose 30.8% to 142.4 cps (108.8c FY2011).
- **Final dividend** of 75 cps (fully franked) (55 cps FY2011), up 36.4%. This takes full-year dividend to 125 cps (fully franked) (95 cps FY2011), up 31.6%.
- **Robust balance sheet** with net cash position of \$152.9 million (\$129.5 million FY2011), up 18.1%, and bond facilities increased by \$226.2 million to \$421.2 million.
- **Operating cash flow** was \$138.6 million (\$125.2 million in FY2011), up 10.7%.
- **Capital expenditure** in property, plant and equipment totalled \$74.2 million, with a further \$19.6 million committed at 30 June 2012, to support high levels of secured work and the strong pipeline of opportunities.
- **New contracts and contract extensions** of approximately \$2 billion during the year.
- **Market index rating:**
 - Monadelphous shares included in the S&P/ASX 100 index in November 2011.

OPERATIONAL OVERVIEW

POSITIONED FOR GROWTH

During the year, Monadelphous secured new contracts and contract extensions valued at approximately \$2 billion.

New LNG construction and maintenance contracts have consolidated the Company's position in the energy market, while services were expanded into the marine sector through the Monadelphous Muhibbah Marine joint venture (MMM) and the power sector through the acquisition of PearlStreet Energy Services Pty Ltd.

Following a review of the Infrastructure division, Monadelphous transferred its transmission pipeline construction business, KT Pty Ltd, from the Infrastructure division's portfolio to the Engineering Construction division. This transition began on 1 July, 2012.

The move of the transmission pipeline construction business reflects the more clearly defined purpose of the Infrastructure division to focus on the development and growth of new business in the provision of construction, operations and maintenance services in public sector infrastructure markets. KT also has synergies with the Engineering Construction division which include a common resources and energy customer base, a construction focus and similar delivery model.

Future growth opportunities will be supported by the Company's balance sheet, which remained strong with a net cash position of \$152.9 million at year-end, and bond facilities which were increased by \$226.2 million during the period.

HEALTH AND SAFETY

Monadelphous's core value of safety and wellbeing continued to drive improvements in health and safety performance with a 31.6 per cent reduction in the total case injury frequency rate to 6.0 per million hours worked, the Company's lowest annual result. A particular highlight was the first achievement of 12 consecutive months free of lost-time injuries which was recorded in January 2012.

The Company continued to develop its people, processes and systems in its ongoing management of safety. Implementation of the Company's Safety Leadership program continued during the period. Following the initial roll-out of the comprehensive training and coaching program in the previous year, a further 140 managers and supervisors underwent training.

PEOPLE

Monadelphous's workforce totalled 6,105 at year-end, up 8.1 per cent on 12 months earlier. The Company has implemented a range of initiatives aimed at attracting and retaining people, allowing it to successfully deliver major contracts.

The human resources function was restructured to help ensure the right people were available and supporting systems were adequate for the expanding operations. Other initiatives included a 32.3 per cent increase in the graduate intake to 41 graduates and ongoing selective international recruitment to fill domestic staff shortfalls.

A new issue of employee options was made to recognise and reward approximately 230 employees at various levels throughout the Company and to assist with the retention of key people.

OPERATIONAL ACTIVITY

Engineering Construction Division

The Engineering Construction division, which provides large-scale multidisciplinary project management and construction services, delivered record sales of \$1,058 million, an increase of 13.8 per cent on the previous year.

Sales growth was underpinned by a healthy workload entering the year and scope growth on existing major contracts. The approximately \$1.3 billion in new contracts secured during the year was a major highlight. They included a number of large-scale construction contracts with blue-chip customers in the iron ore, coal and LNG sectors, as well as the Company's first marine contract through the Monadelphous Muhibbah Marine (MMM) joint venture.

MMM joint venture will construct the approach jetty and ship berth for the Wiggins Island Coal Export Terminal Project (WICET) in Gladstone, Queensland. This contract is valued at approximately \$330 million. MMM has secured a further contract to construct and commission a ship loader for WICET.

The division entered into two significant five-year framework agreements with Rio Tinto for its major program of iron ore construction works in the Pilbara region of Western Australia (WA). The first agreement is to provide structural, mechanical and piping packages, and the second is for electrical and instrumentation packages of work. These non-exclusive agreements give Monadelphous preferred contractor status with the key characteristic of early contractor involvement to enable the two parties to optimise project delivery outcomes.

New investment continued in the mobile crane fleet, with additions including a 600-tonne crane and numerous other large capacity cranes and self-propelled modular trailers. These investments further enhance the Company's capability to undertake projects that involve large-scale pre-assembly and facility modularisation.

Major project involvement during the year included:

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

New contracts secured by the Engineering Construction division during the year included:

- Three contracts for structural, mechanical, piping, electrical and instrumentation work as part of the Rio Tinto Coal Australia-managed Kestrel Mine, near Emerald in Queensland;
- 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 at Karratha in WA;
- Structural, mechanical and piping work for the greenfield mine processing plant the Rio Tinto's and Hancock Prospecting's Hope Downs 4 Iron Ore Project in WA;
- Construction and commissioning of coal conveyors at Xstrata Coal's Ulan West Project in the central west of NSW;
- Two contracts with Rio Tinto for structural and mechanical work associated with coarse iron ore stockpiles, installation of a screenhouse and a contract variation for installation of a new car dumper at Cape Lambert in WA;
- A construction general services contract for Bechtel (Western Australia) at the Chevron Australia-operated Wheatstone Project near Onslow in WA;
- Structural, mechanical and piping work associated with 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;
- Supply of fabricated steelwork and mechanical components for stacker bridges and runway support gantries for WICET's coal stockyard at Gladstone Port in Queensland; and
- 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 in WA.

Maintenance and Industrial Services Division

The Maintenance and Industrial Services division, which specialises in the planning, management and execution of multidisciplinary maintenance services, shutdowns and sustaining capital works, delivered record sales revenue of \$634.5 million, representing 58.1 per cent growth on the previous year.

This outstanding growth was driven predominantly by high levels of activity on existing contracts, the contribution from new contracts and an increase in workload from the division's strengthened presence in the major coal producing region of the Bowen Basin in Queensland and oil and gas activities in WA and the Northern Territory (NT).

Major contract activity included:

- Facilities management services at the Chevron Australia-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 operations in WA;
- Minor capital project services for BHP Billiton's Worsley Alumina refinery at Collie in WA;
- Field construction services for Oil Search Ltd at its oil and gas production support facilities in Papua New Guinea (PNG);
- Maintenance and shutdown services for ConocoPhillips Australia at its Darwin LNG Plant in the NT;
- 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 Australia at its Barrow Island and Thevenard Island operations in WA.

The division was awarded approximately \$285 million in new contracts and contract extensions during the year.

The establishment of a major workshop facility in Mackay facilitated an increased presence in the Bowen Basin and revenue growth from coal customers. This included the Company's first long-term dragline shovel shutdown contract with BMA for work across its operations in the Bowen Basin.

A major highlight was securing a three-year maintenance services contract with Woodside on the Pluto LNG Project at Karratha in WA. The contract includes work associated with the onshore and offshore facilities. It follows the Engineering Construction division's delivery of major construction services and commissioning support at Pluto over the past three years. The new maintenance services contract will be supported by the planned new Karratha workshop.

In addition, the following contract extensions were secured during the year:

- A three-year contract extension to provide minor capital project services for BHP Billiton's Worsley Alumina refinery at Collie in WA;
- A two-year extension to an onshore maintenance and shutdown services contract with ConocoPhillips Australia at its Darwin LNG facility in the NT; and
- A 12-month extension to the general maintenance services and projects contract with Chevron Australia at its LNG facilities on Barrow Island and Thevenard Island in WA.

Consolidation of the east and west businesses within the Maintenance and Industrial Services division is underway following the Company's annual strategic review. The purpose of the consolidation is to create one business with a common purpose that drives growth, synergies and economies of scale to assist the Company achieve its long-term vision and strategic objectives. A number of process and people changes have occurred, including an appointment to the newly created position of Executive General Manager, Maintenance and Industrial Services division. The Executive General Manager will focus on the further consolidation and restructuring of the division for long-term growth.

Following a review of the division's operations late in the year, a decision was made to close the relatively small and less strategic operations in Mount Isa and Townsville in Queensland. The division

remains focused on successfully delivering the many ongoing and recently secured maintenance contracts for new and existing long-term customers.

Infrastructure Division

The Infrastructure division, formed in July 2010 as part of Monadelphous's diversification strategy to support long-term growth, delivered sales revenue of \$219.8 million, an increase of 39.3 per cent on the previous year.

This solid performance was the result of continued strong growth of the transmission pipeline and water businesses. The solid waste management, aviation support services (Skystar Airport Services) and power asset management businesses also contributed to the performance.

Monadelphous acquired onshore transmission pipeline constructor KT in July 2010. Since then it has experienced rapid growth, securing several contracts and making significant investment in plant and equipment.

The division's major project was the installation of onshore pipelines, cables and tubes for the Chevron Australia-operated Gorgon Project at Barrow Island in WA. Work commenced in July 2010 and Monadelphous had a workforce of approximately 150 people on the project at the end of the year.

The water business, which provides innovative construct, operate and maintain service solutions on essential service assets, delivered a solid performance as it completed a number of existing contracts and secured new contracts. Its most significant project was the successful completion of the supply and construction of a new waste water treatment facility for the Water Corporation at Picton, near Bunbury in WA.

Construction of the DiCOM Waste Processing Facility in Shenton Park, WA, for the Western Metropolitan Regional Council is scheduled to be completed in the first half of the 2013 financial year. The solid waste management project, funded by Palisade Regional Infrastructure Fund, is being undertaken in joint venture with AnaeCo. Under the joint venture agreement, AnaeCo is providing the technology and design and Monadelphous is providing construction services.

Aviation support services business Skystar Airport Services, which offers complete ground handling services to the aviation industry in Australia and New Zealand, recorded another year of strong growth. Skystar has operated for 11 years and its customers include Qantas, Jetstar, AirAsia, Tiger Airways and Cobham Aviation.

On July 1 2011, Monadelphous concluded the purchase agreement for asset management company PearlStreet, subsequently renamed Monadelphous Energy Services. The integration of the business has strengthened Monadelphous's operations and maintenance capabilities and expanded its services into the power sector.

The division was awarded approximately \$330 million in new contracts during the year. These included:

- Construction of the onshore DomGas pipeline for Clough Sea Trucks Joint Venture associated with the Chevron Australia-operated Gorgon Project on Barrow Island in WA;
- Pipeline remediation work for Ok Tedi Mining in Tabubil, Western Province in PNG;
- Construction of the Toowoomba Wastewater Infrastructure Projects program in joint venture with Transfield Services for the Toowoomba Regional Council in Queensland;
- Construction work for Unitywater's Cooroy and Woodford Sewage Treatment Plant Augmentation projects in Queensland;
- Construction of a potable water supply system with Rio Tinto's Coastal Waters Project at Bungaroo Valley in the Pilbara region of WA;
- The preparation and construction of a CO₂ injection pipeline for the Chevron Australia-operated Gorgon project on Barrow Island in WA; and
- Design and construction, in joint venture with OSD Projects Pty Ltd, of a transmission pipeline and associated facilities for Hamersley Iron at West Angelas, near Newman in WA.

OUTLOOK

The high volume of secured work and ongoing opportunities from historically high levels of resources and energy projects in the execution phase provide strong construction revenue visibility for the new financial year and beyond. Subject to project timing risks, further growth in sales revenue is expected for the new financial year.

The pipeline of engineering construction opportunities is expected to continue with numerous committed large-scale LNG, iron ore and coal projects in the early phases of execution. The current volume of approved projects, particularly in the LNG sector, will drive strong demand for the next few years.

The large number of projects reaching completion and start up over the next few years will also provide new service opportunities for the continued growth of the Maintenance and Industrial Services division.

Industry-wide supply and infrastructure constraints are expected to continue to impact project timing and overall project productivity. The Company will continue to focus on managing execution risks as well as improving productivity through further developments in multidisciplinary execution, offshore procurement and modularisation capability.

Labour availability is expected to further tighten as a number of projects ramp up through the execution phase. The Company will continue to adopt a broad range of initiatives aimed at maximising labour retention as well as the attraction and recruitment of new personnel.

Robust levels of capital expenditure will continue to support core business activities and further expansion opportunities.

There has been some recent market commentary about potential delays and uncertainty of commitments to future new projects. Whilst the long term project pipeline is always less certain, the macro view on long term Australian resources demand remains strong. A deferral and flattening in new project demand may provide some welcome relief to an overheated market and result in more productive and sustainable outcomes.

The Company's market leadership position and the continued success of its diversification strategy will support sustainable growth. Opportunities for growth 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 final dividend of 75c per share fully franked will be paid to shareholders on 21 September 2012 with the record date for entitlements being 14 September 2012.

FURTHER INFORMATION

Analysts/Investors: Rachael Cutler Investor Relations Manager Monadelphous Group Limited T: +61 8 9315 7429 M: +61 (0) 457 539 985 E:rcutler@monadel.com.au	Media: David Tasker National Director PPR T: +61 8 9388 0944 M: +61 (0) 433 112 936 E:david.tasker@ppr.com.au
--	---

ABOUT MONADELPHOUS

Monadelphous Group Limited is a leading Australian engineering group providing services to the resources, energy and infrastructure industry sector. 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

^Reconciliation

	2012	2011
	\$'000	\$'000
Underlying EBITDA		
Profit before income tax	187,259	131,576
Gain from sale of Norfolk Group Limited shares	-16,262	0
Interest expense	3,447	2,672
Interest revenue	-6,717	-5,356
Depreciation expense	26,541	23,341
Amortisation expense	<u>2,195</u>	<u>1,074</u>
Underlying EBITDA	196,463	153,307
Underlying NPAT		
Net profit after tax	137,335	95,067
After tax gain from sale of Norfolk Group Limited shares	<u>-11,383</u>	<u>0</u>
Underlying NPAT	125,952	95,067

The word "underlying" used within this document, refers to the statutory result for the year ended 30 June 2012 excluding the one-off gain from the sale of Norfolk Group Limited shares. This measure is important to management as an additional way to evaluate the Company's performance. Underlying measures are unaudited.