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MONADELPHOUS REPORTS HY 2016 REVENUE AND EARNINGS

Performance Highlights – HY 2016 compared to HY 2015

Sales revenue \$737 million, down 29.9%, impacted by slowdown in investment in construction projects

Net profit after tax (NPAT) \$37.6 million, down 37.9%

Earnings per share (EPS) 40.4 cents

Interim Dividend 28 cps fully franked

Awarded new contracts and contract extensions of \$1 billion

Significant progress made towards expanding core services to overseas locations

Record safety performance with 10% improvement in Total Case Injury Frequency Rate (TCIFR).

Engineering company Monadelphous Group Ltd (ASX: MND) today announced results for the half year ended 31 December 2015.

Sales revenue for the period was \$737 million, down 29.9 per cent on the previous corresponding period. Engineering construction activity levels were lower as demand for services reduced following a slowdown in investment in new major construction projects, and the continued deterioration of resources and energy market conditions.

Net profit after tax was \$37.6 million, down 37.9 per cent compared with the previous corresponding period. The company's cost reduction program and productivity initiatives largely offset the downward pressure on margins experienced in a highly competitive market.

The company has been awarded new contracts and contract extensions valued at \$1 billion during the period.

"In view of the tough operating conditions and an increasingly competitive environment, we are pleased to have secured over \$900 million of new and extended maintenance contracts over the past six months", Monadelphous Managing Director Rob Velletri said.

"Maintenance prospects remain positive and the company is well positioned to capitalise on other opportunities currently in the tendering phase", he continued.

The seven-year maintenance and modifications services contract associated with Shell Australia's Prelude Floating Liquefied Natural Gas (FLNG) project, was a significant strategic contract win for Monadelphous, and positions the company as a major service provider in the provision of FLNG services.

"Monadelphous has continued to broaden its services in core markets and progressed its strategy to extend its core services to overseas locations", Mr Velletri said.

The company recently announced that it had entered into an agreement with a US-based contractor for the establishment of a jointly-owned US company, Monaro. Monadelphous' US entry is a key component of the Group's long-term growth strategy and is a major step in developing a position in the US energy market.

Mr Velletri also stated that the company's record safety performance during the period further demonstrated Monadelphous' reputation as an industry leader in health and safety management.

2016 HALF YEAR RESULTS

Revenue

Sales revenue for the period was \$737.0 million, down 29.9 per cent on the previous corresponding period. Activity levels were approximately 10 per cent lower than the second half of the 2015 financial year and reflected the impact of lower demand in the engineering construction industry as customers focused on limiting capital expenditure.

Earnings

Net profit after tax (NPAT) was \$37.6 million, down 37.9 per cent when compared to the result in the previous corresponding period.

Earnings before interest, tax, depreciation and amortisation (EBITDA) was \$62.7 million, a decrease of 34.0 per cent. The Company's focus on improving efficiency and productivity largely offset the downward pressure on margins arising from customer cost reduction programmes and an increasingly competitive environment.

Earnings per share (EPS) was 40.4 cents.

Dividend

The Board of Directors has declared an interim dividend of 28 cents per share fully franked. The Monadelphous Group Limited Dividend Reinvestment Plan will apply to the interim dividend.

Strong balance sheet

The Company maintained a strong balance sheet with a similar net asset position to that of the previous period. Net cash was \$182.7 million at 31 December 2015, a 0.9 per cent decrease on 12 months earlier. Cash flow from operations was a solid \$42.5 million and the cash conversion rate was 87 per cent.

Secured \$1 billion in new work

New contracts and contract extensions valued at approximately \$1 billion were secured during the period across a broad number of industries, building upon our long-term relationships with key customers in our core markets.

New contracts won during the period included a long-term maintenance and modifications services contract associated with Shell Australia's Prelude Floating Liquefied Natural Gas (FLNG) project. This contract is of significant strategic importance to Monadelphous, and positions the Company as a major service provider in the provision of FLNG services.

Productivity in focus

Against the backdrop of reducing activity levels and an increasingly competitive environment, the Company continued to reduce costs and drive productivity improvements to protect margins.

The cost reduction program identified additional cost savings of approximately \$24.3 million on an annualised basis, including \$6 million in overhead reductions. Monadelphous remains committed to working closely with customers to deliver productivity improvements for cost and process efficiencies within their operations.

Key initiatives implemented during the six months included further reductions in staffing levels, structural changes, sub leasing premises, negotiation of improved supply arrangements, improvements to project management and innovative project delivery.

Strategic Progress

During the period, the Company successfully broadened its services in core markets and progressed its strategy to expand into infrastructure and extend core services to overseas locations. Business development activities were enhanced across the business to leverage the broad service offering.

Three new long-term oil and gas contracts were secured which reflect Monadelphous' strong delivery track record and the successful drive to implement cost-effective solutions by collaborating closely with customers. The contracts cover a diverse range of services and demonstrate the Company's capability to successfully deliver operations and maintenance services in the oil and gas industry.

Monadelphous enhanced its position in the upstream coal seam gas market securing panel service contracts for sustaining capital works.

In newer markets, the award of additional irrigation contracts through our Water Infrastructure business reinforces our infrastructure service expansion, and has opened new opportunities particularly in New Zealand. Other maintenance opportunities incorporating access solutions and corrosion management are significantly progressed, and we are actively pursuing opportunities in civil infrastructure, power and utility network services.

The Company has made good progress in its overseas expansion strategy by establishing a presence in North America to pursue opportunities in the energy market. During the period it entered into an agreement with US-based contractor Mascaro Construction for the establishment of a jointly owned US company. The US market entry is a key element of the Group's strategy to deliver core services in overseas markets and a major step in developing a position in the US energy market.

Further strategic partnerships for global EPC projects to the resources sector are also under development.

Monadelphous is committed to developing prospects to extend its core services in overseas locations where it already operates, such as Papua New Guinea and the water infrastructure market in New Zealand. Our China-based fabrication business focussed on developing opportunities to provide services to customers and partners both internationally and domestically, and now expects to convert a number of overseas pre-qualifications and tenders into supply contracts.

Wiggins Island Coal Export Terminal

The MMM joint venture is continuing to pursue its claims and variations from WICET through both the Supreme Court and the Building and Construction Industry Payment Agency (BCIPA), and will vigorously defend the proceedings filed by WICET.

MMM has to date received adjudication for payments relating to the project totalling approximately \$90 million, with a further BCIPA determination expected in the second half of the financial year.

While it is difficult to determine the length of time required to resolve the issues, Monadelphous will inform the market of any material developments as and when they arise.

OPERATIONAL OVERVIEW

Markets

Australian market conditions remained challenging throughout the period on the back of historically low resource and energy commodity prices. Customers continued to focus on reducing costs and improving the operating efficiency of existing assets.

Sales revenue, particularly in the Engineering Construction division, was adversely impacted by a persistent slow-down in investment in new major construction projects.

Despite tough operating conditions, the Company strengthened its position in core markets by securing new work across a broad range of industries including water infrastructure, coal, alumina, base metals, oil, coal seam gas and LNG.

Health and Safety

The Company finished the period with another record safety performance. The total case injury frequency rate (TCIFR) was 2.81 incidents per million man-hours worked, an improvement of 10 per cent on the previous corresponding period.

The lost time injury frequency rate (LTIFR) was 0.09 incidents per million man-hours worked, with only one incident recorded in the six months.

An emphasis on safety leadership and the ongoing development of processes and systems underlies the Company's improving trend in this area and demonstrates Monadelphous' reputation as an industry leader in health and safety management.

People

The Company's total workforce at 31 December 2015 was 4,464, marginally down on 12 months earlier. Numbers reflect the increasing activity levels within maintenance services, which offset reductions to our construction workforce and group support.

Labour productivity continues to strengthen as a result of improved labour availability. The Company continues to experience strong levels of key talent retention and a lower trend in permanent staff turnover.

OPERATIONAL ACTIVITY

Monadelphous provides construction, maintenance and industrial services to the resources, energy and infrastructure markets.

Engineering Construction

The Engineering Construction division, which provides large-scale, multidisciplinary project management and construction services, reported sales revenue of \$414.6 million, down 43 per cent when compared to the previous corresponding period, impacted by reduced demand for new construction work and schedule delays on existing projects.

The division remains focused on new markets and overseas opportunities particularly in New Zealand and the US. In August, Monadelphous announced the establishment of a partnership with US contractor Mascaro and the incorporation of a jointly-owned company, Monaro LLC. A small number of Monadelphous' senior long-term project employees have relocated to Pittsburgh and have commenced the process to bid and secure contracts for execution in the near future.

During the year, major contract activity included:

- Structural, mechanical and piping works within concentrator lines 3 to 6 at the Sino Iron Project at Cape Preston, near Karratha, 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; and
- Design and construction of a 240 km irrigation scheme for Ashburton Lyndhurst Irrigation Ltd in Methven, New Zealand.

New contracts worth \$100 million were secured and undertaken during the period and include:

- A three-year contract with APLNG for the fabrication and supply of wellhead separator skids in the Surat Basin, Queensland,

- A contract with Barrhill Chertsey Irrigation Ltd for the design, construction and commissioning of a 40 km long, gravity and pressurised piped irrigation scheme in Methven, New Zealand; and
- A contract with Nyrstar for structural, mechanical and piping works at its Port Pirie Smelter in South Australia.

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 \$323.3 million. The result, which was approximately eight percent higher than the second half of the 2015 financial year, was impacted by high levels of shutdown activity.

The result in the period reflects increased levels of activity as customer demand for efficient brownfields production strengthened and new production plants under construction transition to operations.

During the period the division secured over \$900 million in new contracts and contract extensions underlying the Company's leading position in the services market. New and extended contracts included:

- A three-year contract to provide project, maintenance and shutdown works for Queensland Alumina Limited in Gladstone, Queensland;
- A three-year contract for maintenance and shutdown services for South32 Ltd at Worsley Alumina in Collie, WA;
- A three-year facilities maintenance services contract to support the Barrow Island assets, operated by Chevron Australia, in WA;
- A contract with BM Alliance Coal Operations to provide maintenance works for a major dragline shutdown at Blackwater Mine in Blackwater, Queensland;
- A three-year contract for BP at its Kwinana Refinery, for capital works and maintenance events, in WA;
- A seven-year maintenance and modification services contract associated with Shell Australia's Prelude Floating Liquefied Natural Gas (FLNG) project, in Browse Basin;
- A new contract in joint venture with Giovenco Industries Pty Ltd for services on the Woodside-operated Karratha Gas Plant Life Extension Program; and
- A two-year contract with BM Alliance Coal Operations to provide dragline maintenance at various locations in the Bowen Basin, Queensland.

Major contract activity undertaken included:

- Facilities management and support services at the Chevron-operated Barrow Island assets, WA;
- Maintenance and major shutdown services at the Woodside-operated Karratha Gas Plant at Karratha, 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;

- Project and maintenance services for Queensland Alumina Limited in Gladstone; and
- Maintenance and shutdown works for BM Alliance Coal Operations in Queensland.

Outlook

Australian market conditions are very competitive and expected to remain challenging on the back of historically low resource and energy commodity prices. Customers will continue to minimise capital and operating costs and focus on improving production efficiency.

Opportunities for new major construction contracts in core customer markets are likely to remain at low levels. Delays to new projects seeking final investment decisions persist and there remains a backlog of projects at the feasibility stage.

The outlook for maintenance and industrial services is more positive as maintenance activity begins to normalise and new process facilities continue to transition from the construction to the operating phase. We remain in a strong position to capitalise on a number of opportunities that are currently at the tendering stage.

Our position in the water infrastructure market continues to strengthen and we remain focussed on expanding our presence in Australia and New Zealand.

We will focus on advancing our diversification strategy, broadening our service offering and customer markets in Australia and expanding our core services into new geographic markets.

The surplus capacity of service providers and falling construction activity combined with a reduced pipeline of work will keep margins under pressure. The company remains focused on initiatives to reduce costs, protect margins and improve sustainability.

In the short term, the significant reduction in overall construction demand is continuing to impact sales revenue and at this stage we anticipate full-year revenue to be around 25 per cent lower than 2014/15.

In this volatile environment, we are committed to maintaining our strong balance sheet and pursuing investment opportunities that support our long term market growth strategy.

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 28 cents per share fully franked will be paid to shareholders on 1 April 2016 with the record date for entitlements being 9 March 2016.

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 projects, facilities and workshops across Australia and in New Zealand, China and Papua New Guinea. Please visit our website www.monadelphous.com.au for more information.