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MONADELPHOUS REPORTS FY 2018 REVENUE AND EARNINGS

Performance Highlights

Sales revenue \$1.784 billion*, **up 41%**

Net profit after tax \$71.5 million, **up 24%**

Earnings per share up 24% to 76.1 cents

Full year dividend 62 cps, fully franked

Significant improvement in safety performance

Strong construction revenues following surge in oil and gas activity

Strengthened demand for maintenance services across all sectors

Growth from diversification in overseas and infrastructure markets

Strong balance sheet with cash of \$208.8 million

Engineering company Monadelphous Group Ltd (ASX: MND) (“the Company”) today announced sales revenue for the year ended 30 June 2018 of \$1.784 billion*, up 41.1 per cent on the previous year. Net profit after tax was \$71.5 million, up 24.2 per cent, and the Company ended the period with a healthy cash balance of \$208.8 million.

The results were driven by strong demand for Monadelphous’ services in its core resources and energy markets in Australia, as well as growth from diversification in overseas and infrastructure markets. Construction revenues were particularly strong during the period due to a surge in activity on the Company’s oil and gas projects, while demand for maintenance services strengthened across both the resources and energy sectors.

A strong focus on critical risk controls and enhancing behavioural safety, as well as the growing maturity of operations in new markets and environments entered in previous years, resulted in a significant improvement in safety performance across the business.

The Engineering Construction division continued to perform strongly on the Ichthys Project Onshore LNG in Darwin, Northern Territory, which resulted in the award of a significant amount of additional work throughout the duration of the project. It experienced growth in the renewables and water sectors, securing a further four windfarm contracts and continuing to deliver on water and irrigation projects in both Australia and New Zealand. The division also secured two packages of work on the Oyu Tolgoi Underground Project in Mongolia, bolstering its delivery of core services overseas.

The Maintenance division reported a record sales revenue of \$841 million for the year, up almost 29 per cent, due to the ramp up of a number of offshore oil and gas contracts and an increase in maintenance and sustaining capital works projects. In addition, the division expanded its presence geographically in both Newman, WA, and Newcastle, NSW.

The outlook for the resources and energy sector continues to improve with several major iron ore projects entering early stages of development and an increasing number of opportunities in the base metals and lithium markets. However, as a result of the expected timing of this work, and the significant revenue contribution earned from the Ichthys project in the prior period, the Company is forecasting lower construction revenues in 2018/19. Maintenance activity is forecast to increase and investment in infrastructure remains healthy.

“The Company’s long-term prospects remain positive, particularly given the leadership position we hold in our core markets, the number of major construction opportunities on the horizon and the strength of our balance sheet,” Monadelphous Managing Director Rob Velletri said.

* Includes Monadelphous’ share of joint venture revenue – refer to page 8 for reconciliation

2018 FULL YEAR RESULTS

Revenue

Monadelphous recorded sales revenue of \$1,784.0 million*, an increase of 41.1 per cent on the previous year, as a result of a strong demand for the Company's services in its core resources and energy markets in Australia, and growth from diversification into overseas and infrastructure markets. Construction revenues were particularly strong during the period on the back of a surge in activity on the Company's oil and gas projects, while the demand for maintenance services strengthened across all sectors.

Earnings

Net profit after tax (NPAT) attributable to equity holders of the parent was \$71.5 million, an increase of 24.2 per cent on the previous year. The Company experienced moderating margins resulting from continued high levels of competition across all markets.

Earnings per share (EPS) was 76.1 cents.

Dividend

The Board of Directors has declared a final dividend of 32 cents per share. This takes the full-year dividend to 62 cents per share fully franked, giving a dividend payout ratio of 82 per cent of net profit after tax. The Monadelphous Group Limited Dividend Reinvestment Plan will apply to the final dividend.

Strong balance sheet

Monadelphous ended the year with a healthy cash balance of \$208.8 million and a cash flow from operations of \$51.6 million. Increased activity levels and working capital requirements resulted in a cash flow conversion rate for the period of 69.4 per cent. The Company's strong balance sheet provides substantial capacity to invest in new business opportunities.

Strategic Progress

During the year, Monadelphous made good progress in its markets and growth strategy to maximise returns from core markets, build an infrastructure business and deliver core services to overseas markets.

The Engineering Construction division had, by year end, substantially completed its work on the Ichthys Project Onshore LNG Facilities in Darwin, Northern Territory. The division achieved an outstanding safety record on the project and its strong overall performance resulted in the award of a significant amount of additional work throughout the duration of the project.

The Maintenance and Industrial Services division experienced higher levels of activity in its core markets of resources and energy due to a significant increase in demand for maintenance and sustaining capital works and the ramp up of a number of new offshore oil and gas contracts. The division continued to offer a broad range of maintenance services to its customers, with services added in prior years, including corrosion management, protective coatings, marine maintenance and rope access, successfully embedded into operations and supporting core activities. It also expanded geographically during the year with the acquisition of RIG Installations, a Newcastle-based maintenance services business, and the establishment of workshop facilities in Newman. This geographical diversification provides the Company with the opportunity to on-sell its diverse range of services to new and existing customers in new regions.

Monadelphous' EPC business, Mondium, which was established last year in conjunction with Lycopodium, continued to pursue opportunities in the mining and mineral processing market and successfully delivered its first contract during the year at Talison Lithium's Greenbushes mine site, in the south west of Western Australia (WA). Towards the end of the financial year, it was awarded a contract with Galaxy Lithium Australia for design, engineering, construction and upgrade work at the Mt Cattlin Mine in Ravensthorpe, Western Australia.

The Company's push into the infrastructure sector continued during the year, with increasing levels of activity in the renewable energy and water and irrigation markets.

* Includes Monadelphous' share of joint venture revenue – refer to page 8 for reconciliation

Zenviron, the Company's renewable energy business, substantially completed the Sapphire Wind Farm project and made good progress on the delivery of the Salt Creek Wind Farm. It secured a number of new contracts during the period, including the balance of plant works for the Moorabool North, Crudine Ridge and Lal Lal Wind Farms. The focus for Zenviron into next year will be on executing these projects and securing further opportunities in the renewable energy sector.

The water and irrigation business focussed its efforts on successfully delivering the large number of contracts secured in the prior year. During the period it also secured a contract with Pukaki Irrigation Company Limited for the design, supply, installation and commissioning of a gravity pressurised irrigation scheme in the Mackenzie Basin, New Zealand.

The Company's strategy to deliver core services to overseas markets was bolstered during the year by the award of two packages of work on the Oyu Tolgoi Underground Project in Mongolia, which includes mechanical decommissioning, demolition, civil, structural, mechanical, piping, and electrical and instrumentation works.

In total, Monadelphous secured new contracts and additional work valued at approximately \$600 million since the beginning of the financial year.

Productivity and Innovation

Enhancing productivity and competitiveness through the application of technology and the creation of innovative solutions is a focal point of the Company's overall strategy, and essential to the sustainable delivery of value for Monadelphous and its customers.

A key focus during the year has been on developing and implementing technological solutions that improve the Company's operational productivity levels. A variety of new site and workshop based innovations have been implemented that enable more efficient work practices, including robotic welding technologies, remote-operated inspection devices, 3D visualisation tools, process automation and cloud collaboration technology.

During the year, the Company implemented a purpose-built capability library and customer relationship management database and continued the enhancement of its resource management and workforce optimisation solution. In addition, the development and implementation of the Monadelphous Innovation Framework facilitated enhanced collaboration across the business and with customers.

Monadelphous continues to identify and embed opportunities to deliver operational support services within a centralised and standardised operating model. In this regard, the Company's offshore support service centre in Manila has seen further growth in the last year and continues to provide a range of cost effective business and project related services, including providing support directly to its customers' operations.

OPERATIONAL OVERVIEW

Markets

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

The Australian resources and energy sectors continue to show signs of recovery, with an increase in capital projects announced or under feasibility studies. The outlook for bulk commodities such as coal and iron ore reflects an ongoing focus on efficient operating cost and prudent capital investment to maintain the current high levels of production.

Activity in the maintenance sector is forecast to remain positive as production ramps up on newly commissioned LNG projects, and levels of maintenance and support required on aging resources assets continue to increase.

Investment in infrastructure remains healthy, with increasing public investment providing good prospects in the water and irrigation and renewable energy markets.

Health and Safety

During the year the Company focussed on critical risk controls and the importance of enhancing behavioural safety, encouraging conscious reflection and modifications to behaviours to improve our safety performance across the business. The Company also undertook a number of other safety improvement initiatives identified through the Group-wide safety survey and implemented the inaugural Managing Director's Safety Innovation Award to promote and recognise health and safety innovations across the Group.

These initiatives, combined with the growing maturity of operations in the new markets and environments entered in previous years, contributed to the 12-month total case injury frequency rate (TCIFR) for the year improving by 23.2% compared to the previous period, to 3.28 incidents per million man-hours worked. The lost time injury frequency rate (LTIFR) for the year was 0.19 incidents per million man-hours worked.

People

At Monadelphous, our people are our greatest asset in our journey towards long term, sustainable growth and we are committed to the attraction, development and retention of high calibre employees who live our values and actively contribute to the achievement of our vision and strategic objectives. We continued to focus on developing our people through initiatives such as the safety leadership and emerging leaders programs, the graduate and apprenticeship programs and the senior leadership framework. Monadelphous sustained high levels of key talent retention during the year, and will continue to focus on this important success factor as market conditions continue to improve and the employment market tightens.

The Company's total workforce at 30 June 2018 was 5,828, a slight decrease on 12 months earlier. Engineering Construction employee numbers were declining towards the year end as a number of large contracts approached completion. This was, however, largely offset by the increase in activity on the three offshore oil and gas maintenance contracts and an overall general increase in maintenance services activity.

OPERATIONAL ACTIVITY

Engineering Construction

The Engineering Construction division, which provides large-scale, multidisciplinary project management and construction services, reported sales revenue of \$949.9 million*, an increase of 54.4 per cent on the previous year. This result reflects an increase in oil and gas construction activity and growth in water and renewables.

Work on the Ichthys Project Onshore LNG Facilities in Darwin, Northern Territory, neared completion at the end of the year. Monadelphous performed strongly throughout the project and received numerous awards from JKC Australia LNG for its excellent safety performance.

In Infrastructure, the Company continued to grow its renewable energy business, Zenviron, as well as its water and irrigation business, both in Australia and New Zealand.

Zenviron, in consortium with Vestas Australian Wind Technology (Vestas), substantially completed the 270MW Sapphire Wind Farm, which is the largest wind farm in New South Wales. It also secured a further four wind farm contracts, including two in consortium with Vestas to provide engineering, procurement, construction and commissioning of the Salt Creek and Lal Lal Wind Farms in regional Victoria. Additionally, Zenviron secured contracts with CWP Renewables for the Crudine Ridge Wind Farm located in regional New South Wales (in consortium with GE Renewable Energy), and with Goldwind Australia for the Moorabool North Wind Farm in regional Victoria.

Work with Sydney Water Corporation continued to grow, strengthening the Company's position in the water market. Construction of the Amuri Irrigation Scheme, north of Christchurch, New Zealand, was completed, and work continued on the major upgrade to Unitywater's Kawana Sewage Treatment Plant, on the Sunshine Coast, Queensland. The Company also commenced work on the upgrade to the Cleveland Bay Purification Plant for Townsville City Council, and on the Pukaki Irrigation Project in the South Island, New Zealand.

* Includes share of joint venture revenue

During the year, the division secured two packages of work on the Oyu Tolgoi Underground Project in Mongolia, and through SinoStruct, provided supporting procurement and logistics expertise to the project. The Company's strategy of developing project execution capability through the secondment of expatriate management and supervision and the employment of local skilled labour, providing upskilling and development opportunities, and establishing relationships with local suppliers proved successful. To support this objective, during the period the Company established a registered training organisation in Ulaanbaatar.

SinoStruct continued to supply and fabricate wellhead skids for upstream coal seam gas developments in northern Queensland, securing a number of contract extensions from both Santos and APLNG.

The Company's heavy lift services business expanded its fleet, acquiring a number of all-terrain cranes ranging from 25 tonnes to 400 tonnes, increasing its capacity and capability to service internal clients as well as external customers. In support of its diversification strategy and to better alignment service delivery to customer requirements, a Heavy Lift Operations Centre was opened in Port Hedland, WA, expanding the Company's footprint in the Pilbara region and increasing its ability to service customers' evolving requirements.

Other work undertaken during the year included:

- Fixed plant maintenance and shutdown crane services with Fortescue Metals Group at the Solomon Hub site in the Pilbara, WA;
- Various structural, mechanical, piping, electrical and instrumentation integration packages of work for BHP under an existing panel contract with BHP in the Pilbara, WA;
- Structural, mechanical and piping works associated with the Santos Roma West Phase 2B Project, in the Surat Basin, Queensland;
- An upgrade to a wastewater treatment plant for Selwyn District Council in Rolleston, New Zealand;
- The supply of additional wellhead skids for Australia Pacific LNG, under an existing agreement;
- An upgrade to the Water Treatment Plant providing the potable water supply, treatment and distribution system at BHP Billiton Western Australia Iron Ore's Mining Area C operation in the northwest of WA;
- Structural, mechanical and piping works for Nyrstar at its Port Pirie Smelter in South Australia (SA);
- The supply of structural steel, fabricated spooling and preassembled modular pipe racks for Jacobs, as part of a plant expansion project in the USA; and
- The supply of approximately 7,000 tonnes of structural steel, plate work and conveyers to Kiewit Corporation.

Maintenance and Industrial Services

The Maintenance and Industrial Services division, which specialises in the planning, management and execution of multidisciplinary maintenance services, sustaining capital works and turnarounds, continued to strengthen its position as a leading maintenance services provider. The division reported a record sales revenue of \$841.1 million, up 28.9 per cent on the previous year, due to increased levels of demand for its services in both resources and energy.

Activity increased significantly during the year on the division's three offshore oil and gas maintenance services contracts, namely the Woodside-operated gas production facilities contract, the contract associated with the INPEX-operated Ichthys LNG Project and the Shell Prelude FLNG maintenance and modification services contract.

The division continued to support BHP's Olympic Dam copper-uranium operation at Roxby Downs in South Australia, and expanded its service offering to include concrete remediation, asset integrity, blast and paint and electrical and instrumentation. During the year, Monadelphous celebrated 30 years of providing maintenance and shutdown services at Olympic Dam.

The division continued to strengthen its position as the leading maintenance service provider in the Pilbara with the award of various integrated structural, mechanical, piping and electrical and instrumentation packages for BHP's iron ore operations, and the establishment of a facility in Newman.

In addition, the division secured the following contracts, bringing the total value of awards during the period to approximately \$300 million:

- A two-year contract to continue to supply fixed plant maintenance services for Rio Tinto at its coastal and inland operations in the Pilbara;
- A 12-month contract extension on the Woodside-operated Karratha Gas Plant Life Extension Program through its joint venture MGJV, which includes the delivery of mechanical, electrical, access, coatings and insulation services;
- A three-year contract for the supply of rope access based mechanical maintenance, inspection and protective coating services for Dalrymple Bay Coal Terminal in Mackay, Queensland;
- A three-year contract for the operation and maintenance of the coal handling facility at the Muja Power Station for Synergy in Collie, WA;
- A two-year contract extension for the supply of mechanical services for Queensland Alumina Limited in Gladstone, Queensland; and
- A three-year contract to provide shutdown maintenance, breakdown and repair services, minor projects and ad hoc services for BHP at Mount Arthur Coal in the Hunter Valley, NSW.

Other significant contract activity undertaken during the year included:

- Engineering, procurement and construction services, in joint operation with Jacobs Engineering, on Oil Search's oil and gas production and support facilities in the Highlands region of Papua New Guinea;
- Facilities maintenance management and support services at Chevron Australia's facilities at Barrow Island and Onslow, WA;
- Abrasive blasting, cleaning and relining of carbon steel ore wagons for The Pilbara Infrastructure (a wholly owned subsidiary of Fortescue Metals Group) in Port Hedland, WA;
- Maintenance and major shutdown services at the Woodside-operated Karratha Gas Plant at Karratha, WA;
- Maintenance and shutdown services for BHP's Nickel West operations in the Goldfields, WA;
- Maintenance and dragline shutdown works for BM Alliance Coal Operations in Queensland;
- Maintenance and shutdown services for QGC's Curtis LNG Plant, on Curtis Island, Queensland; and
- Maintenance and turnarounds for Yancoal in the Hunter Valley, NSW.

Outlook

The outlook for the resources and energy sector continues to improve with commodity prices having stabilised. As production demand strengthens, investments in new operations and expansions of existing facilities, as well as operating and sustaining capital expenditure levels, are expected to increase.

Project pipeline visibility continues to improve with several major iron ore projects having entered the early stages of development, and an increasing number of opportunities in the base metals and lithium markets. The Company is experiencing high levels of tendering activity, with planned major resources construction projects expected to generate significant revenue opportunities in 2019/20 and beyond.

Prospects for the Company are positive as this future major resources construction work comes to market. However, as a result of the expected timing of this work, and the significant revenue contribution earned from the Ichthys project in the prior period, the Company is forecasting lower construction revenues in 2018/19.

Maintenance activity is forecast to increase as production volumes remain high and essential maintenance works are undertaken. Oil and gas services revenue is expected to grow as LNG projects ramp up production and offshore work volumes increase.

Investment in infrastructure remains healthy, with good prospects in the water and irrigation market in Australia and New Zealand, while the Australian renewables market is expected to remain buoyant for the foreseeable future.

A strong balance sheet provides the capacity to invest in the right opportunities, and enable the Company to continue to progress its markets and growth strategy. Productivity improvements will remain a priority as competition levels in the industry remain high and customers remain focussed on cost competitive solutions.

In summary, Monadelphous is in good shape and well positioned to capitalise on the upcoming market conditions.

Finally, I would like to take the opportunity to thank all our stakeholders for their loyalty and support and, in particular, our people for their continued commitment and dedication and for their contribution to an outstanding result.

DIVIDEND ENTITLEMENTS

The final dividend of 32 cents per share fully franked will be paid to shareholders on 5 October 2018 with the record date for entitlements being 14 September 2018.

Revenue including joint ventures is a non-IFRS measure which does not have any standardised meaning prescribed by IFRS and therefore may not be comparable to revenue presented by other companies. This measure is important to management as an additional way to evaluate the Company's performance.

Reconciliation of Statutory Sales Revenue

	30 June 2018 \$'000	30 June 2017 \$'000
Total sales revenue including joint ventures	1,783,999	1,264,747
Share of revenue from joint ventures ~	(49,118)	(19,564)
Statutory sales revenue	1,734,881	1,245,183

~ Represents Monadelphous' proportionate share of the revenue of joint ventures accounted for using the equity method.

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, Mongolia, Papua New Guinea and the United States of America. Please visit www.monadelphous.com.au for more information.