

MONADELPHOUS GROUP LIMITED

ABN 28 008 988 547

CONDENSED CONSOLIDATED FINANCIAL REPORT

HALF-YEAR ENDED 31 DECEMBER 2021

MONADELPHOUS GROUP LIMITED
ABN 28 008 988 547
CORPORATE DIRECTORY

Directors

Calogero Giovanni Battista Rubino
Chairman

Robert Velletri
Managing Director

Susan Lee Murphy AO
Lead Independent Non-Executive Director

Peter John Dempsey
Independent Non-Executive Director

Dietmar Robert Voss
Independent Non-Executive Director

Helen Jane Gillies
Independent Non-Executive Director

Enrico Buratto
Independent Non-Executive Director

Company Secretaries

Philip Trueman
Kristy Glasgow

Principal Registered Office in Australia

59 Albany Highway
Victoria Park
Western Australia 6100
Telephone: +61 8 9316 1255
Facsimile: +61 8 9316 1950
Website: www.monadelphous.com.au

Postal Address

PO Box 600
Victoria Park
Western Australia 6979

Share Registry

Computershare Investor Services Pty Ltd

Level 11, 172 St George's Terrace
Perth

Western Australia 6000

Telephone: 1300 364 961

Facsimile: +61 8 9473 2500

ASX Code

MND – Fully Paid Ordinary Shares

Bankers

National Australia Bank Limited
100 St George's Terrace
Perth
Western Australia 6000

Westpac Banking Corporation

109 St George's Terrace
Perth
Western Australia 6000

Bankers

HSBC

188-190 St George's Terrace
Perth
Western Australia 6000

Auditors

Ernst & Young

The Ernst & Young Building
11 Mounts Bay Road
Perth
Western Australia 6000

Solicitors

Johnson, Winter and Slattery

Level 49, 152-158 St George's Terrace
Perth
Western Australia 6000

Controlled Entities

Monadelphous Engineering Associates Pty Ltd
Monadelphous Engineering Pty Ltd
Monadelphous Properties Pty Ltd
Monadelphous Workforce Pty Ltd
Genco Pty Ltd
Monadelphous Electrical & Instrumentation Pty Ltd
Monadelphous PNG Ltd
Monadelphous Holdings Pty Ltd
Moway International Limited
SinoStruct Pty Ltd
Moway AustAsia Steel Structures Trading (Beijing)
Company Limited
Monadelphous Group Limited Employee Share Trust
Monadelphous KT Pty Ltd
Monadelphous Energy Services Pty Ltd
Monadelphous Singapore Pte Ltd
Monadelphous Mongolia LLC
M Workforce Pty Ltd
M&ISS Pty Ltd
Monadelphous Engineering NZ Pty Ltd
M Maintenance Services Pty Ltd
MGJV Pty Ltd
Monadelphous Inc.
Monadelphous Marcellus LLC
Monadelphous Investments Pty Ltd
MWOG Pty Ltd
Arc West Group Pty Ltd
MOAG Pty Ltd
Monadelphous International Holdings Pty Ltd
Evo Access Pty Ltd
Monadelphous Sdn Bhd
RIG Installations (Newcastle) Pty Ltd
R E & M Services Pty Ltd
Pilbara Rail Services Pty Ltd
EC Projects Pty Ltd
Monadelphous Chile SpA
MAQrent SpA
Buildtek SpA
Sinostruct Engineering & Fabrication (Tianjin)
Company Limited
Monadelphous RTW Pty Ltd (incorporated 7 July 2021)
MMW Projects Pty Ltd (incorporated 27 August 2021)

MONADELPHOUS GROUP LIMITED DIRECTORS' REPORT

Your directors submit their report for the half-year ended 31 December 2021.

DIRECTORS

The names and details of the directors of the Company in office during the half-year and until the date of this report are:

Calogero Giovanni Battista Rubino	<i>Chairman</i> Appointed 18 January 1991 Resigned as Managing Director on 30 May 2003 and continued as Chairman 55 years experience in the construction and engineering services industry
Robert Velletri	<i>Managing Director</i> Appointed 26 August 1992 Mechanical Engineer, Member of Engineers Australia Appointed as Managing Director on 30 May 2003 42 years experience in the construction and engineering services industry
Susan Lee Murphy AO	<i>Lead Independent Non-Executive Director</i> Appointed 11 June 2019 Civil Engineer, Honorary Fellow of Engineers Australia 42 years experience in the resources and infrastructure industries Also a non-executive director of the following other publicly listed entity: MMA Offshore Limited (ASX: MRM) – appointed 30 April 2021
Peter John Dempsey	<i>Independent Non-Executive Director</i> Appointed 30 May 2003 Civil Engineer, Fellow of Engineers Australia, Member of the Australian Institute of Company Directors 49 years experience in the construction and engineering services industry Also a non-executive director of the following other publicly listed entity: Service Stream Limited (ASX:SSM) – appointed 1 November 2010
Dietmar Robert Voss	<i>Independent Non-Executive Director</i> Appointed 10 March 2014 Chemical Engineer, Member of the Australian Institute of Company Directors 48 years experience in the oil and gas, and mining and minerals industries
Helen Jane Gillies	<i>Independent Non-Executive Director</i> Appointed 5 September 2016 Solicitor, Master of Business Administration and Construction Law, Fellow of the Australian Institute of Company Directors 25 years experience in the construction and engineering services industry Also a non-executive director of the following other publicly listed entities: Yancoal Australia Limited (ASX:YAL) – appointed 30 January 2018 Aurelia Metals Limited (ASX:AMI) – appointed 21 January 2021
Enrico Buratto	<i>Independent Non-Executive Director</i> Appointed 11 October 2021 Civil Engineer, Fellow of Engineers Australia 45 years experience in the resources and infrastructure industries

MONADELPHOUS GROUP LIMITED DIRECTORS' REPORT

DIRECTORS (continued)

Christopher Percival Michelmore *Independent Non-Executive Director*
Appointed 1 October 2007, Resigned 23 November 2021
Civil Engineer, Fellow of Engineers Australia
49 years experience in the construction and engineering services industry

COMPANY SECRETARIES

Philip Trueman *Company Secretary and Chief Financial Officer*
Appointed 21 December 2007
Chartered Accountant, Member of Chartered Accountants Australia and New Zealand
21 years experience in the construction and engineering services industry

Kristy Glasgow *Company Secretary*
Appointed 8 December 2014
Chartered Accountant, Member of Chartered Accountants Australia and New Zealand
16 years experience in the construction and engineering services industry

NATURE OF OPERATIONS AND PRINCIPAL ACTIVITIES

Engineering Services

Monadelphous is a diversified services company operating in the resources, energy and infrastructure industry sector.

Services provided include:

- Fabrication, modularisation, offsite pre-assembly, procurement and installation of structural steel, tankage, mechanical and process equipment, piping, demolition and remediation works
- Multi-disciplined construction services
- Plant commissioning
- Electrical and instrumentation services
- Engineering, procurement and construction services
- Process and non-process maintenance services
- Front-end scoping, shutdown planning, management and execution
- Water and waste water asset construction and maintenance
- Construction of transmission pipelines and facilities
- Operation and maintenance of power and water assets
- Heavy lift and specialist transport
- Access solutions
- Dewatering services
- Corrosion management services
- Specialist coatings
- Rail maintenance services

General

Monadelphous operates from major offices in Perth and Brisbane, with regional offices in Newcastle, Beijing (China), Ulaanbaatar (Mongolia), Manila (Philippines), and Santiago (Chile) and a network of workshop facilities in Kalgoorlie, Karratha, Port Hedland, Newman, Tom Price, Darwin, Roxby Downs, Gladstone, Hunter Valley, Mackay, Bibra Lake, Bunbury, Capel, Chinchilla, Rutherford and Tianjin (China).

The consolidated entity's revenue is earned predominantly from the resources, energy and infrastructure industry sector. There have been no significant changes in the nature of those activities during the year.

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DIRECTORS' REPORT

OPERATING RESULTS

The consolidated entity's profit attributable to equity holders of the parent after providing for income tax for the half-year was \$30.058 million (2020: \$31.576 million).

DIVIDENDS PAID OR PROPOSED

A 24 cent fully franked interim dividend has been approved by the directors, payable on 25 March 2022 (2021: 24 cent interim dividend). A final fully franked dividend of \$19,932,508 was paid during the period in respect of the financial year ended 30 June 2021.

REVIEW OF OPERATIONS

	Half-year ended 31 December 2021 \$'000	Half-year ended 31 December 2020 \$'000
Revenue from contracts with customers	<u>994,735</u>	<u>842,078</u>
Profit after income tax attributable to equity holders of the parent	<u>30,058</u>	<u>31,576</u>

MONADELPHOUS GROUP LIMITED

DIRECTORS' REPORT

The Directors of Monadelphous Group Limited are pleased to report the Company's financial results for the six months ended 31 December 2021.

Revenue

Monadelphous recorded revenue for the six months of \$1,065 million¹, up 12.3 per cent on the previous corresponding period.

The Company continued to experience high levels of demand for its services amid an extraordinary shortfall of available skilled resources. Resources and energy sector activity continued at high levels, particularly in Western Australia.

Demand for maintenance services increased significantly as the industry sought to recover the backlog of work delayed and deferred during the earlier stages of the COVID-19 pandemic. The Company's Maintenance and Industrial Services division achieved a record half year revenue of \$596.1 million, up 21.3 per cent on the prior corresponding period, reflecting a surge in demand for services across both the resources and energy sectors, strong growth in the Chilean business and higher levels of activity in Papua New Guinea.

The Engineering Construction division reported revenue of \$471.6 million¹, successfully completing a number of significant resource construction projects and shutdowns during the period.

Statutory revenue, which excludes Monadelphous' share of revenue from joint ventures, was \$994.7 million.

Earnings

Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA) for the period was \$60.9 million², giving an EBITDA margin percentage of 5.7 per cent for the six months to 31 December 2021.

Monadelphous continued to experience labour cost and productivity pressures during the period, with labour demands within the industry remaining at very high levels and border restrictions further exacerbating the recruitment and mobilisation of labour.

Net profit after tax was \$30.1 million, an increase of 17.7 per cent³ on the prior corresponding period, representing earnings per share of 31.6 cents.

Dividend

The Board of Directors has declared an interim dividend of 24 cents per share fully franked. The Monadelphous Group Limited Dividend Reinvestment Plan will apply to the interim dividend.

Strong balance sheet

Monadelphous ended the period with a cash balance of \$175.3 million, representing a strong cash flow conversion rate for the six months of 104 per cent.

During the period, the Board of Directors conducted a comprehensive review to assess the appropriateness of the Company's capital structure with the assistance of a global investment bank. Following the review, the Board concluded that the Company's current capital structure was appropriate and reflects the necessary level of tolerance to accommodate the current operating environment, the changing market conditions and the medium-term outlook for the business.

The strength of Monadelphous' balance sheet provides the Company with the financial capacity required to effectively navigate the pandemic and successfully manage the associated unpredictable and volatile economic impacts, as well as take advantage of potential investment opportunities which may arise.

¹ Includes Monadelphous' share of joint venture revenue – refer to page 11 for reconciliation

² Refer to page 11 for reconciliation of EBITDA

³ Calculation based on prior corresponding period result, normalised to exclude the reversal of the \$6 million research and development tax incentive provision

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DIRECTORS' REPORT

Strategic Progress

Monadelphous has secured around \$860 million of new contracts and contract extensions since the beginning of the period across resources, energy, infrastructure and international markets, with a significant number of new contracts having been awarded in the iron ore sector with BHP and Rio Tinto.

The Company was awarded two contracts with BHP under its existing WA Iron Ore (WAIO) Site Engineering Panel Agreement at the Nelson Point and Jimblebar mine sites. It also secured a 12-month extension to its existing contract with BHP for the provision of general maintenance services for shutdowns, outages and minor capital works at the Mt Whaleback, Jimblebar, Eastern Ridge, Mining Area C, and Yandi and South Flank mine sites.

Monadelphous also secured new packages of work with Rio Tinto, including a construction contract associated with the Marandoo Dewatering Sump Project, as well as several new contracts under its existing Sustaining Capital Projects Panel Agreement at Cape Lambert and East Intercourse Island.

In other resource sectors, the Company was awarded a 12-month extension to its existing mechanical and electrical maintenance, shutdown and project services contract across BHP's Nickel West operations in the Goldfields region of WA, a new three-year general mechanical maintenance services contract with Queensland Alumina Limited at its operations in Gladstone, Queensland, and a 10-month extension to its dragline shutdown and maintenance services contract with BHP Mitsubishi Alliance in the Bowen Basin, Queensland.

The Company's fabrication business, SinoStruct, secured a new four-year agreement to continue supplying wellsite equipment to Origin. The packaged equipment is used to separate, meter and control coal seam gas for the Australia Pacific LNG project in Queensland.

Zenviron, the Company's renewable energy joint venture, was awarded a contract to deliver the Rye Park Wind Farm, which will be the largest constructed in New South Wales. Zenviron will perform approximately \$250 million of works under the contract, which is expected to be completed in 2024.

Mondium, the Company's engineering, procurement and construction (EPC) joint venture with Lycopodium, substantially completed construction at Rio Tinto's Western Turner Syncline Phase 2 Project, with first ore successfully achieved in October 2021. Construction of the tailings retreatment plant at Talison Lithium's Greenbushes mine was also substantially completed, with the project in the commissioning phase at the end of the period.

In Chile, Monadelphous' maintenance and construction services business, Buildtek, secured a construction contract with Codelco for work associated with the development of a new underground section of the El Teniente copper mine in Rancagua.

Buildtek continues to go from strength-to-strength, and during the period Monadelphous increased its shareholding in the business to 90 per cent. In the two years since Monadelphous' initial investment, Buildtek has achieved revenue growth of more than 50 per cent and workforce numbers have grown in excess of 75 per cent, to more than 1,400 employees.

Early in 2022, Buildtek secured a number of new packages of work with Codelco, including a three-year contract to provide mine infrastructure maintenance and repairs at the Chuqucamata underground copper mine, and a five-year contract to provide maintenance services at the Radomiro Tomic copper mine. Buildtek was also awarded its first contract with Collahuasi Mining Company to provide modifications to the concentrate distribution system at its Collahuasi Maritime Terminal in Punta Patache, south of Iquique in Chile.

Also subsequent to the end of the period, the Company was awarded:

- A two-year extension to its existing maintenance, shutdown and brownfields project services contract at Woodside's onshore and offshore gas production facilities in the north-west of WA;
- A 12-month extension to its existing services contract at South32's Worsley Alumina Refinery in Collie, WA;
- A three-year extension to its existing operation and maintenance contract with Tronox at the cogeneration power station in Kwinana, near Perth; and

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- A multi-disciplinary services contract with Newcrest on the Lihir Front End Recovery Project in Papua New Guinea.

During the period, Monadelphous also acquired fabrication business RTW Steel Fabrication and Construction, complementing its service offering in the south-west of Western Australia and further broadening its customer base in the region.

Health and Safety

The Company's 12-month total recordable injury frequency rate (TRIFR) at period end was 2.81 incidents per million hours worked, with performance impacted by high activity levels, the large number of new employees being onboarded during the period and significant workforce mobilisations and demobilisations.

Monadelphous increased its focus on the provision of front-line programs to further promote and support in-field safety leadership. In addition, the Company launched a number of targeted safety campaigns aimed at addressing common risks, such as hand and finger injuries. The Company's relentless focus on the review and implementation of fatal risk controls across its operations contributed to a reduction in the number of serious safety incidents compared to recent periods.

The Company continues to invest effort in the important area of safety innovation and was pleased to be named as a finalist in three safety innovation awards during the period. Monadelphous' smart conveyor module assembly system, which was used at BHP's South Flank Inflow Project, was recognised in the National Safety Awards of Excellence. The specially designed self-propelled modular transporter davit frame, used to safely move and install gas pipeline sections at the Woodside-operated Pluto Liquefied Natural Gas Plant, was named as a finalist in the WA Department of Mines' Industry Regulation and Safety Excellence Awards. Finally, the Company was named as a finalist in the WA Association for Mental Health's Mental Health Awards for its commitment to breaking down the stigma associated with mental health.

Monadelphous continued to make significant progress in its Health and Wellbeing strategy which, amongst other things, promotes healthy lifestyle choices and focuses on increasing mental wellbeing amongst employees. The Company supported multiple mental health initiatives across its offices and sites to encourage ongoing conversations regarding the importance of mental health awareness.

People

Monadelphous finished the period with a total workforce, including subcontractors, of 7,347.

The retention and attraction of a diverse group of highly competent people remains a priority, particularly as the industry experiences the current unprecedented shortfall of available skilled resources.

The Company focused on a variety of initiatives to reinforce employee engagement and attraction, including formalising flexible work arrangements to enhance employee wellbeing and job satisfaction, and the continued focus on leadership development, mentoring and graduate programs.

During the period, the Company implemented the Employee Retention Plan to support the retention of key talent and mitigate the effects of the extremely competitive labour market. The primary objective of the Plan is to act as a retention incentive and recognise key employees whose ongoing contribution is of critical strategic and operational importance to Monadelphous.

The Plan provides a one-off issue of Retention Rights to key employees, which will vest over a three-year period subject to continued service conditions. It enables employees who are critical to the achievement of the Company's strategic objectives to share in the long-term performance of the Company in a manner which is aligned to the creation of shareholder wealth.

Monadelphous has reviewed and refreshed its Code of Conduct and supporting policies to reinforce acceptable workplace behaviour and ensure an inclusive work environment for all employees. The Company developed and implemented the '*It's Up to Us*' campaign to highlight the important role every employee at Monadelphous plays in

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creating a safe, respectful and inclusive work environment, free of sexual harassment and sexual assault, reminding employees of appropriate behaviours and how best to manage situational scenarios.

The Company progressed a number of strategic employee attraction initiatives, including the introduction of employee referral programs for positions in high demand across the industry, the continued use of its specialist, in-house Talent Acquisition team to target senior and strategic roles and the formal launch of its Alumni program to win back departed talent.

Monadelphous' new and improved recruitment, onboarding and talent management system, which will help ensure the Company is set up to efficiently and effectively source, select and mobilise the right people at the right time, is on track to go live later in the year.

Finally, the Company has commenced an organisational review to ensure its structure is appropriately aligned to deliver against its future strategic plans.

Board Changes

During the period, the Company announced a number of changes to its Board and subcommittees. On 11 October 2021, Mr Ric Buratto, a Civil Engineer with more than 45 years of contracting experience in the resources and infrastructure sectors, was appointed as a Non-Executive Director of Monadelphous. Mr Buratto has extensive leadership and management experience in engineering, mining and construction across a range of disciplines including earthworks, marine, civil, structural, mechanical and piping construction, as well as maintenance and shutdown execution. He brings an abundance of industry knowledge, experience and relationships, and complements the existing capabilities of the Board.

At the close of the Company's Annual General Meeting on 23 November 2021, Mr Chris Michelmore retired as a Non-Executive Director following a 14-year term with Monadelphous. Mr Michelmore was a highly valued member of the Board and its subcommittees and contributed significantly to the Company's continued growth and success. The Board thank Mr Michelmore for his loyalty, hard work, dedication and commitment and wish him all the best in his retirement.

Ms Sue Murphy AO replaced Mr Michelmore as Chair of the Company's Remuneration Committee on 1 October 2021, following his resignation from the role on 30 September 2021. Also on 1 October 2021, Ms Murphy replaced Mr Peter Dempsey as Deputy Chair / Lead Independent Non-Executive Director of the Company.

Social Value

Monadelphous is committed to making a positive contribution to the societies and communities in which it operates, focusing its efforts on the key areas of diversity, community and environment.

The Company launched its second Gender Diversity and Inclusion Plan (2021 – 2024) during the period, further demonstrating its strong and ongoing commitment to gender diversity and inclusion. The Plan focuses on ensuring a safe working environment for all employees, the removal of gender-based barriers and extending targets for female candidates in its Vacation and Graduate programs. The Plan contains measurable objectives in respect of key female talent retention and strong participation from women as they enter the Company's workforce in their foundational years.

Monadelphous re-signed its partnerships with the University of Western Australia's Girls in Engineering Program and the University of Queensland's Gender Equity in Engineering Making Sense Program. Both programs aim to promote gender diversity, equity and inclusivity within science, technology, engineering and mathematics (STEM) subjects and encourage female high school students to focus on STEM career pathways.

The Company celebrated NAIDOC Week in July 2021, hosting numerous cultural immersion activities across office and site locations. Monadelphous renewed its successful and mutually beneficial partnership with the Polly Farmer Foundation and, as part of the Agreement, provided students the opportunity to visit universities in Bunbury and Perth, as well as Monadelphous' Bibra Lake facility.

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DIRECTORS' REPORT

Pleasingly, the Company exceeded its target for the number of Aboriginal and Torres Strait Islander employees onboarded as part of its three-year Indigenous Employment Pathways Program partnership with Rio Tinto. Supported by dedicated coaching and mentoring, the Program aims to increase the number of skilled and tertiary qualified Aboriginal and Torres Strait Islander peoples in the resources industry.

Across its operations Monadelphous took part in over 60 community events and initiatives throughout the period. Activities included supporting local sporting clubs, school events and jobs fairs, as well as major community organisations, such as Beyond Blue, Red Nose Day and Police and Community Youth Centres.

Productivity and Innovation

Monadelphous continues to focus its productivity and innovation strategy on the identification and application of proven technologies that improve productivity and enhance process effectiveness and efficiencies, in order to deliver value for its customers and for itself. The Company's bespoke collaboration platform, Mprove, supports the sharing of tangible productivity and safety benefits and innovations and amplifies the collective expertise of Monadelphous and its people.

The Company continues to identify opportunities to broaden its robotic process automation footprint, leveraging this capability to eliminate manual processing and repetitive tasks, and freeing up skilled resources to focus on higher value tasks.

Monadelphous also continues to enhance and expand its data analytics and visualisation capabilities, complemented by the widespread deployment of in-field electronic data gathering, which enable real-time visualisations, comprehensive analytics and optimised performance reporting across the business.

OPERATIONAL ACTIVITY

Engineering Construction

Monadelphous' Engineering Construction division, which provides large-scale, multidisciplinary project management and construction services, reported revenue of \$471.6 million¹ for the half, slightly up on the previous corresponding period. The division also secured \$200 million of additional new work during the period.

Monadelphous successfully completed its work on a number of large resource construction projects which had commenced in prior periods, including at BHP's South Flank Project, where the Company was involved in the construction of the project's inflow and outflow infrastructure, as well as at Rio Tinto's West Angelas Deposits C and D Project. The Company also provided multidisciplinary services at Rio Tinto's Gudai-Darri iron ore project in the Pilbara.

The Company also performed smelter campaign works at BHP's Olympic Dam copper mine in South Australia during the period, with the major shutdown component of the project successfully completed in December 2021. A number of other packages of work were also completed for BHP under the WAIO Panel Agreement, including at Nelson Point, Jimblebar and Mt Whaleback.

Monadelphous continued to provide structural, mechanical and piping services associated with the pyromet plant at MARBL Lithium Joint Venture's Kemerton lithium hydroxide plant in the south-west of Western Australia. The Company was also awarded electrical and instrumentation work at the plant subsequent to the end of the period.

The Company continued to provide heavy lift services to Fortescue Metals Group (FMG) under a long-term services contract at FMG's Solomon and Eliwana mine sites in Western Australia, as well as provide specialist services and equipment to Woodside, BHP and Rio Tinto under existing construction and maintenance contracts.

Monadelphous established a formal joint venture agreement with global heavy lifting services company Fagioli, to provide turnkey heavy lifting solutions to the Australian market, offering increased capability and capacity to deliver significant resources projects. Monadelphous and Fagioli have already commenced working together, providing services for NMT Logistics at FMG's Iron Bridge Project in the Pilbara.

¹ Includes Monadelphous' share of joint venture revenue

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Maintenance and Industrial Services

Monadelphous' Maintenance and Industrial Services division achieved a record half year revenue of \$596.1 million, up 21.3 per cent on the prior corresponding period. The result reflects buoyant conditions across the resources and energy sectors in Australia and Chile, with the division being awarded approximately \$660 million of new maintenance contracts and contract extensions since the beginning of the financial year.

The Company performed a significant amount of work in the iron ore sector for both BHP and Rio Tinto, including the successful completion of the Car Dumper 1 mega shut at BHP's Nelson Point, as well as the provision of services at Rio Tinto's Cape Lambert, East Intercourse Island and Tom Price operations.

Monadelphous continued to grow its civil and marine capability, performing bulk earth works at BHP's Jimblebar, and providing services on Roy Hill's water pipeline, as well as dewatering work at Rio Tinto's Marandoo mine site. In addition, the Company also commenced two marine projects at Rio Tinto's Parker Point and Cape Lambert wharfs, which include the design, fabrication, supply and installation of new hawser rails.

In the oil and gas sector, the Company continued to provide services under existing, long-term maintenance contracts with its blue-chip customers, performing turnarounds for both Woodside and INPEX and progressing planning for major turnarounds scheduled across Woodside, Shell, INPEX and Oil Search Limited-operated facilities over the next couple of years. Planning also commenced for significant shutdowns for Incitec Pivot Limited and BHP Mitsubishi Alliance, both in Queensland.

Chile-based maintenance and construction services business, Buildtek, continued to capitalise on strong copper prices, completing a number of projects with Minera Escondida, which is majority owned by BHP, as well as providing maintenance and construction services for long-term customer Codelco. Buildtek also completed its most significant liquefied natural gas (LNG) contract to date with GNL Quintero for the removal and replacement of five LNG discharge arms.

Other significant contract activity undertaken during the period included:

- Maintenance, shutdown and sustaining capital works services for BHP's Pilbara-based iron ore operations, WA;
- Fixed plant maintenance and sustaining capital works services for Rio Tinto's Pilbara-based iron ore operations, WA;
- Maintenance and shutdown services for BHP's Olympic Dam copper-uranium operation at Roxby Downs, South Australia;
- Offshore maintenance services for INPEX Operations Australia, WA;
- Provision of services for Shell, WA and Queensland;
- Offshore and onshore maintenance services for Woodside, WA;
- Engineering, procurement and construction services on Oil Search's oil and gas production and support facilities in the Highlands region of Papua New Guinea, in joint operation with Worley;
- Minor capital project services at Newcrest Mining Limited's Lihir Gold Mine in Papua New Guinea;
- Maintenance and projects for Queensland Alumina Limited in Gladstone, Queensland;
- Mechanical shutdown and tank maintenance and refurbishments for Newmont at Boddington, WA;
- Shutdown and mechanical services for South32's Worsley Alumina Refinery, WA;
- National Services Agreement to complete maintenance, shutdown and sustaining capital works across APA Group's assets;
- Operation and maintenance of the coal handling facility at the Muja Power Station for Synergy in Collie, WA;
- General mechanical and maintenance services for Incitec Pivot Limited in Gibson Island, Queensland; and
- Maintenance and turnaround services in the Hunter Valley, NSW, for Glencore.

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DIRECTORS' REPORT

Markets and Outlook

The outlook for Monadelphous' core markets is strong.

The resources sector will continue to provide opportunities, with the Australian iron ore industry remaining particularly buoyant. Capital and operating expenditures required to sustain current iron ore production levels will drive strong demand for the Company's services.

With the demand for battery metals forecast to remain strong, developments in lithium, copper, nickel and rare earths will provide numerous prospects in the coming years. These markets, along with the gold sector, will present opportunities for Monadelphous in Australia, South America, Mongolia and Papua New Guinea.

Conditions in the oil and gas sector have been improving, with construction opportunities from the development of new LNG projects likely to emerge in the next year or so. Demand for oil and gas maintenance services is forecast to be solid following the major demand disruption experienced during the early stages of the pandemic.

Australia's transition towards clean energy will continue. The portfolio of new wind farms coming to market in the next few years is expected to provide opportunities for Zenviron, particularly as electrical transmission and distribution network access improves in New South Wales and Victoria. Rapid development of the hydrogen sector is also expected to provide opportunities in coming years.

The shortage of skilled labour will continue to be a major challenge for the Company's operations, especially in Australia. While the effects in Western Australia are being felt across all industry sectors, the impacts have been particularly acute in WA fly-in fly-out operations. Although WA border restrictions will be relaxed in coming weeks, labour shortages are likely to continue for some time.

The escalation in COVID-19 case numbers in WA, coupled with the imposition of measures to limit further transmission, will provide further challenges for the industry and the Company. Monadelphous will continue to work collaboratively with customers, take a strategic approach to targeting new work opportunities, focus on initiatives to enhance the retention and attraction of people and take all the necessary steps to ensure their safety and wellbeing.

The momentum generated by the surge in construction activity in the previous financial year continued in the first half of FY22, with a number of large construction projects reaching completion during the period. Due to the timing of award and commencement of new major projects, construction activity is expected to decline in the second half of FY22, before increasing again in FY23. As a result, Monadelphous' full year revenue for FY22 is expected to be approximately five to ten per cent lower than the previous year.

The Company's reputation as a leader in its markets and as an employer of choice, together with its longstanding commitment to delivering safe, reliable and cost competitive solutions, places it in a strong position to capitalise on opportunities and deal with the challenging environment that lies ahead.

In conclusion, I would like to take this opportunity to thank our loyal and talented team for their continued commitment and dedication. I would also like to extend my appreciation to our shareholders, customers and other stakeholders for their ongoing support during these extraordinary times.

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DIRECTORS' REPORT**

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

Dividends Declared

On 21 February 2022, Monadelphous Group Limited declared an interim dividend on ordinary shares in respect of the 2022 financial year. The total amount of the dividend is \$22,829,256 which represents a fully franked interim dividend of 24 cents per share. This dividend has not been provided for in the 31 December 2021 Financial Statements. The Monadelphous Group Limited Dividend Reinvestment plan will apply to the dividend.

Other than the items noted above, there are no matters or circumstances that have arisen since the end of the half-year ended 31 December 2021 which significantly affected or may significantly affect the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in subsequent financial years.

AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001

The auditor's independence declaration is set out on page 12 and forms part of the Directors' Report for the half-year ended 31 December 2021.

ROUNDING

The amounts contained in this report and the half-year financial report have been rounded to the nearest \$1,000 (where rounding is applicable) under the option available to the Company under ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191. The Company is an entity to which the legislative instrument applies.

Signed in accordance with a resolution of the directors.



C. G. B. Rubino
Chairman
Perth, 21 February 2022

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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, which is unaudited, is important to management when used as an additional means to evaluate the Company's performance.

Reconciliation of Total Revenue from Contracts with Customers including joint ventures to Statutory Revenue from Contracts with Customers (unaudited)

	31 December 2021 \$'000	31 December 2020 \$'000
Total revenue from contracts with customers including joint ventures	1,064,636	947,828
Share of revenue from joint ventures ¹	(69,901)	(105,750)
Statutory revenue from contracts with customers	<u>994,735</u>	<u>842,078</u>

¹ Represents Monadelphous' proportionate share of the revenue from joint ventures accounted for using the equity method.

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

Reconciliation of profit before income tax to EBITDA (unaudited)

	31 December 2021 \$'000	31 December 2020 \$'000
Profit before income tax	44,753	39,241
Interest expense on loans and hire purchase finance charges	734	390
Interest expense on other lease liabilities	772	725
Interest revenue	(304)	(263)
Depreciation of owned and hire purchase assets	11,087	11,258
Depreciation of other lease assets	4,328	3,869
Amortisation expense	-	187
Share of interest, depreciation, amortisation and tax of joint ventures ²	(421)	1,642
EBITDA	<u>60,949</u>	<u>57,049</u>

² Represents Monadelphous' proportionate share of the interest, depreciation, amortisation and tax of joint ventures accounted for using the equity method.



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Auditor's independence declaration to the directors of Monadelphous Group Limited

As lead auditor for the audit of Monadelphous Group Limited for the half-year ended 31 December 2021, I declare to the best of my knowledge and belief, there have been:

- a. No contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- b. No contraventions of any applicable code of professional conduct in relation to the review.
- c. No non-audit services provided that contravene any applicable code of professional conduct in relation to the review.

This declaration is in respect of Monadelphous Group Limited and the entities it controlled during the financial period

Ernst & Young

D S Lewsen
Partner
21 February 2022

Independent auditor's review report to the members of Monadelphous Group Limited

Conclusion

We have reviewed the accompanying half-year financial report of Monadelphous Group Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 31 December 2021, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of the Group does not comply with the *Corporations Act 2001*, including:

- a. Giving a true and fair view of the consolidated financial position of the Group as at 31 December 2021 and of its consolidated financial performance for the half-year ended on that date; and
- b. Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* (ASRE 2410). Our responsibilities are further described in the Auditor's responsibilities for the review of the half-year financial report section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (including Independence Standards) (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Directors' responsibilities for the half-year financial report

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.



Auditor's responsibilities for the review of the half-year financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the Corporations Act 2001 including giving a true and fair view of the Group's financial position as at 31 December 2021 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Ernst & Young

Ernst & Young

A handwritten signature in blue ink, appearing to read 'D S Lewsen', written over a light blue horizontal line.

D S Lewsen
Partner
Perth
21 February 2022

MONADELPHOUS GROUP LIMITED

DIRECTORS' DECLARATION

In accordance with a resolution of the Directors of Monadelphous Group Limited, I state that:

In the opinion of the directors:

- (a) the financial statements and notes of the consolidated entity are in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the financial position as at 31 December 2021 and the performance for the half-year ended on that date of the consolidated entity; and
 - (ii) complying with Accounting Standard AASB 134 "Interim Financial Reporting" and the *Corporations Regulations 2001*; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

On behalf of the Board



C. G. B. Rubino
Chairman
Perth, 21 February 2022

MONADELPHOUS GROUP LIMITED
CONSOLIDATED INCOME STATEMENT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2021

	Notes	Half-year ended 31 December 2021 \$'000	Half-year ended 31 December 2020 \$'000
CONTINUING OPERATIONS			
REVENUE	3	995,130	842,371
Cost of services rendered		<u>(920,861)</u>	<u>(780,808)</u>
GROSS PROFIT		74,269	61,563
Other income	3	2,282	7,217
Business development and tender costs		(8,067)	(8,434)
Occupancy costs		(1,791)	(1,838)
Administrative costs		(18,213)	(16,825)
Finance costs	3	(1,506)	(1,115)
(Loss)/profit from joint ventures		(2,940)	2,665
Foreign currency gain/(loss)		719	<u>(3,992)</u>
PROFIT FOR THE PERIOD BEFORE TAX		44,753	39,241
Income tax expense		<u>(13,921)</u>	<u>(7,049)</u>
PROFIT FOR THE PERIOD AFTER TAX		30,832	32,192
ATTRIBUTABLE TO			
EQUITY HOLDERS OF THE PARENT		30,058	31,576
NON-CONTROLLING INTERESTS		774	616
		<u>30,832</u>	<u>32,192</u>
Earnings per share:			
• Basic, profit for the period attributable to ordinary equity holders of the parent (cents per share)		31.63	33.36
• Diluted, profit for the period attributable to ordinary equity holders of the parent (cents per share)		31.54	33.29

MONADELPHOUS GROUP LIMITED
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2021

	Half-year ended 31 December 2021 \$'000	Half-year ended 31 December 2020 \$'000
NET PROFIT FOR THE PERIOD	30,832	32,192
OTHER COMPREHENSIVE INCOME		
Items that may be reclassified subsequently to profit or loss:		
Foreign currency translation	(1,009)	(2,364)
Items that will not be reclassified subsequently to profit or loss:		
Loss on equity instruments designated at fair value through other comprehensive income	(223)	(55)
Income tax effect	67	17
	<u>(156)</u>	<u>(38)</u>
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	<u>(1,165)</u>	<u>(2,402)</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	<u>29,667</u>	<u>29,790</u>
ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	28,893	29,174
NON-CONTROLLING INTERESTS	774	616
	<u>29,667</u>	<u>29,790</u>

MONADELPHOUS GROUP LIMITED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021

	Notes	31 December 2021 \$'000	30 June 2021 \$'000
ASSETS			
Current assets			
Cash and cash equivalents		175,264	175,708
Trade and other receivables		344,750	318,648
Contract assets		39,744	59,685
Inventories		3,302	3,600
Total current assets		563,060	557,641
Non-current assets			
Property, plant and equipment	5, 3(b)	169,649	162,891
Deferred tax assets		24,860	31,455
Intangible assets and goodwill		4,919	3,917
Investment in joint venture		8,964	11,904
Other receivables		18,000	6,000
Other financial assets		3,036	3,259
Total non-current assets		229,428	219,426
TOTAL ASSETS		792,488	777,067
LIABILITIES			
Current liabilities			
Trade and other payables		183,904	168,117
Interest bearing loans and borrowings		5,202	900
Lease liabilities	6	24,237	21,978
Income tax payable		13,420	22,093
Provisions		69,006	77,016
Total current liabilities		295,769	290,104
Non-current liabilities			
Interest bearing loans and borrowings		942	-
Lease liabilities	6	77,896	74,710
Provisions		6,848	6,521
Other financial liability		3,029	10,151
Total non-current liabilities		88,715	91,382
TOTAL LIABILITIES		384,484	381,486
NET ASSETS		408,004	395,581
EQUITY			
Issued capital	7	134,548	132,608
Reserves		31,234	30,867
Retained earnings		242,222	232,097
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT		408,004	395,572
Non-controlling interests		-	9
TOTAL EQUITY		408,004	395,581

MONADELPHOUS GROUP LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2021

	<i>Attributable to equity holders</i>							
	Issued Capital \$'000	Share- Based Payment Reserve \$'000	Foreign Currency Translation Reserve \$'000	Retained Earnings \$'000	Non- controlling Interests \$'000	Fair Value Reserve for Financial Assets \$'000	Equity Reserve \$'000	Total \$'000
At 1 July 2021	132,608	37,337	(1,956)	232,097	9	1,137	(5,651)	395,581
Other comprehensive loss	-	-	(1,009)	-	-	(156)	-	(1,165)
Profit for the period	-	-	-	30,058	774	-	-	30,832
Total comprehensive income for the period	-	-	(1,009)	30,058	774	(156)	-	29,667
Transactions with owners in their capacity as owners								
Reclassification of non-controlling interest to liabilities	-	-	-	-	(627)	-	627	-
Remeasurement of financial liability	-	-	-	-	-	-	(329)	(329)
Share-based payments	-	1,234	-	-	-	-	-	1,234
Dividend reinvestment plan	1,940	-	-	-	-	-	-	1,940
Dividends paid	-	-	-	(19,933)	(156)	-	-	(20,089)
At 31 December 2021	134,548	38,571	(2,965)	242,222	-	981	(5,353)	408,004

	<i>Attributable to equity holders</i>							
	Issued Capital \$'000	Share- Based Payment Reserve \$'000	Foreign Currency Translation Reserve \$'000	Retained Earnings \$'000	Non- controlling Interests \$'000	Fair Value Reserve for Financial Assets \$'000	Equity Reserve \$'000	Total \$'000
At 1 July 2020	131,307	34,810	(1,160)	220,064	9	867	(1,455)	384,442
Other comprehensive loss	-	-	(2,364)	-	-	(38)	-	(2,402)
Profit for the period	-	-	-	31,576	616	-	-	32,192
Total comprehensive income for the period	-	-	(2,364)	31,576	616	(38)	-	29,790
Transactions with owners in their capacity as owners								
Reclassification of non-controlling interest to liabilities	-	-	-	-	(616)	-	616	-
Remeasurement of financial liability	-	-	-	-	-	-	(3,376)	(3,376)
Share-based payments	-	898	-	-	-	-	-	898
Adjustment to deferred tax asset recognised on employee share trust	-	128	-	-	-	-	-	128
Dividend reinvestment plan	426	-	-	-	-	-	-	426
Dividends paid	-	-	-	(12,303)	-	-	-	(12,303)
Foreign currency movements	-	-	-	-	-	-	107	107
At 31 December 2020	131,733	35,836	(3,524)	239,337	9	829	(4,108)	400,112

MONADELPHOUS GROUP LIMITED
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2021

	Half-year ended 31 December 2021 \$'000	Half-year ended 31 December 2020 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	1,090,465	797,962
Payments to suppliers and employees	(1,025,338)	(811,076)
Income tax paid	(15,804)	(7,410)
Other income	1,380	1,940
Interest received	304	263
Dividends received	91	1,405
Finance costs	(1,506)	(1,115)
	<hr/>	<hr/>
NET CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES	49,592	(18,031)
	<hr/>	<hr/>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of property, plant and equipment	2,385	7,640
Purchase of property, plant and equipment	(7,905)	(4,229)
Payment of financial liability	(7,572)	-
Payment of loans to joint venture	(12,000)	-
Acquisition of intangible assets	(738)	-
	<hr/>	<hr/>
NET CASH FLOWS (USED IN)/FROM INVESTING ACTIVITIES	(25,830)	3,411
	<hr/>	<hr/>
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid	(18,149)	(11,877)
Proceeds/(repayment) of borrowings	6,220	(2,023)
Repayment of hire purchase leases	(8,443)	(5,747)
Repayment of other lease liabilities	(4,038)	(1,801)
	<hr/>	<hr/>
NET CASH FLOWS USED IN FINANCING ACTIVITIES	(24,410)	(21,448)
	<hr/>	<hr/>
NET DECREASE IN CASH AND CASH EQUIVALENTS		
Opening cash and cash equivalents brought forward	175,708	208,292
Net foreign exchange difference	204	(2,873)
	<hr/>	<hr/>
CLOSING CASH AND CASH EQUIVALENTS CARRIED FORWARD	175,264	169,351
	<hr/>	<hr/>

MONADELPHOUS GROUP LIMITED
NOTES TO THE CONSOLIDATED HALF-YEAR FINANCIAL STATEMENTS
31 DECEMBER 2021

1. CORPORATE INFORMATION

The half-year condensed consolidated financial report of Monadelphous Group Limited for the six months ended 31 December 2021 was authorised for issue in accordance with a resolution of directors on 21 February 2022.

Monadelphous Group Limited is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange.

The nature of the operations and principal activities of the Group are described in the Directors' Report.

2. BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES

(a) Basis of Preparation

The half-year financial report is a general-purpose condensed financial report which has been prepared in accordance with AASB 134 Interim Financial Reporting and the Corporations Act 2001.

The half-year condensed consolidated financial report does not include all information and disclosures required in the annual financial report and should be read in conjunction with the annual financial report of Monadelphous Group Limited as at 30 June 2021 together with any public announcements made during the half year.

(b) New and amended Accounting Standards and Interpretations

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 30 June 2021, except for the adoption of new standards effective as of 1 July 2021. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Other revised Standards and Interpretations which apply from 1 July 2021 did not have a material effect on the financial position or performance of the Group.

MONADELPHOUS GROUP LIMITED
NOTES TO THE CONSOLIDATED HALF-YEAR FINANCIAL STATEMENTS
31 DECEMBER 2021

	31 December 2021 \$'000	31 December 2020 \$'000
3. REVENUE AND EXPENSES		
(a) Specific Items		
Profit before income tax expense includes the following revenues and expenses whose disclosure is relevant in explaining the financial performance of the entity:		
(i) Revenue		
Revenue from contracts with customers		
Services revenue	596,117	491,452
Construction revenue	398,618	350,626
	<u>994,735</u>	<u>842,078</u>
Other revenue		
Dividend income	91	30
Interest	304	263
	<u>995,130</u>	<u>842,371</u>
Disaggregation of revenue from contracts with customers by end customer industry:		
Iron Ore	469,049	507,950
Other minerals	348,788	231,082
Oil and gas	228,229	173,605
Infrastructure	18,570	35,191
	<u>1,064,636</u>	<u>947,828</u>
Less share of revenue from joint ventures accounted for using the equity method	<u>(69,901)</u>	<u>(105,750)</u>
	<u>994,735</u>	<u>842,078</u>
(ii) Other income		
Gain on disposal of property, plant and equipment	902	5,277
Other income	1,380	1,940
	<u>2,282</u>	<u>7,217</u>
(b) Expenses		
Depreciation of owned property, plant and equipment	6,302	7,487
Depreciation of hire purchase assets	4,785	3,771
Depreciation of other lease assets	4,328	3,869
	<u>15,415</u>	<u>15,127</u>
Amortisation	-	187

MONADELPHOUS GROUP LIMITED
NOTES TO THE CONSOLIDATED HALF-YEAR FINANCIAL STATEMENTS
31 DECEMBER 2021

3. REVENUE AND EXPENSES (continued)

	31 December 2021	31 December 2020
	\$'000	\$'000
(c) Finance costs		
Loans and finance charges payable	734	390
Interest on other lease liabilities	772	725
	<u>1,506</u>	<u>1,115</u>

4. DIVIDENDS PAID AND PROPOSED

(a) Fully franked dividends declared and paid during the half-year	19,933	12,303
(b) Dividends proposed and not yet recognised as a liability	22,829	22,723

5. PROPERTY, PLANT AND EQUIPMENT

During the half-year the consolidated entity acquired assets with a cost of \$24,774,835 (2020: \$8,764,872), including assets purchased by means of hire purchase contracts of \$17,711,776 (2020: \$4,535,916). Assets with a written down value of \$1,483,502 (2020: \$2,362,837) were disposed of during the period.

6. LEASE LIABILITIES

	31 December 2021	30 June 2021
	\$'000	\$'000
CURRENT		
Hire purchase lease liabilities	16,222	14,091
Other lease liabilities	8,015	7,887
	<u>24,237</u>	<u>21,978</u>
NON-CURRENT		
Hire purchase lease liabilities	31,867	24,936
Other lease liabilities	46,029	49,774
	<u>77,896</u>	<u>74,710</u>

MONADELPHOUS GROUP LIMITED
NOTES TO THE CONSOLIDATED HALF-YEAR FINANCIAL STATEMENTS
31 DECEMBER 2021

7. ISSUED CAPITAL

	Notes	31 December 2021 \$'000	30 June 2021 \$'000
Ordinary shares – Issued and fully paid	7(a)	<u>134,548</u>	<u>132,608</u>

(a) Movement in ordinary shares

	31 December 2021		31 December 2020	
	Number of Shares	\$'000	Number of Shares	\$'000
Beginning of the period	94,761,152	133,877	94,489,833	132,576
Transfer from reserved shares	-	(1,269)	-	-
Dividend reinvestment plan	205,193	1,940	39,523	426
Conversion of performance rights	155,556	-	151,646	-
End of the period	<u>95,121,901</u>	<u>134,548</u>	<u>94,681,002</u>	<u>133,002</u>

8. OPERATING SEGMENTS

Revenue is derived by the consolidated entity from the provision of engineering services to the resources, energy and infrastructure industry sector. For the half-year ended 31 December 2021 the Engineering Construction division contributed revenue of \$471.6 million (2020: \$460.3 million) and the Maintenance and Industrial Services division contributed revenue of \$596.1 million (2020: \$491.5 million). Included in the Engineering Construction division revenue is \$3.1 million (2020: \$4.0 million) of inter-entity revenue and \$69.9 million (2020: \$105.7 million) of revenue of joint ventures, which is eliminated on consolidation. The operating divisions are exposed to similar risks and rewards from operations, and are only segmented to facilitate appropriate management structures.

The directors believe that the aggregation of the operating divisions is appropriate for segment reporting purposes as they:

- have similar economic characteristics;
- perform similar services for the same industry sector;
- have similar operational business processes;
- provide a diversified range of similar engineering services to a large number of common clients;
- utilise a centralised pool of engineering assets and shared services in their service delivery models, and the services provided to customers allow for the effective migration of employees between divisions; and
- operate predominately in one geographical area, namely Australia.

Accordingly, all service divisions have been aggregated to form one reporting segment.

9. CONTINGENT ASSETS AND LIABILITIES

Contingent assets and liabilities

There have been no changes in contingent assets and liabilities since the date of the last annual report.

Guarantees

	31 December 2021 \$'000	30 June 2021 \$'000
Guarantees given to various clients for satisfactory contract performance	<u>131,047</u>	<u>218,331</u>

MONADELPHOUS GROUP LIMITED
NOTES TO THE CONSOLIDATED HALF-YEAR FINANCIAL STATEMENTS
31 DECEMBER 2021

10. FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Fair value hierarchy

The Group uses various methods in estimating the fair value of a financial instrument.

Level 1: The fair value is calculated using quoted prices in active markets.

Level 2: The fair value is estimated using inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).

Level 3: The fair value is estimated using inputs for the asset or liability that are not based on observable market data.

For financial instruments that are recognised at fair value on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The carrying amount and estimated fair values of financial assets and financial liabilities at the balance date are materially the same.

There were no material financial assets or liabilities measured at fair value at 31 December 2021 or 30 June 2021.

11. CAPITAL COMMITMENTS

The group has capital commitments related to the acquisition of plant and equipment of \$3,235,824 at 31 December 2021 (2020: \$5,049,928).

12. SIGNIFICANT EVENTS AFTER BALANCE DATE

Dividends declared

On 21 February 2022, Monadelphous Group Limited declared an interim dividend on ordinary shares in respect of the 2022 financial year. The total amount of the dividend is \$22,829,256 which represents a fully franked interim dividend of 24 cents per share. This dividend has not been provided for in the 31 December 2021 Financial Statements. The Monadelphous Group Limited Dividend Reinvestment plan will apply to the dividend.

Other than the items noted above, there are no matters or circumstances that have arisen since the end of the half-year ended 31 December 2021 which significantly affected or may significantly affect the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in subsequent financial years.

MONADELPHOUS GROUP LIMITED
NOTES TO THE CONSOLIDATED HALF-YEAR FINANCIAL STATEMENTS
31 DECEMBER 2021

13. SHARE BASED PAYMENT

Performance and Retention Rights

During the period, 1,115,200 retention rights were granted by Monadelphous Group Limited under the Company's Employee Retention Plan. The retention rights were issued in the form of performance rights and vest into shares in equal instalments, one, two and three years subsequent to award, subject to the employee remaining in the employ of the company at those particular dates.

A further 43,600 retention rights have been offered to the Group's Managing Director, Robert Velletri, with the issue being subject to shareholder approval at the 2022 Annual General Meeting.

The fair value of each retention right issued during the period was estimated on the date of grant using a discounted cash flow calculation. The weighted average fair value of retention rights granted in the period was \$8.17.

For the half-year ended 31 December 2021, the Group has recognised \$184,978 of share-based payment expense in the Consolidated Income Statement (2020: \$512,374) relating to performance rights issued under the Combined Reward Plan and retention rights issued under the Employee Retention Plan.

Options

For the half-year ended 31 December 2021, the Group has recognised \$1,049,357 of share-based payment expense in the Income Statement (2020: \$385,793) relating to options issued under the Employee Option Plan.