

Highlights

- Strong year-on-year performance
- Marked change in industry and economic conditions
- Healthy forward workload entering 2009/10



John Rubino Chairman's Report

I am pleased to report Monadelphous Group has continued its strong year-on-year performance with the achievement of record sales and earnings for the year ended 30 June 2009.

Sales revenue for the period rose 17.7% to \$1,123 million, net profit after tax increased 12.1% on an underlying basis to \$74.2 million and earnings per share expanded 10.6% to 87.5 cents per share.

The Company generated record operating cash flow during the period up 23.1% to \$113.8 million as our net cash position grew strongly to \$127.3 million. Given the current industry and economic climate, balance sheet strength and cash flow management will continue to be critical areas for the Company.

The Board of Directors declared a final dividend of 44 cents per share fully franked, taking the total full year dividend payout to 74 cents per share fully franked, a 2.8% increase on the prior corresponding period.

The full year dividend payout represents an 85% payout rate which is in line with the Board's dividend payment policy. This policy will continue to be subject to ongoing trading conditions and the need for significant cash requirements for investment opportunities.

Our conservative approach, sound financial position and strong reputation in the marketplace positions us well in the current industry and economic environment.

Industry Environment

Over the last year, there has been a marked change in industry and economic conditions pervading our business, including the way we operate. These conditions have been principally driven by a deteriorating credit market, lower commodity prices and the general economic environment.

The result of this has been an unprecedented deterioration in the pace and severity of global economic activity in late 2008 and into 2009. Global economic growth is anticipated to turn negative in 2009 resulting in the deepest recession since World War II. While Australia is well positioned in a global context, domestic economic activity is anticipated to remain subdued in 2009 and into 2010.

Many of our resources customers have responded swiftly to this changing environment by reducing capital expenditure, controllable operating costs and headcount. Given our exposure to resources markets, this will have an impact on Monadelphous. We will seek to mitigate the overall impact on the business through our growing capability in, and contributions from, energy and infrastructure markets.



Looking ahead, our key customers continue to hold a healthy level of conviction around the medium to longer term shift towards increased industrialisation and urbanisation of emerging economies including China, India and Russia. These ongoing structural shifts in the global economic engine have powerful implications for our customers and ultimately Monadelphous.

Strategic Initiatives

During the period, the Company embarked on a strategic and operational review aimed at dealing with the challenges of a more uncertain environment. The review recognised the need to change our focus from expanding capacity to maximising efficiency.

The welcomed easing in labour market conditions over the past year has supported the development of a more experienced and skilled workforce, further enhancing business productivity.

However, with pressure on margins increasing, we have been focussed on reducing operating and fixed costs and improving productivity. We have also focussed on opportunities to consolidate the organisational structure, with the goal of improving operating efficiencies.

In support of these objectives and to realise synergies between the Engineering Construction and MIE divisions, a decision was made to merge the two divisions effective 1 July 2009. The restructure will enable more efficient and effective delivery of multi-disciplinary structural, mechanical and electrical installation services to our customers.

In February 2009, Monadelphous announced that it had acquired a 12.4% strategic stake in listed infrastructure services company Norfolk Group Limited (ASX: NFK).

Norfolk operates a suite of businesses in Australia and New Zealand providing electrical, mechanical and property related services to a broad range of industrial and infrastructure market sectors. The investment supports our strategy to broaden Monadelphous' exposure to non-resources sectors and expand our range of services.

Since the on-market purchase by Monadelphous, Norfolk's shares have recorded a solid increase in market value and we continue to consider opportunities arising from this investment.

Outlook

Following the achievement of record sales and earnings in 2008/09, we have entered the new financial year with a healthy forward workload as industry conditions begin to ease and normalise.

Energy and infrastructure markets across 2009/10 are expected to insulate Monadelphous from the full effects of the softness in traditional resources markets. With the competitive environment tightening, the shift in organisational focus, from one of expanding capacity to maximising efficiency, will help protect margins.

The Board's strategies in recent years to strengthen the Company's balance sheet, diversify outside traditional resources markets and focus on organic growth has placed us in the strong position we are in today.

Acquisition opportunities aimed at supporting our market development strategies will continue to be pursued, particularly in the current financial climate.

On behalf of the Board of Directors, I would like to thank our shareholders, customers and our people for their ongoing support.

John Rubino
Chairman