

Highlights

- All operating divisions achieved solid organic growth
- Change in focus from expanding capacity to maximising efficiency
- Continue to build our resilience, remain close to our customers and manage for efficiency



Rob Velletri Managing Director's Report

I am pleased to report Monadelphous Group has continued to deliver strong results for the year ended 30 June 2009.

All of our operating divisions achieved solid organic growth during 2008/09. Sales revenue increased 17.7% to \$1,123 million driven by the high value of contracts awarded in the previous financial year along with continued volume growth on established contracts.

While remaining healthy, group margins eased in line with market conditions. The Company generated a record profit after tax of \$74.2 million. The 12.1% increase met our forecast at the 2008 Annual General Meeting for double digit growth in underlying profit after tax.

Importantly, we were awarded approximately \$700 million in new contracts and contract extensions during the period across all key markets; resources, energy and infrastructure.

The Company's workforce numbers increased in line with work levels, ending the reporting period with 4,211 employees, an increase of 9% over the past year.

With the minerals sector slowing, our strengthening position in the strongly developing oil & gas sector is providing significant additional revenue opportunities.

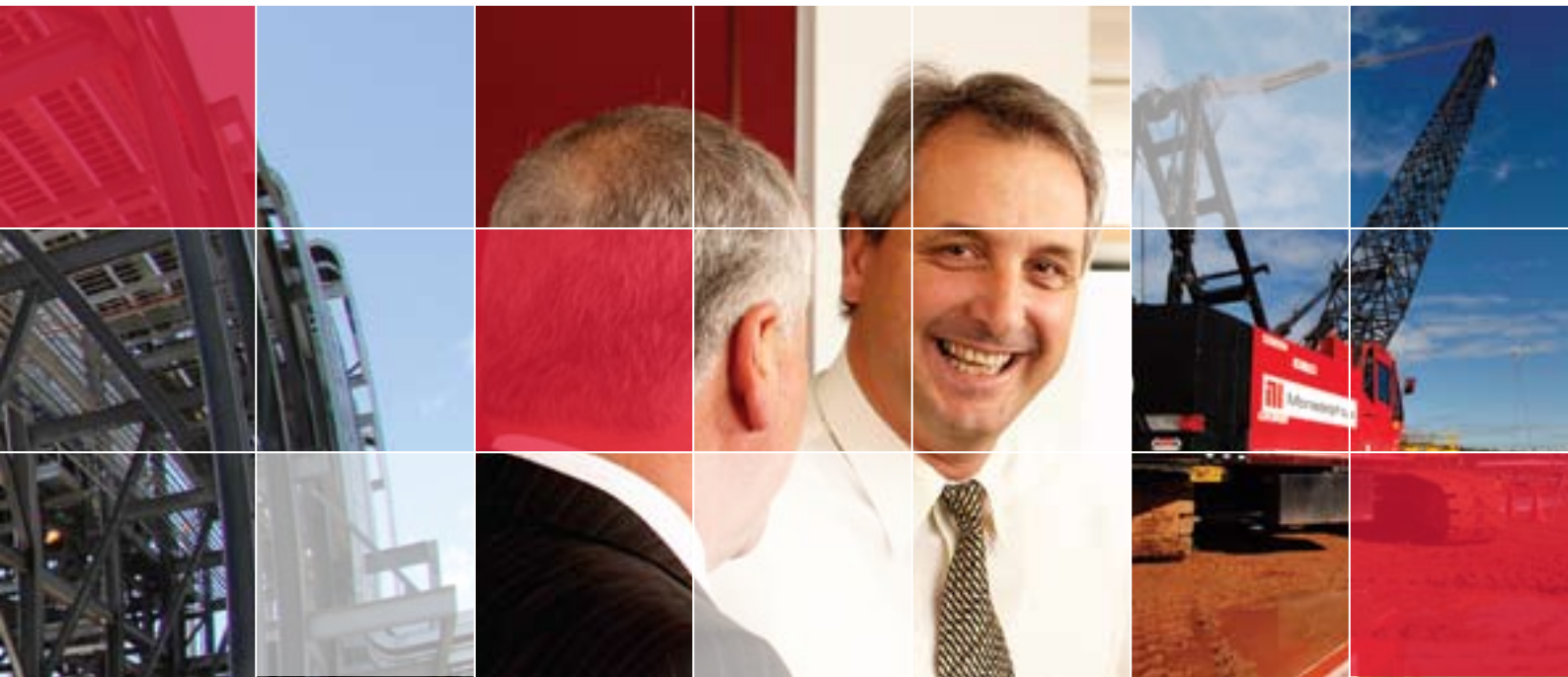
Engineering Construction

The Engineering Construction division experienced record levels of activity reflecting a strong forward workload entering the year, plus scope extensions on a number of construction contracts.

Sales revenue for the period was up 17.2% to \$674.8 million driven by high activity levels in mining and minerals markets, as well as continued diversification into oil & gas and infrastructure markets.

During the year, the Division was awarded more than \$500 million in new construction contracts across a broad base of resources, energy and infrastructure sectors.

A major highlight for the period was the May announcement of the award of a \$170 million contract with Woodside for major works associated with the \$12 billion Pluto LNG Project in Western Australia. This was a strategic milestone. It underlines our sound positioning for participating in the oil & gas projects coming on stream and establishes this sector as a core market for the Company.



Another milestone contract win during the period was the award of a \$31 million contract to upgrade the Burpengary East Sewage Treatment Plant in Queensland, our fourth and largest water infrastructure project. This points toward the infrastructure market as a major growth market in the next phase of development for Monadelphous.

The Division substantially completed a number of large projects including BHP Billiton Iron Ore's Rapid Growth Project 4 (RGP4), Rio Tinto Iron Ore's Cape Lambert Upgrade 80Mtpa Project, Eni's Blacktip Development Project and BGMMC's Boddington Gold Mine Expansion Project.

Other key contracts completed during the period included works associated with OZ Minerals' Prominent Hill Copper/Gold Mine and BBI (DBCT) Management's Dalrymple Bay Coal Terminal Project.

At the end of the period, major projects in progress included Woodside's Pluto LNG Project, BHP Billiton Worsley Alumina's Efficiency and Growth Expansion Project and Ports Corporation of Queensland's Abbot Point Coal Terminal X50 Expansion Project, amongst others.

MiE

The MiE division consolidated its national electrical and instrumentation services capability following the award of and substantial completion on a number of significant projects.

The Division recorded sales of \$100.2 million, up 31.8% on the prior corresponding period. The result was achieved on the back of a number of large scale, multi-disciplinary construction projects undertaken including those at Boddington (WA), Abbot Point (QLD) and Newman (WA).

The Company has also undertaken an increasing number of higher value, vertically integrated packages of work including structural, mechanical, piping, and electrical and instrumentation components.

The decision to formally merge the Company's MiE and Engineering Construction divisions from 1 July 2009 reflects a logical progression and ongoing success of our multi-disciplinary offering in the marketplace.

Moving forward, the combined division will further enhance our integrated offering and the customers' experience when delivering multi-disciplinary services.

Maintenance and Industrial Services

The Maintenance and Industrial Services division has produced a record result this year despite an easing in market conditions in the second half. Sales revenue for the period grew 11.1% to \$351.9 million driven by new project wins, increased service volumes on existing contracts and continued high customer retention levels.

Importantly, all key customers, contracts and sites were retained during the period. The division successfully expanded into a number of new services (electrical and instrumentation), geographic areas (Pilbara in WA, Darwin in NT and Bowen Basin in QLD) and commodity (coal and power) markets.

A total of approximately \$200 million in new contracts and re-competes were awarded over the past year.

The Division maintained strong relationships with existing customers across a range of services, markets and geographies. Furthermore, a number of new customer relationships were established during the period including those with BHP Billiton Mitsubishi Alliance (BMA), Geodynamics and Sandvik.



Yabulu Nickel Refinery Extension, Townsville QLD

Managing Director's Report (Continued)

Rob Velletri



A major strategic milestone was achieved as the business entered the Bowen Basin coal market following two significant contract wins with Australia's largest coal miner and exporter, BHP Billiton Mitsubishi Alliance (BMA). These awards represent both the continuing success of the Ellavale Engineering acquisition since March 2007 and our ability to replicate the Hunter Valley dragline and shovel shutdown and maintenance capability into the Bowen Basin.

Strategic Progress

We continued to strengthen our core business during the period focussing on earnings quality, long term relationships, blue chip customers, larger and longer contracts, and a growing recurring revenue base.

During the year, Monadelphous was awarded a near record level of new contracts across a variety of customers, markets, services and geographies.

We made considerable progress towards diversifying our business model away from traditional mining and minerals markets. To this end, we secured approximately \$250 million in oil & gas and infrastructure work across a diverse range of customers and geographies.

We also invested considerable time and resources in our most important strategic asset – our people.

People and culture is the key differentiator for Monadelphous.

They deliver significant value to the business, support our leadership position and create a barrier to entry.

During the period, we developed and consolidated our people performance and talent management programs with the aim of increasing the overall capability, skills and efficiency across the entire organisation.

Fundamental to our culture and strategy is the health and safety of our employees. Monadelphous has long held an enviable reputation as an industry leader in HSE performance – we aim to maintain and build on this position.

During the 2008/09 period, we maintained our safety performance and undertook a comprehensive review to determine the next stage of the Company's health and safety improvement program.

The switch in our focus from expanding capacity to maximising efficiency has seen a reduction in overhead and fixed costs, consolidation of the organisational structure and improving labour productivity.

The ultimate aim of these measures is to ensure Monadelphous remains cost competitive, flexible and customer focussed in the current operating environment.

Outlook

Over the past year, there has been a marked change in industry and economic conditions. These conditions have been principally driven by a deteriorating credit market, lower commodity prices and the general economic environment.

Whilst many of our resources customers have responded to this changing environment by reducing capital expenditure and operating costs, the majority of our committed projects have proceeded as planned.

Going forward, we do not underestimate the challenge of maintaining the revenue and growth levels we have achieved in recent years.

Notwithstanding this, our key customers remain confident in longer term resources, energy and infrastructure demands with a number of key customers continuing with their large development plans. The continued progress and acceleration of a number of LNG projects towards final investment decision is also very encouraging.

We will continue to build our resilience, remain close to our customers and manage for efficiency.

Rob Velletri
Managing Director