

22 November 2011

Company Announcements
Australian Securities Exchange Limited
Level 4, 20 Bridge Street
SYDNEY NSW 2000
AUSTRALIA

Dear Sir / Madam

**RE: 2011 ANNUAL GENERAL MEETING ADDRESS BY CHAIRMAN JOHN RUBINO AND
MANAGING DIRECTOR ROB VELLETRI**

Please find attached a copy of the address to shareholders by Chairman John Rubino and Managing Director Rob Velletri at the Annual General Meeting held at The University Club in Perth today.

Yours sincerely,



Philip Trueman
Company Secretary

ASX MEDIA RELEASE

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ANNUAL GENERAL MEETING 2011 ADDRESS BY CHAIRMAN JOHN RUBINO AND MANAGING DIRECTOR ROB VELLETRI

Report by Chairman John Rubino

Good morning ladies and gentlemen. It is my pleasure to have this opportunity to provide an overview of Monadelphous's performance.

Monadelphous is a leading engineering company providing construction, maintenance and industrial services to the resources, energy and infrastructure sectors. Since the 2001 financial year, we have reported ten successive years of earnings growth as operations have expanded in Australia and beyond through organic growth and selective acquisitions. The Company has three operating divisions – Engineering Construction, Maintenance and Industrial Services and Infrastructure.

On 4 November 2011, our long-term success was recognised when the Company was included in the S&P/ASX 100 index. This is a significant milestone in our history.

Monadelphous's strong share price performance against the benchmark S&P/ASX 200 and the S&P/ASX 200 Industrials over the 12 months to 30 June 2011 is highlighted. Monadelphous's share price increased 44 per cent over the period, compared with the ASX 200 which increased 6 per cent and the ASX 200 Industrials which increased by 2.7 per cent.

This slide shows our total shareholder return, or TSR, which combines share price performance and dividends paid, against the ASX 200, the ASX 200 Industrials and our peers.

As you can see, we have clearly outperformed our peers and the indices on a 12-month, 5-year and 10-year basis.

Further, if you take the return over the ten-year period, of all ASX 200 Industrial stocks, Monadelphous ranked number one, returning four times more value to shareholders than the next best performing stock.

The 2011 financial year saw Monadelphous continue its strong year-on-year performance with record sales and earnings.

Sales revenue for the year was \$1.44 billion. Strong operational performance delivered healthy margin improvements and record earnings per share of 109 cents, up 12 per cent. Our balance sheet remained robust with a net cash position of \$130 million at year end driven by a healthy cash flow.

The Board of Directors declared a total dividend of 95 cents per share fully franked, a 14 per cent increase. Rob will provide further detail on our financial performance later in the presentation.

Strong operational performance continued to support our leadership position in the resources market. Also, revenue from oil and gas customers made up more than 30 per cent of total sales.

Our new Infrastructure division delivered solid market expansion with its revenue representing 11 per cent of total sales.

Before I hand over to Rob, I would like to congratulate our people on their achievements throughout the year and thank them for their dedication and loyalty.

Thank you.

Report by Managing Director Rob Velletri

Thanks John.

As John has highlighted, Monadelphous achieved yet another strong financial result for the year. The Company continued to grow and diversify. We strengthened our balance sheet and increased our return to shareholders.

Sales revenue for the year was up 13.2 per cent to \$1.44 billion. The continued strengthening of the resources and energy markets, significant scope growth on a number of major construction projects and a solid expansion into infrastructure markets all contributed to the strong sales result.

Strong revenue and margin growth translated into Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) of \$153.3 million, up 18.5 per cent. EBITDA margin showed healthy improvement to 10.6 per cent, driven by strong operational performance.

Cash flow from operations was up 30.5 per cent and our Company's net cash position improved 11.1 per cent to \$129.5 million. Net profit after tax was a record \$95.1 million, up 14.2 per cent. The net profit after tax margin remained healthy at 6.6 per cent. Earnings per share were up 12.4 per cent to 108.8 cents. Turning now to Divisional Highlights.

All our operating divisions reported record sales and activity levels.

The Engineering Construction division achieved \$930 million in sales revenue, up 10 per cent. This solid performance reflected significant scope growth on existing major contracts and a growing contribution from oil and gas work.

The division was also awarded more than \$260 million in new contracts during the financial year.

Monadelphous was a major provider of engineering construction services on Woodside's Pluto LNG Project. Our successful participation in this milestone project has provided the platform for further development of the Company's capability in LNG construction. I'll talk a little bit more about this project later in my presentation.

Our Maintenance and Industrial Services division achieved sales revenue of \$401 million, up 7 per cent. The division secured more than \$220 million in new maintenance contracts and contract extensions, and we opened a new workshop facility in Mackay to support our ongoing expansion in the Queensland coal industry.

A highlight of the year was the recognition from one of our major customers when the Company was named the winner of the Rio Tinto Iron Ore supplier of the year award for excellence in the category of Construction and Maintenance.

The new Infrastructure division recorded sales revenue of \$158 million, an increase of 167 per cent on a like-for-like basis. It also secured \$170 million in new contracts. The results reflect the successful execution of our diversification strategy, achieved through organic growth and acquisition in selected infrastructure sectors.

KT Pipeline Services, which was acquired in July 2010, was successfully integrated into the division during the year. In July 2011, we purchased asset management company PearlStreet Energy Services which operates two long-term contracts in Western Australia. This acquisition will strengthen our operation and maintenance capabilities and expand our infrastructure services into the power sector.

This map shows the value of contracts by size, division and location during the 2011 financial year.

As you can see, larger contracts are in the Pilbara region of Western Australia with major contract activity also at Worsley in the south-west. There were numerous contracts in Queensland and New South Wales.

I would now like to provide some further detail on some of our major contracts.

As I mentioned earlier, Monadelphous was a major structural, mechanical and piping contractor for Woodside's Pluto LNG Project. Monadelphous's contribution has been through three separate contracts covering:

- Major structural, mechanical and piping works for plant off-site utilities and the Acid Gas Removal Unit (AGRU), which was awarded in May 2009;
- Hook up and commissioning of the Pluto Offshore Platform, awarded in February 2010; and
- Commissioning support on the LNG plant, awarded in August 2011.

More than 1,000 Monadelphous personnel were involved on the project at peak manning.

The successful execution of this complex work has enhanced our LNG construction capability and has us well positioned to participate in the strong pipeline of LNG and other oil and gas processing plant projects.

Another major project for the Engineering Construction division was BHP Billiton's Worsley Alumina Efficiency and Growth Project. This is a multidisciplinary contract involving structural, mechanical, piping, electrical and instrumentation works, including commissioning.

Monadelphous has installed more than 7,000 tonnes of steelwork and pre assemblies on site, 5,000 tonnes of vessels and tanks, 54 kilometres of pipe, 14 kilometres of cable tray and around 458 kilometres of cable.

More than 800 Monadelphous personnel were involved on this project at peak manning.

Our safety record on this project is also worth highlighting. We achieved more than 1.5 million man hours with no lost-time injuries.

The Maintenance and Industrial Services division has three long term maintenance services contracts with Rio Tinto Iron Ore.

Structural integrity services and other regular maintenance and shut-down work is carried out across a number of sites in the coastal Pilbara and inland west. These sites include Tom Price, Paraburdoo, Cape Lambert, Dampier and Pannawonica. More than 300 people are involved in this work on an ongoing basis, with peak manning up to 500 during major shutdowns.

The Company has also achieved excellent safety performance at these sites with 2.8 million man hours lost time injury free.

Monadelphous completed numerous dragline and shovel shutdowns in the Hunter Valley coalfields in New South Wales, including this one at Rio Tinto Coal & Allied Bengalla Mine.

We took a significant step towards our goal to expand these services into the Queensland coalfields with the recent award of a \$100 million three-year dragline and shovel shutdown services contract for BHP Billiton Mitsubishi Alliance (BMA) across its Bowen Basin coal operations. This is our first long term services contract operated from our newly established Mackay facility.

As part of Chevron's Gorgon LNG Project, Monadelphous was awarded an \$85 million contract to install onshore pipelines, cables and tubes at Barrow Island.

This contract was awarded shortly after the acquisition of KT Pipeline Services in July 2010.

We see significant growth potential for our pipeline business and have invested heavily in specialised pipe-laying equipment for both this contract and for the future.

This slide summarises contracts awarded by division for the 2012 financial year to date. We stated in our full year report in August that we were experiencing unprecedented levels of tendering activity, signalling the approach of a large new wave of development activity in core markets.

To date this financial year we have secured approximately \$870 million in new construction and services contracts across all our divisions. As you can see we have won new work in all markets from a broad range of quality customers and geographies. I turn now to People Performance.

Total workforce numbers were near record levels throughout the year. At year-end we had 5,649 employees, up 4 per cent on 12 months earlier.

Labour shortages will pose a major challenge and the demand for skilled labour is continuing to accelerate as the next wave of resource and energy development projects move into the execution phase.

In response to these challenges we have implemented a number of initiatives aimed at maximising employee attraction and retention which I'll speak more about shortly. Now to our Safety Scorecard.

During the year, the Lost Time Injury Frequency Rate (LTIFR) improved 71 per cent to 0.16 incidents per million man hours, however we saw a disappointing increase in our total case injury frequency rate (TCIFR) to 8.83 incidents per million hours worked.

The implementation of the Company-wide Safety Leadership Program continued with the formal launch and communication of The *Safe Way is the Only Way* policy message to all employees. This is a directive from the leadership team that empowers anyone to stop work if they deem it to be unsafe. The message underpins our health and safety policies and safety culture across the group. I now turn to Strategy Progress.

Strong progress was made in each of our strategies of Markets and Growth, People, and Productivity.

Looking at Markets and Growth, our goal is to maximise growth and returns from our core markets of resources and energy, as well as continue to grow our business in infrastructure market sectors.

To this end, the Company maintained a strong position in core markets and also delivered further market expansion in energy.

We advanced our coal market expansion strategy in the Bowen Basin. We also continued to develop our new Infrastructure division.

Recently we increased our bonding facilities by \$130 million, to \$340 million, to ensure we have the financial resources to continue to support our growth objectives.

Moving to our people strategy, at Monadelphous, we aim to attract, develop and retain the right people who are highly competent, live our values and actively contribute to the long-term success of the Company.

A number of initiatives were implemented during the year aimed at attracting and developing employees. These include the Monadelphous Integrated Learning Centre, here at the University of WA, which we spoke about earlier.

We also established our Emerging Leaders Program, which is an important component of our leadership development initiative. It has been customised for Monadelphous, aligns with the Company values and aims to develop a pipeline of leadership talent for sustainable growth.

We developed a new recruitment website and also launched an Employee Benefits Program to provide access to a wide range of discounts for products and services for our employees.

More recently, we finalised an international labour agreement to permit the recruitment of semi-skilled labour from overseas.

We have also focused on Indigenous participation through our involvement in the Australian Employment Covenant, an industry-driven initiative aimed at securing sustainable jobs for Indigenous people.

Regarding our productivity strategy, we have commenced the adoption of the LEAN continuous improvement program. The program was selected as the appropriate methodology to drive productivity improvements and support our broader strategic objectives.

We expanded our overseas sourcing capacity and continued to invest in heavy-lift capability to enhance large-scale modular construction capability which is all about providing increased capacity and greater labour efficiency in a capacity constrained environment.

We also enhanced our risk management framework through the strengthening of our internal group assurance function which provides independent and objective assurance to the Board. Moving to Slide 22.

As you can see, the Australian conditions in our core and developing markets are forecast to strengthen. Turning now to the outlook.

Monadelphous is well positioned for growth in all markets.

The long-term outlook for major engineering construction services remains positive with record levels of forecast capital investment in domestic resources and energy projects over the next four or five years. Our strong position in iron ore, coal and oil and gas markets is expected to provide numerous opportunities, particularly in Western Australia and Queensland.

Maintenance and industrial services will continue to grow as new resources and energy projects reach completion and become operational.

Our Infrastructure division will also continue to strengthen its capabilities through expansion of pipeline construction projects, water projects and growing participation in the power sector.

As reported in our end of year result, we entered the current financial year with strong revenue momentum and an unprecedented level of tendering activity. New contract flow in the first half was expected to be strong. Indeed, as highlighted earlier, the financial year to date has seen us secure approximately \$870 million of new construction and services contracts across a broad range of market sectors. We expect to announce additional contract wins over the coming months.

With continuing strong demand to date this financial year and the healthy flow of new contracts we expect to achieve at least 15 per cent growth in sales revenue in the half year with healthy margins maintained. Although it is still early in the year, at this stage, similar sales revenue growth is expected for the full year.

The key focus area for our business in this buoyant market is people. Employee attraction, retention and development will continue to be fundamental to our growth. The accelerating competition for skilled labour will require a wide range of ongoing initiatives.

Our approach is to ensure that first and foremost we retain the large numbers of highly talented and dedicated people that we have developed in our business over the years.

Actions to accelerate development of our people such as our supervisor development, graduate development and emerging leader programs will be important elements of our retention and growth plans. Market-competitive remuneration packages, employee benefits programs and employee equity schemes that align company and employee goals will also be key.

Most importantly will be an unwavering focus on our right people right culture strategy, driven by leadership behaviours and guided by our core values. At Monadelphous our culture is our core differentiator – it promotes high levels of employee engagement and satisfaction as well as excellent project and customer service delivery outcomes.

Second, we will focus on increasing workforce capacity by pursuing a broad range of recruitment initiatives including employer branding and attraction programmes. The recently established Monadelphous Integrated Learning Centre here at UWA and our supporting partnership for the Engineering Pavilion Complex at Curtin University are good examples of this.

We will also be ramping up domestic and overseas professional and trades recruitment activities as well as apprentice and skills training programs, including Indigenous recruitment and development.

In closing, I would like to thank all our people for their terrific contribution to our success over the year and I look forward to our sustained growth and development for the benefit of all our stakeholders.

Thank you.

Further Information

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Monadelphous Group Limited is a leading Australian engineering group providing services to the resources, energy and infrastructure industry sectors. The company has a solid track record in the safe and effective delivery of complex and large-scale engineering construction projects and maintenance and industrial services for industry throughout Australia. For more information or to join our free email alerts service visit:

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