

22 November 2016

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

Dear Sir / Madam

RE: 2016 Annual General Meeting Address to Shareholders

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 today at The University Club in Perth, Western Australia.

Yours sincerely,



Philip Trueman
Company Secretary

ASX RELEASE

22 November 2016

2016 Annual General Meeting Address to Shareholders

Chairman John Rubino

Good morning ladies and gentlemen. It is my pleasure to speak to you this morning about our Company's performance, strategic progress and future direction.

In the past five years, market conditions in our industry have changed a great deal. After successfully capitalising on the major wave of investment in Australia's mining and oil and gas sectors, we have worked hard over the past few years to respond to the global downturn in commodities. We've maintained our quality of earnings over this challenging period, and positioned the business in a broader range of markets.

In 2016, Monadelphous achieved a good financial result along with another record safety performance. We made solid progress on our growth and diversification strategy and ended the year in a strong financial position.

We focused on maximising returns in our core service markets through the productive delivery of services and increase in business development activities. We also extended our revenue base through a targeted entry into new markets, both in Australia and overseas.

Our strategic progress over recent years has put Monadelphous in a great position to deliver long term growth. Our strong balance sheet continues to provide us with substantial capacity to invest in new businesses and other growth opportunities as they arise.

I am particularly pleased to extend a warm welcome to Helen Gillies, who was appointed to the Board in September. Helen is a lawyer with a wealth of commercial experience in our industry and a deep understanding of infrastructure sectors and international markets. Helen's experience aligns with our strategic direction and we look forward to her valued contribution.

I will now hand over to Rob who will provide more insight into the performance of the business during 2016, and the Company's strategy and outlook.

Before I do so, I would like to take this opportunity to thank all stakeholders for their loyalty and support, and particularly our Board of Directors for their guidance and our dedicated team of people for their commitment and contributions during the year.

Managing Director Rob Velletri

The 2015/16 financial year was challenging with demand for engineering construction in the resources and energy sector continuing to decline and customers remaining focussed on cost reduction.

Sales revenue for 2016 was \$1.36 billion, with net profit after tax (NPAT) of \$67 million. Earnings per share (EPS) was a little under 72 cents.

A final dividend of 32 cents per share fully franked was paid on 30 September. This took the full-year dividend to 60 cents per share.

Overall, the business performed solidly with another record safety performance and good progress being made in the delivery of our market growth strategy.

Conditions in the maintenance services market continued to be positive and our strong position in this market has enabled us to capitalise on a number of strategic opportunities. We secured more than \$800 million of long-term oil and gas service contracts, out of a total \$1.1 billion of new work.

A particular highlight was the award of a 7-year maintenance and modification services contract with Shell Australia's Prelude Floating LNG Project.

In new markets we established Monaro in the United States and in Australia we expanded our industrial services offering to include access solutions and mine dewatering services.

In July 2016, we established Zenviron a renewable energy business and more recently we launched Mondium, a strategic partnership for engineering, procurement and construction (EPC) projects. I'll talk more about these and other developments later in the presentation.

Earnings before interest, tax, depreciation and amortisation (EBITDA) was \$113.6 million, and operating cash flow for the year was \$78.0 million.

We continue to maintain a strong balance sheet and finished the year with \$203.5 million of cash at bank.

Pleasingly, we achieved another record safety performance for the year, with our injury frequency rates continuing to trend downwards.

The total case injury frequency rate improved to 2.45 incidents per million man-hours worked and we recorded one Lost Time Incident in the twelve months.

A continued focus on safety leadership, culture and behaviour underlies the Company's continuous improvement in this critical area of performance.

Our total workforce at 30 June 2016 was slightly down on 2015 at just under 4,500 employees. Lower engineering construction numbers were offset by increasing activity levels in maintenance services.

Productivity continues to increase as a result of improved labour availability and lower unit costs.

We continued to refine and implement changes in the Company's support structure, as part of an initiative to improve the efficiency in delivery of business and project services, and to support a more diversified business.

Slide 12 shows the \$1.1 billion of new work won during the financial year. Earlier this morning we announced to the market that we have secured additional work across a number of industries with a combined value of approximately \$200 million.

This latest announcement takes the value of new contracts and additional work secured since 30 June to approximately \$400 million, of which \$250 million is for customers in the water infrastructure sector.

Slide 13 provides a summary of the highlights by division. The majority of the reduction in sales revenue has been experienced within the Engineering Construction division.

Despite increased activity levels in maintenance services, sales revenue for the Maintenance and Industrial Services Division reduced slightly to \$608 million, as volume increases were offset by reduced cost and pricing.

I will now give you an overview of a number of projects which the company undertook during the year.

The photo in slide 14 shows a view of the LPG jetty head and jetty at the Ichthys Project Onshore LNG Facilities, in Darwin. This contract, which commenced in 2014, includes the installation of piping, mechanical and structural steel for the Utility and Offsite Area of the LNG plant.

Construction activity at the utility and offsite area works was approximately 60 per cent complete at 30 June and reached a peak manning level in excess of 900 employees during the year. Key highlights have been award of a number of safety awards and Contractor of the Year award. Our strong performance on this contract has culminated in the award of an additional package of electrical and instrumentation works for the product loading jetty, and may lead to other construction and maintenance opportunities on this major LNG project.

Here are a series of photos taken at the Ashburton Lyndhurst Irrigation Scheme project, on New Zealand's South Island. The water infrastructure business recorded solid growth during 2015/16, completing a number of projects including two irrigation projects in New Zealand.

Monadelphous has recently been awarded a \$58 million irrigation scheme contract for Amuri Ltd which will boost farming production in the region. There is a substantial pipeline of irrigation projects in the region and we expect to announce further contract awards in the coming months.

Slide 16 contains some images taken from our SinoStruct fabrication business in China. They show robotic welding cells used to manufacture Wellhead processing skids for the coal seam gas market in Australia.

SinoStruct has focused heavily on global business development activities and has successfully entered the North American market securing a number of supply agreements to fabricate and supply injector skids for multiple projects in the United States.

The photo in slide 17 shows a number of pipe laying sidebooms relocating a gas export pipeline 'string' at the Ichthys Project in Darwin.

The contract is for the engineering procurement and construction of a 42" Gas export line that feeds gas to the Ichthys LNG plant, and was substantially completed during the year.

And now to a few of our maintenance contracts.

The photo on slide 18 was taken at the QGC LNG plant in Queensland. The Maintenance and Industrial Services division have a major long-term contract at this site to provide maintenance, shutdown and project services.

Activity under the contract continued to ramp up with a number of successful shutdowns carried out during the year.

The photo on slide 19 shows molecular sieves in the dehydration section of Train 4 of the Woodside-operated Karratha Gas Plant, in the Pilbara region of Western Australia.

The Karratha Gas Plant includes five LNG processing trains, two domestic gas trains, a number of condensate stabilisation and LPG fractionation units as well as storage and loading facilities for LNG, LPG and condensate.

Monadelphous through its joint venture with Giovenco, MGJV provide a range of services to the Karratha Gas Plant Life Extension Program. The two-year contract commenced in 2016.

The photo on slide 20 shows Monadelphous Rope Access Technicians conducting hopper lining repairs at CITIC Pacific Mining's Sino Iron Project at Cape Preston, in Western Australia.

Monadelphous has recently acquired a multi-disciplined rope access service provider, expanding our access solutions capability.

Rope access allows us to provide customers with an alternative to traditional access offerings, such as scaffolding and elevated work platforms. It gives us the flexibility to safely execute our core services within the constraints of complex, congested industrial facilities.

Finally, the photo in slide 21 shows Oil Search's Central Production Facility in the Southern Highlands Province of Papua New Guinea. We have held this particular services contract since 2007, providing a wide range of project and support services across Oil Search's extensive onshore oil and gas operations in Papua New Guinea.

Slide 22 provides a glimpse of the historical and projected Australian market conditions.

The resource and energy markets in Australia remain challenging, despite a recent improvement in commodity prices. Investment in new projects is weak with producers deferring or cancelling investment in additional capacity. Capital spend in the energy market in Australia is forecast to decline as large committed investments in new LNG capacity near completion.

Investment in the broader Infrastructure market is expected to grow, particularly in the water, renewable energy and transport infrastructure sectors.

The outlook for the maintenance sector remains positive and industrial maintenance and sustaining capital work is expected to grow steadily over the next few years as demand for services on aging assets increase and new production facilities come on line.

I'd now like to provide a quick update on the progress of our markets and growth strategy.

The broad elements of this strategy are:

- to maximise growth and returns from our core markets of resources and energy;
- to broaden our services in those core markets and expand our presence in infrastructure; and
- to extend our core services to overseas locations and markets.

Our approach in our core markets is to ensure Monadelphous' full breadth of services is provided to customers and, where possible, to broaden our service offering.

In our Maintenance Division, we have added rope access capability and established a dewatering and industrial pipeline team. More recently in September this year, we completed the acquisition of Arc West, a Western Australian based, integrated services provider specialising in corrosion management and protective coatings.

In construction we have recently established a business focused on EPC solutions in the mining and mineral processing sectors.

The award of additional water infrastructure and irrigation contracts reinforces our infrastructure service expansion. We see considerable growth available to us in this market particularly in New Zealand and on the East Coast of Australia, and we are actively pursuing opportunities in power and utility network services.

Our newly established renewable energy business Zenviron is now established and up and running.

Overseas, we are aiming to develop our position in the growing oil and gas market in North America through our partnership in Monaro.

Also, our SinoStruct business has begun to reap the rewards of an extensive business development drive successfully securing some early work in the United States.

Additionally, Rio Tinto's multibillion dollar expansion of the Oyu Tolgoi Project in Mongolia is also providing opportunities for us.

And now I'd like to expand a little on our new joint ventures, Zenviron and Mondium.

In July of this year we announced the formation of a new business focussed on the renewable energy market. Zenviron is a full service balance of plant contractor providing EPC services to the rapidly growing renewable energy sector in Australia and New Zealand.

Zenviron is pursuing more than \$1b in tender opportunities to construct wind and solar projects in Australia and is the preferred tenderer for the provision of the Balance of Plant associated with the CWP Renewables Sapphire Wind Farm in New South Wales. Work on this project is expected to commence in the next few months.

Mondium is our most recent strategic joint venture and was announced to the market in October 2016.

Mondium is a partnership between Monadelphous, and engineering and project management consultancy Lycopodium.

It combines the respective strengths, complementary expertise and existing relationships of both companies to provide a new and competitive EPC offering to the mineral processing market both in Australia and overseas.

Mondium will offer a complete turnkey solution from engineering through to commissioning and handover.

It is ideally placed to take advantage of the increasing demand from customers for EPC style contracts and is currently pursuing a number of tender opportunities.

The establishment of Mondium is another key milestone in our growth and diversification strategy.

And finally to the outlook.

Market conditions in the Australian resources and energy sector are expected to remain challenging as the rate of major investment in new production slows. Nevertheless, solid levels of capital expenditure required to sustain the massive increases in production levels will continue to provide opportunities, particularly in iron ore and upstream coal seam gas.

As I highlighted earlier, the outlook for maintenance services is positive as new LNG projects are completed and production ramps up. The aging of assets in the resources sector will also drive higher volumes of maintenance and support services, and we are well placed to capitalise on a number of new maintenance opportunities in the coming months. While competition in the market remains high, the company is recognised for its value adding capability and strong delivery track record.

Government and private sector investment in infrastructure is expected to increase. The Company's position in infrastructure is expected to strengthen with the growth of the water infrastructure market both in Australia and New Zealand, and the opportunities that are emerging in the renewable energy sector.

In the more immediate term, while we are experiencing some delays in timing of awards and execution of committed works, business activity levels have stabilised and sales revenue for the first half of the financial year is expected to be similar to that of the second half of the previous financial year.

High levels of competition and a continued focus on cost reduction by our customers are likely to keep margins under pressure.

In closing Monadelphous is in good shape. We remain in a leadership position in our core markets and are making good progress to diversify our business into new services and customer markets, both domestically and internationally.

Importantly, our strong balance sheet provides us with substantial capacity to continue to pursue investment opportunities particularly in the infrastructure sector.

I would like to take this opportunity to thank our Board for their guidance, all our stakeholders for their loyalty and support, and particularly our people for their ongoing dedication, commitment and highly valued contribution.

<ENDS>

Further Information

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Monadelphous Group Limited (ASX: MND) is a leading Australian engineering group providing construction, maintenance and industrial services to the resources, energy and infrastructure sectors. The Company has two operating divisions – Engineering Construction, providing large-scale multidisciplinary project management and construction services, and Maintenance and Industrial Services, specialising in the planning, management and execution of mechanical and electrical maintenance services, shutdowns, fixed plant maintenance services and sustaining capital works.

Monadelphous is headquartered in Perth, Western Australia, with a major office in Brisbane, Queensland, and projects, facilities and workshops across Australia and in New Zealand, China, Mongolia, Papua New Guinea and the United States. Please visit our website www.monadelphous.com.au for more information.