

25 November 2008

Company Announcements  
Australian Securities Exchange Limited  
Level 4, 20 Bridge Street  
Sydney NSW 2000  
Australia

Dear Sir/Madam

**Re: 2008 AGM Chairman's and Managing Director's Address**

Please find attached a copy of both the Chairman's and Managing Director's Address to shareholders to be issued today by Monadelphous Group Limited as part of the company's 2008 Annual General Meeting.

Yours sincerely



GILES EVERIST  
Company Secretary

## **MONADELPHOUS GROUP LIMITED 2008 ANNUAL GENERAL MEETING**

### **Chairman's Address John Rubino**

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#### SLIDE 1 – TITLE SLIDE

Good morning ladies and gentlemen.

My name is John Rubino and I am Chairman of the Board of Directors of Monadelphous Group Limited. On behalf of the Board of Directors, it is my pleasure to welcome you to the 2008 Annual General Meeting of Monadelphous Group.

As it is now a little past 10am and we have a quorum, I declare the meeting open.

For your safety, if we are required to leave the venue in an emergency please exit using the doors to my left and muster in the bottom car park.

#### SLIDE 2 – INTRODUCING THE MONADELPHOUS BOARD

Before commencing the business of the meeting, I would like to start by introducing you to each of my fellow Directors and Officers.

Starting from my immediate left are:

- Robert Velletri, Managing Director
- Peter Dempsey, Non-Executive Director & Chairman of Audit Committee
- Chris Michelmore, Non-Executive Director

and to my right are:

- Giles Everist, CFO and Company Secretary and
- Irwin Tollman, Non-Executive Director

Thank you gentlemen.

Here today, representing our Auditors, Ernst & Young, is Colin Pavlovich. On behalf of the Board I would like to thank Colin and his team, once again, for a job well done.

#### SLIDE 3 – CHAIRMAN'S ADDRESS TO SHAREHOLDERS

The order of business for today will be as follows. Firstly, I will take this opportunity to speak briefly about the Company, its financial performance over the past year, structural integrity and finally, the company's foundations.

Then I will hand over to Rob to deliver his address on the business highlights, operations, strategy and the outlook for the Group. After Rob's presentation, there will be an opportunity for shareholders to ask questions.

Following this, Giles will take us through the formal business of the day. That will conclude the Annual General Meeting and light refreshments will then be served in the rear ante-room.

#### SLIDE 4 – FINANCIAL HIGHLIGHTS

I am pleased to report that Monadelphous Group Limited has consolidated its strong financial performance trend over recent years with the achievement of another record profit for the year ended 30 June 2008.

Reported profit after tax was up 15 per cent to \$69.6 million on sales revenue for the year of \$954 million. The bottom line result was impacted by a one off \$3.4 million profit after tax for the partial divestment of the operations of Skystar Airport Services. The normalised profit after tax of \$66.2 million was up 10 per cent on the prior corresponding period.

Margins improved from continuing strong market conditions and healthy operating performance. Normalised EBITDA was up 11 per cent to \$104.5 million.

Reported earnings per share increased 13 per cent to 83.2 cents per share with normalised earnings up 8 per cent to 79.1 cents per share.

The Board of Directors declared a total dividend of 72 cents per share fully franked, an increase of 9 per cent on the 2006/2007 reporting period. The full year dividend payout represents a 91 per cent payout rate on normalised earnings and is in line with the Board's revised dividend payment policy of 80 to 100 per cent of earnings announced in February 2007.

This policy will continue to be subject to ongoing strong trading conditions and any other special cash requirements.

#### SLIDE 5 – EXCEPTIONAL RETURN ON EQUITY

I would now like to comment on our return on equity performance. One of the long term areas of focus has been to maximise the returns on our existing asset base.

Our continued bottom line focus and sound management of our capital base have translated into strong return on equity performance.

Slide 5 provides a flow diagram of the inputs driving return on equity and also benchmarks us to our peer group and the ASX best 100 listed companies ranked by return on equity.

Our strong performance places us in a very strong position especially in these uncertain economic times.

#### SLIDE 6 – STRONG BALANCE SHEET

Importantly, 2007/2008 also marked a continuation of strong cash flow generation while prudently managing capital expenditure requirements. In recent years, this has translated into a strong net cash position and 2007/2008 was no exception as our net cash balance grew to over \$100 million.

Our capital management strategy in recent years has positioned us with financial strength and flexibility during a time when credit markets contract.

As part of this strategy, we also announced last week our intention to undertake a buy-back of up to 2 million shares over the coming 12 month period.

## SLIDE 7 – OUR FOUNDATIONS REMAIN

To finish, I would like to talk about the current business climate and what it means at Monadelphous.

Whatever the economic landscape and uncertainties in the commodity markets, one thing is constant at Monadelphous – our long term foundations.

It is these long term foundations based on our values, purpose and ultimately, our vision which will continue to support the company through various economic climates or events.

Finally, the essence of our competitive advantage in the marketplace, our conservative approach, execution focus and reputation, together with our healthy balance sheet position us strongly for any challenges ahead.

Before I hand over to Rob I would like to congratulate management and staff on the wonderful result that Monadelphous achieved again this year. I am always impressed by the dedication and enthusiasm our people bring to their work and I want to thank them all for their continued efforts.

I will now ask Rob to present an overview of the business highlights, operations and some more information on our strategy and outlook.

## **Managing Director's Address** **Robert Velletri**

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### SLIDE 8 – MD'S ADDRESS TO SHAREHOLDERS

Thank you John and good morning ladies and gentlemen.

As John has advised, the 2007/08 financial year has been one of consolidation as we laid out the foundations for the next phase in our evolution.

### SLIDE 9 – GROUP HIGHLIGHTS

Central to this consolidation story has been a strategic review of the business to ensure the organisational framework and priorities will support our development over the next five years. We are pleased with the progress of this strategic review and its implementation will require continued focus, particularly given the rate of change we are currently experiencing.

As John discussed earlier, the 2007/2008 financial year delivered record earnings for the Company and I am pleased to say shareholders were direct beneficiaries of this as dividends increased 9 per cent from the previous period.

At an operating level, the company's Engineering Construction division consolidated its position after a number of contract wins last year. While the Maintenance & Industrial Services business continued recent growth trends to now constitute well over 30% of group sales [32%]. The MIE business also entered and expanded into the key WA market after securing a major electrical and instrumentation contract associated with the Boddington Gold Mine Expansion Project.

Across all divisions there is a clear mandate to maximise business growth in core markets, diversify into new markets and utilise acquisitions to support longer term strategic development. Consistent with our strategic focus, we have made significant progress on our diversification strategy expanding by geography, commodity, client and service.

Notwithstanding some of the changes in our industry and economic environment which have unfolded over recent months, Monadelphous continues to experience the impact of industry wide capacity constraints as our total workforce numbers increase in line with customer requirements. A number of capacity expansion strategies have been identified. These focus on offshore fabrication, increasing the use of component modularisation and growing the pool of engineers with 'job-ready' skills. In spite of the potential economic slowdown, these remain long-term structural issues facing our industry.

Another highlight for Monadelphous during the year was the strong performance in health and safety. The positive improvement trend in recent years continued in 2007/2008, with a pleasing 32% reduction in injury frequency rates.

In January 2008, the company undertook a partial divestment of its Skystar Airport Services operations to Toll Dnata Airport Services. The sale yielded the Company a one off \$3.4 million profit after tax contribution. Following the sale and business transition, Skystar Airport Services business continues to operate profitably and is now focussed on growing revenues with Australian carriers.

The other key business highlight during 2007/2008 was the high volume of contracts won. More than \$900 million of new contracts and contract extensions were secured across a broad range of market sectors including iron ore, coal, gold, oil & gas, and water. This project pipeline has provided us with momentum and a strong forward workload as we move through the current financial year.

#### SLIDE 10 – PEOPLE AND SAFETY

Fundamental to our ongoing success and reputation in the marketplace is the attraction and retention of key people within our business.

During the 2007/08 period, the company undertook a review of its 'Right People Right Culture' strategy as a part of the broader group strategic review. The purpose of this review was to ensure the right people resources are attracted and retained to maximise future business opportunities. The plan is centred around two key areas of retention and recruitment.

Across 2007/2008, Monadelphous continued to record high employee retention rates, achieving a rate in excess of 90% in high impact roles across the business. An additional contribution to the expanding group employee numbers has been the success in a number of key employee programs including graduate recruitment and development, international recruitment, employee referral and supervisory & leadership development.

One of the often overlooked and significant barriers to entry in the markets where we operate is safety performance. Our continued investment in health and safety systems and training and development has continued to pay dividends.

Across the 2007/08 period, the company achieved a 32% improvement in group safety performance, reflecting the level of committed compliance that exists across the Group. Importantly, TCIFR has more than halved over the last two years to now be in single digits (8.6) – a figure that compares favourably with our industry peers.

The success of this improvement and the effectiveness of our HSE systems has been recognised through the award of Worksafe WA's highest 'Platinum' level for both our Engineering Construction and Maintenance and Industrial Services divisions.

## SLIDE 11 – OPERATIONAL HIGHLIGHTS

I'll now move on to divisional performance and highlights for the period in some detail.

## SLIDE 12 – OPERATIONAL HIGHLIGHTS

After a massive surge in revenue in the first half of last financial year and as forecast in our annual results announcement in August last year, engineering construction revenue eased 12% this year to \$576 million.

The lower revenue reflected the unusual number of large projects ramping down, together with timing effects from delays on new projects coming on stream.

During the year, the Division substantially completed a number of large projects including several for BHP Billiton and Rio Tinto. A significant milestone was BHP Billiton Iron Ore's award of a \$290 million construction contract for structural, mechanical and piping works for the Newman Hub Project – the largest contract ever won by the company. The work is associated with the Rapid Growth Project 4 in the north west of Western Australia. Other major projects in progress at the end of 2007/2008 included Rio Tinto Iron Ore's Cape Lambert Upgrade 80MTPA Project (WA), Eni's Blacktip Gas Development Project (NT) and the Boddington Gold Mine Expansion Project (WA), amongst others.

The Maintenance and Industrial Services division was a standout performer for the group across 2007/2008 delivering record sales revenue, up 21% to \$317m from increased service levels and new contracts. The 2007/2008 year also included the first full year contribution from the Ellavale Engineering acquisition in March 2007. We are very pleased with the performance of this business, its capability and its integration into our overall service offering.

The division's strategic focus to (a) retain existing clients and contracts (b) increase service volumes and (c) secure new sites and customers has been fundamental to the success of the business for some time now. The award of new contracts and contract extensions totalling over \$200 million represent important milestones for the M&IS business, its ongoing diversification and provides a strong platform for continued growth into 2008/2009 and beyond.

The Electrical and Instrumentation Services division consolidated its position after last financial year's massive growth spurt generating revenue of \$76 million, up 6% on last year.

A major highlight of the year was the establishment of MIE operations in Western Australia which enabled the delivery of electrical and instrumentation services for a number of the Engineering Construction division's multi-disciplinary projects.

Since June 2008, the MIE division together with Engineering Construction, have successfully won a number of large scale, multi-disciplinary projects including those with Worsley Alumina in WA and Ports Corporation of Queensland.

These recent wins are a positive reinforcement of both our capability in executing multi-disciplinary engineering construction projects and of our decision to expand MIE's operations in WA last year.

Finally, Skystar Airport Services continued to experience respectable underlying business growth following the partial sale of Skystar's operations to Toll Dnata. While on a reported basis, Skystar's sales revenue dropped 23% to \$14.7 million this year.

## SLIDE 13 – OUR WORK LOCATIONS

As outlined earlier, this past year saw a continuation of our geographic, commodity, client and service diversification. Slide 13 provides a useful graphical illustration of our major group project sites, office locations and market exposures.

In these uncertain times, the diversity of our skills and capabilities across the entire resources, energy and infrastructure industry spectrum places us in a strong position into the future.

## SLIDE 14 – NEW FY09 CONTRACT WINS

Since June, the company has also secured a number of important new contract wins and contract extensions valued at around \$400 million.

New major contracts include:

- Alliance Shutdown Projects for Incitec Pivot in Qld
- The Abbott Point Coal Terminal X50 Project for Ports Corporation of Queensland, and
- The Efficiency and Growth Project for Worsley Alumina in WA

Contract extensions awarded since June include:

- A two year maintenance contract for BHP Billiton's Olympic Dam Operations in SA
- A three year maintenance services contract with ConocoPhillips at their Darwin LNG Project in NT, and
- A two year services contract with Rio Tinto Iron Ore for their ongoing Structural Integrity Projects in WA

The company is also the preferred tenderer in around \$150 million worth of additional construction contracts going forward.

In spite of the current slowdown in the global economy and a more circumspect industry outlook, our tendering workload continues at a solid level.

## SLIDE 15 – STRATEGY & OUTLOOK

Now we move on to our strategy and outlook.

## SLIDE 16 – OUR STRATEGY

Slide 16 provides an overview of our multi-faceted approach to our strategy. It highlights the areas we are focusing on to continue to deliver sustainable growth.

One of the big challenges for the business (and for the industry generally) is to be more innovative in the way we work in order to generate long-term growth in a constrained environment.

For some time now, we have been progressively implementing a range of capacity expansion or productivity strategies including major process and systems upgrades, skills programs, improved project delivery methodologies including modularisation, and offshore procurement of project labour and materials.

More broadly, we are pleased to say our internal, core business and diversification strategies have also allowed us to progressively expand our customer offering to generate continued business growth.

Finally, on the outlook.

## SLIDE 17 – OUTLOOK

Following the high volume of contracts won and the consolidation activities of the last financial year, Monadelphous entered the current financial year in a strong position to deliver another year of growth.

Current business activity and forward workload levels continue to run at a high level and at this stage the company's operations have not been substantially impacted by the current market turmoil arising from the global financial crisis.

Importantly, the company is favoured by its strong position with blue chip customers who are less capital constrained and who are all proceeding with committed projects.

While the global financial crisis and consequent falls in commodity prices has created significant uncertainty as to growth prospects in the medium term, the outlook for 2008/2009 continues to be positive and we expect to deliver double digit growth in normalised full year profit after tax.

We are seeing considerable customer confidence in long term resources and energy demand with many of them expecting to continue with their long term development plans. This is particularly evident in the bulk commodity markets of iron ore, coal and oil and gas.

While it is too early to predict with any degree of certainty the full impact on our markets of this sudden downturn in the global economy, we will be focussing on a number of productivity and cost efficiency initiatives in response to these conditions.

Firstly, we are seeing some welcome easing in the skilled labour market which will provide us with the opportunity to improve the quality and productivity of labour.

Secondly, we also see the opportunity to improve our cost efficiencies as supply constraints ease and we are currently implementing a program aimed at reducing our operating and fixed costs.

More generally, we will be continuing to drive sustainable growth through diversification of our revenue and earnings into infrastructure and energy markets as well as continuing to build on our strong recurring revenue base.

Furthermore, the company's strong balance sheet provides us with the opportunity to take advantage of any consolidation prospects which may arise from the current market turmoil.

In closing, our strong forward workload, solid reputation with our blue chip customers, together with a robust financial position and highly capable workforce, provide us with significant confidence to successfully navigate the challenges ahead.

– ENDS –