

20 November 2012

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

Dear Sir / Madam

RE: 2012 Annual General Meeting Address and Updated Outlook

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

20 November 2012

2012 Annual General Meeting Address

Report by Chairman John Rubino

Good morning ladies and gentlemen. It is my pleasure to provide an overview of Monadelphous's performance for the 2012 financial year.

Monadelphous is a leading engineering company providing construction, maintenance and industrial services to the resources, energy and infrastructure sectors.

In the 2012 financial year, through its three operating divisions – Engineering Construction, Maintenance and Industrial Services and Infrastructure – the Company delivered its 11th consecutive year of earnings growth with revenues and underlying earnings rising more than 30 per cent.

In November 2011, the Company was included in the S&P/ASX 100 index - a milestone in our history.

The following slide illustrates the significant long term growth performance of the Company over the past two decades and the growth strategies adopted during this period.

An organic growth approach, based on safe and reliable delivery and long term customer relationships, has been key to our success.

This approach – together with our prudent expansion in markets, services and geography – has delivered exceptional results for our shareholders.

Looking at our share price performance, you can see that over the 12 months to 30 June 2012, our share price increased 18 per cent, while the ASX 100 decreased 11 per cent and the ASX 100 Industrials decreased 2 per cent.

This slide shows our total shareholder return, which combines share price performance and dividends, against the ASX 100, the ASX 100 Industrials and our peers. As you can see, we have clearly outperformed our peers and the indices over 12 months, five years and 10 years.

Before I hand over to Rob to provide you with the financial year review and outlook, I would like to thank all our people for their loyalty and commitment, our customers for their trust, the Board for their guidance and our shareholders for their continued support. Over to you Rob.

Report by Managing Director Rob Velletri

Thanks John and good morning everyone. I'm pleased to report Monadelphous Group Limited delivered another record sales and earnings result for the year ended 30 June 2012.

Sales revenue was \$1.9 billion, up 31 per cent. Net profit after tax was a record \$137 million, up 44 per cent. This included the one-off after-tax gain of \$11.4 million from the sale of Norfolk Group Limited shares. Underlying net profit after tax was \$126 million, up 32 per cent. And, as John highlighted earlier, this marked the Company's 11th consecutive year of earnings growth. Following this result, the Board declared a final dividend of 75 cents per share fully franked. This took the full-year dividend to 125 cents per share fully franked, which was a 32 per cent increase on the previous year.

Our results for the 2012 financial year reflect strong operational performance and demand from customers across all key markets in resources, energy and infrastructure. Growth continued in all three operating divisions, with the biggest percentage increases in the Maintenance and Industrial Services and Infrastructure divisions. Significant scope growth on several major projects and strong conditions in resources and energy markets contributed to the result.

We secured \$2 billion in new contracts and contract extensions during the year. This included LNG construction and maintenance contracts which have consolidated the Company's position in the energy market. Our work expanded into the marine sector through the Company's involvement in its first jetty construction contract, and the acquisition of PearlStreet Energy Services extended infrastructure services into power.

This slide looks at our financial performance on an underlying basis. The difference between our underlying performance and our statutory results is the one-off after tax gain of \$11.4 million from the sale of our 14 per cent stake in Norfolk Group. A reconciliation of the statutory results to the underlying performance is included later in this presentation, on Slide 27.

As you can see, record sales revenue together with the EBITDA margin translated into an earnings before interest, tax, depreciation and amortisation of \$196.5 million, which was 28.2 per cent higher than the previous year. Underlying net profit after tax was a record \$126 million, up 32.5 per cent. The net profit after tax margin improved slightly to 6.64 per cent. Earnings per share was up 30.8 per cent to 142.4 cents. Return on equity increased by 4.57 percentage points to 53.8 per cent. Turning now to Slide 12, Financial Position and Funding.

The Company's balance sheet remained strong with a net cash position of \$152.9 million. Monadelphous continued to invest in its core and expanding businesses with new property, plant and equipment to support high levels of secured work and the strong pipeline of opportunities. Capital expenditure for the year totalled \$74.2 million, with a further \$19.6 million committed at 30 June. Our bond facilities were increased by \$226.2 million to support the volume of new work. The club banking facility was also expanded with the addition of HSBC. Turning now to Divisional Highlights.

All our operating divisions reported record sales and activity levels. The Engineering Construction division's sales revenue grew by 14 per cent to \$1.06 billion. This solid performance reflected significant scope growth on a number of existing major contracts and early revenue from approximately \$1.3 billion in new contracts won during the 2012 financial year.

As I mentioned earlier, the division secured its first project in the marine sector through a contract for jetty and associated infrastructure construction on the Wiggins Island Coal Terminal Project in Queensland. This work is being undertaken in joint venture with Muhibbah Marine. The division also secured two framework agreements with Rio Tinto for its iron ore expansion program in the Pilbara region of WA.

We continued to invest in our heavy lift capability, with additions including a 600-tonne crane and numerous other large-capacity cranes and self-propelled modular trailers. These investments build on our ability to undertake projects that involve large-scale pre-assembly and modularisation.

Our Maintenance and Industrial Services division achieved sales revenue of \$634 million, up 58 per cent. The division increased its presence in coal and in oil and gas. Following our delivery of major construction services to Woodside's Pluto project, the division was awarded a three-year maintenance services contract. This was followed earlier this month by the maintenance services contract for the Woodside-operated Karratha Gas Plant. As a result of these contracts, Monadelphous will soon provide maintenance services on all three onshore LNG plants operating in Australia, highlighting the Company's strong capability as an LNG services provider.

Consolidation of the east and west regions of the Maintenance and Industrial Services division was undertaken following the Company's annual strategic review. The purpose of the consolidation is to create one business focused on continuing to grow our recurring revenue and to capitalise on the growing demand for maintenance and support services.

The Infrastructure division, which was established in the 2011 financial year, recorded sales revenue of \$220 million, an increase of 39 per cent. It also secured \$220 million in new contracts.

In July last year, Monadelphous acquired asset management company PearlStreet Energy Services, strengthening its operations and maintenance capabilities and expanding services into the power sector. I now turn to Slide 14.

This map shows contract revenue by division and location during the latest financial year. As you can see, revenue for the year came from numerous and larger contracts in the Pilbara region of Western Australia, along with a high level of activity in the south-west of the state. Revenue also came from numerous contracts in Queensland and in New South Wales. Turning now to Slide 15.

The \$2 billion in new contracts and contract extensions were secured in all our key markets. As I have mentioned, this included approximately \$1.3 billion in new engineering construction contracts on some of Australia's most significant resources and energy development projects. In the north-west of WA we secured new major contracts in iron ore with Rio Tinto and BHP Billiton, and in oil and gas with Chevron and Woodside. In Queensland, we have new contracts in coal, marine works and water. Turning now to Slide 16.

This image shows the Engineering Construction division at BHP Billiton's Inner Harbour Project in Port Hedland. This contract, valued at approximately \$290 million, was awarded to Monadelphous in December 2011 and is a significant project for the division.

Slide 17 shows an image of Barrow Island where the Maintenance and Industrial Services division provides Facilities Management Services for the Chevron-operated Gorgon Project. It involves management, operation and maintenance of construction facilities and utilities for the Gorgon Project. The contract was secured by the division in November 2009 for an initial term of three years and was extended earlier this month for a further 12 months.

This is one of our site engineers working at the Water Corporation's Picton Water Treatment Plant, near Bunbury, which was successfully completed by the Infrastructure division in the 2012 financial year. Turning now to Slide 19.

Moving to the current financial year, we have continued to secure work with approximately \$775 million of new contracts and contract extensions so far. In Western Australia, these include construction contracts and maintenance contract extensions for major customers in iron ore in the Pilbara and a significant new maintenance services contract and contract extension in oil and gas which I mentioned earlier. And in Queensland, we have been awarded a major construction contract in the coal sector. Turning now to People Performance.

Our total workforce at the end of the 2012 financial year was 6,105, up 8 per cent on 12 months earlier. Attraction and retention of employees remains the Company's most significant challenge, one which we continue to address with a wide range of initiatives.

During the year our human resources function was restructured to help ensure the right people are available for our expanding operations. We increased our graduate intake by a third to more than 40 and we continued our selective international recruitment to fill domestic professional staff shortfalls. A new issue of employee options was made to recognise and reward 235 employees at various levels throughout Monadelphous. Since its inception, this long-term incentive program has significantly contributed to the high level of retention of key people at Monadelphous. Turning now to our Safety Scorecard.

Monadelphous's core value of safety and wellbeing continued to drive improvements in health and safety performance with a 32 per cent reduction in the total case injury frequency rate to 6.0 incidents per million hours worked. This was the Company's best ever annual result. And In January 2012 we reached 12 consecutive months free of lost-time injuries for the first time.

We developed our people, processes and systems in our ongoing safety improvement program. In particular, we continued our focus on the Company's Safety Leadership development program during the year.

This slide is a summary of our strategic progress during the 2012 financial year, much of which I referred to earlier in the presentation. There are, however, a few additional elements that I will speak about.

During the 2012 financial year, we formalised our diversity initiatives in a Diversity Policy and we developed objectives to further focus on gender diversity.

We committed to the implementation of an Indigenous Engagement Strategy to promote Indigenous employment.

We also strengthened of our group-wide assurance function and reviewed and enhanced our tender risk management process.

This slide shows Monadelphous's diversification in terms of its broad market segments. More than one-third of our business now comes from the energy and infrastructure sectors. Energy has made up an increasingly significant contribution over the past five years, even while our traditional core market of resources has continued to grow in dollar terms. We are also developing our footprint in infrastructure, with work from this segment increasing significantly over the same period. Turning now to Slide 24.

This slide provides a snapshot of Australian market conditions, revised from our presentation at the full year. As you can see capital expenditure in resources, though softening a little from the previous update, is expected to remain at solid levels with expenditure in the energy market continuing to grow and remaining at record levels.

The outlook also remains robust with respect to public sector capital expenditure. Maintenance expenditure in resources and energy is expected to grow over the coming five-year period, reflective of the volume of new projects moving into the operations and maintenance phase. Turning now to Project Pipeline.

This is an outline from the most recent update by the Bureau of Resources and Energy Economics which in April identified 98 Australian resources and energy projects at an advanced stage of development. It shows proposed capital expenditure on these projects totals in excess of \$260 billion, with completion dates extending out as far as 2017. The table has an indicative list of projects which offer significant prospects. Turning now to the Outlook.

The high volume of secured work and ongoing opportunities from historically high levels of resources and energy projects underway provide strong construction revenue visibility for the current financial year and beyond. The volume of approved projects particularly in the iron ore and LNG sectors should drive solid demand for some time.

The significant number of projects reaching completion and operational start up over the next few years will also provide service opportunities for the continued growth of the Maintenance and Industrial Services division.

In terms of the immediate outlook, the Company is experiencing record levels of activity from the fast-tracked execution of a number of new projects. Following delays to some of these projects in the latter part of 2011/2012, there has been an extraordinary surge in construction activity this financial year. We have seen a rapid increase in demand as construction work on a large number of contracts ramp up and accelerate concurrently, with our current total workforce numbers rising to more than 7,500. The Company is focused on meeting the operational and abnormal working capital demands of this intense period of activity.

We expect to see this rapid increase in activity reflected in sales revenue rising in the first half by about 40 per cent when compared with the previous corresponding period. At this stage the full-year revenue increase is expected to be about 25 per cent.

While large-scale construction demand is currently at record levels, we are seeing an across-the-board focus on cost reduction and a tightening of discretionary capital and operating expenditure by most of our resource sector customers. Margins are coming under pressure in this more competitive environment. We are responding appropriately by paying close attention to productivity and the cost-effective delivery of our current workload.

Although there has been some softening in some pockets of the labour market, skilled labour availability will continue to be tight and a major challenge. We will continue to adopt a broad range of initiatives aimed at maximising labour retention and attracting and recruiting new personnel.

The Company's market leadership position in its core resources and energy markets and the continued success of our diversification strategy will support our long term growth. Opportunities for growth in existing infrastructure markets of water and power and longer term market diversification, including new services and overseas expansion for existing customers, will continue to be pursued.

On behalf of the Board, I thank our customers for their continued patronage, our shareholders for their support and our people for their dedication, commitment and highly valued contribution to another successful year at Monadelphous. I look forward to our continued development for the benefit of all. Thank you.

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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:

www.monadelphous.com.au