

19 November 2013

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

Dear Sir / Madam

RE: 2013 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

19 November 2013

2013 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 2013 financial year.

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

In the 2013 financial year, the Company delivered its 12th consecutive year of earnings growth and achieved record sales revenue of \$2.6 billion. This was an outstanding result that flowed from an extraordinary level of construction activity.

Monadelphous maintained a leadership position in core markets as it continued to capitalise on its strong position across a broadening range of services and markets.

During the year, our continued commitment to safety across the business resulted in a record safety performance — a fantastic outcome, especially during such a busy period.

Monadelphous's reputation is driven by our people and our success is a reflection of their quality and skills. During the year we saw an improving trend in overall employee retention. We recruited 54 first-year graduates and we formalised our commitment to a sustainable future for Indigenous people through our Reconciliation Action Plan.

This slide shows the success of the Company's strategy in achieving long term growth for shareholders. Strong relationships based on safe and reliable delivery and a focus on market leadership continues to underpin our competitive advantage.

This slide shows our total shareholder return, which combines share price performance and dividends, against the S&P/ASX 100 index, the ASX 100 Industrials and our peers.

As you can see, the change in resource market conditions has put pressure on the Company's share price over the past 12 months. Our long term performance continues to be strong and we have outperformed our peers and relevant indices over periods of five and ten years.

The outlook for the Australian resources market changed during the financial year. Market conditions softened following a surge in construction activity. Capital expenditure in the sector has moderated to what I consider more normal levels. China's growth forecast is expected to support solid demand over the longer term.

At the same time, activity in oil and gas is forecast to remain strong as progress continues on several multi-billion dollar LNG projects. Monadelphous remains committed to long term growth and we are well positioned to take advantage of opportunities in our core markets.

Before I hand over to Rob to provide you with a review of the financial year 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 2013. Sales revenue for the year was \$2.61 billion, up 37.8 per cent. Net profit after tax was a record \$156.3 million, up 24.1 per cent when compared to the previous year's underlying net profit after tax.

Following this result, the Board declared a final dividend of 75 cents which took the full-year dividend to \$1.37 fully franked, a 9.6 per cent increase on the previous year. Earnings per share rose 21.5 per cent to \$1.73, on an underlying basis.

As the Chairman mentioned, Monadelphous experienced an extraordinary surge in growth during the financial year. This reflected an unprecedented volume of construction work from record levels of resources and energy developments in the execution phase. Construction activity was particularly intense, with a number of projects on accelerated schedules ramping up concurrently.

The Company continued to focus on its core value of safety and wellbeing, achieving a record safety performance for the year, an outstanding outcome given the challenges presented by the rapid growth in activity and workforce numbers.

We were awarded \$1.3 billion in new contracts for major construction work in the iron ore and coal sectors, and new and extended contracts for maintenance work in the oil and gas market.

In response to the significant tightening in market conditions, a comprehensive cost reduction program aimed at maintaining profitability and improving productivity was initiated in the second half of the year. A strategic review of the effectiveness and efficiency of the Company's divisional operating structure was also completed during the second half. As a result of this review, the Infrastructure division was consolidated into the operating structure of the two service-based divisions, Engineering Construction and Maintenance and Industrial Services.

Monadelphous also opened a support office in Mongolia to pursue long-term overseas expansion opportunities in this emerging resource development market.

This slide looks in more detail at our financial performance when compared with the previous year's underlying results. A reconciliation of the statutory results is included later in this presentation.

As you can see, record sales revenue translated into earnings before interest, tax, depreciation and amortisation (EBITDA) of \$247 million, up 25.7 per cent. Underlying net profit after tax was a record \$156.3 million with margins impacted by a general tightening in market conditions together with underperformance in several transmission pipeline projects. Return on equity remained strong at 50.8 per cent – and continued to demonstrate our capability and efficiency in generating earnings. Turning now to Financial Position and Funding.

As you can see, we finished the year with \$195.3 million of cash at bank, a slight decrease on 12 months earlier. The company's balance sheet remained robust with a net cash position of \$140 million at year end.

Working capital increased by approximately \$80 million in response to the rapid growth in construction activity, several large projects approaching completion concurrently at year-end and the increasing trend of customers lengthening the duration of the claim and payment cycle.

Following a year of substantial investment in the heavy-lift fleet and specialised pipe-laying equipment, capital expenditure was down 37.5 per cent to \$46.4 million. The reduction reflected a return to a more typical level of capex. Capital commitments totalled \$1.6 million at 30 June 2013, compared with \$19.6 million at the end of the previous year.

Our bond facilities were increased by \$85 million during the year to support higher levels of construction activity and prospective new work. Undrawn bond facilities were \$105.6 million at 30 June 2013. Turning now to Divisional highlights.

All our operating divisions reported record revenue, with particularly strong growth in Engineering Construction and Infrastructure.

The Engineering Construction division reported revenue of \$1.78 billion, an increase of 56 per cent on the previous year. It secured new contracts with a combined value of approximately \$700 million. Iron ore and coal projects dominated the divisions' revenue for the period with significant growth in the number and scale of projects with blue chip customers and a broadening range of services provided.

Our Maintenance and Industrial Services division delivered record sales revenue of \$644 million which consolidated the 58 per cent growth achieved in the previous financial year. The division was awarded approximately \$600 million in new maintenance contracts and contract extensions including two significant LNG services contracts with QGC and Woodside. This means the Company is now providing maintenance services for all four of Australia's major onshore LNG facilities.

The Infrastructure division recorded sales revenue of \$200 million, an increase of 50 per cent on a like-for-like basis, compared with the previous year.

The water business unit experienced very strong growth. Its most significant work was on the construction of a potable water supply system as part of Rio Tinto's Coastal Waters Project in the Pilbara region of WA.

In the second half of the year, the Infrastructure division was consolidated into the operating structures of Engineering Construction and Maintenance and Industrial Services. Monadelphous Energy Services has since transitioned into M&IS and the water business into EC.

Subsequent to the reporting period, Skystar, our non-core aviation support services business was acquired by Menzies Aviation, a division of John Menzies plc. The transaction will result in a one-off pre-tax profit of approximately \$10 million. I would like to take the opportunity to thank all Skystar employees for their contribution to the success of the business over the 12 years since its establishment. We wish them all the best for the future. Now to contract activity.

This map shows contract revenue by division and location during the latest financial year. As you can see, revenue came from numerous larger contracts in iron ore and oil and gas in the Pilbara region of Western Australia, along with high levels of activity in Queensland. Turning now to sales revenue analysis.

Looking first at the revenue by end customer, the major contributors were from the bulk commodities of iron ore and coal and oil and gas. Contributions from oil and gas construction and services activity are expected to grow over the next few years with a number of large LNG projects currently in the construction phase.

From a geographic perspective, work in WA continued to dominate our revenue landscape, followed by Queensland. Overseas revenues made up approximately 5 per cent of the annual figure. The service market analysis shows the growing contribution from recent services expansions in pipelines, water and marine which made up 17 per cent of total revenue.

New contracts and contract extensions totalling \$1.3 billion were secured from across all our key markets. This included \$700 million in new engineering construction contracts in iron ore and coal with Rio Tinto, BHP Billiton and BMA, and in oil and gas on the Ichthys LNG Project in Darwin.

The Maintenance and Industrial Services Division secured approximately \$600 million in new contracts and contract extensions, including a 6½-year contract with QGC to provide maintenance services at its Queensland Curtis LNG plant, near Gladstone, and a three-year contract for maintenance and shutdown services at Woodside's Karratha Gas Plant at Dampier in WA.

This is a photo of the our construction project at the port operations for BHP Billiton Iron Ore's Port Hedland Inner Harbour Project in WA. The project included 18 major shutdowns to facilitate the link up of new conveyors and modification of the existing plant.

This slide shows the structural, mechanical and piping works for the Rio Tinto Kestrel Mine and processing plant in Queensland. The division was awarded three packages of work at Kestrel with a combined contract value of approximately \$260 million.

This image shows work being undertaken at the Wiggins Island Coal Export Terminal in Gladstone, Queensland in joint venture with Muhibbah Engineering. The contract, valued at approximately \$330 million involves the construction of an approach jetty and ship berth.

This is an image of the Woodside-operated Karratha Gas Plant where we secured a three year maintenance contract and completed our largest ever shutdown during the year that involved more than 750 people and was delivered with no recordable safety incidents.

This slide shows the Chevron-operated Gorgon Project on Barrow Island in WA where we have provided facilities management services since 2010. Turning now to contracts secured in FY2014.

We have continued to secure work, with approximately \$500 million of new contracts and contract extensions since the start of the new financial year. These include an extension to a maintenance contract in the oil and gas sector, new infrastructure construction work in WA and Queensland and a construction contract with Rio Tinto Iron Ore at its Cape Lambert Port B Project in WA. Further major awards are expected to be announced in the coming months.

As I mentioned earlier, the Company continued to drive improvements in health and safety performance throughout the year. Our total case injury frequency rate improved by 31.6 per cent to 4.1 incidents per million man-hours worked. This is the Company's best annual result.

We continued to develop our Safety Management Program aimed at delivering a strong and sustainable safety culture throughout the Company's operations with the launch of the company-wide Life Saving Rules, a program focused on the management of fatal risks.

The integration of our safety leadership program from the group to the divisional level was also progressed during the year.

And now turning to our People Performance.

Our total workforce at the end of the 2013 financial year was 7,418, up approximately 22 per cent on 12 months earlier with employee numbers peaking at 8,700 during the period. Highlights for the year include a successful recruitment campaign to meet extraordinarily high project demands and an improving trend in overall employee retention and permanent staff turnover.

We launched a new-look Monadelphous website which included a clearly defined employer brand to give a real focus to our people initiatives and a refresh of our corporate brand. It delivers a strong, coordinated online presence and messaging built around Together We Deliver and Together We Grow.

In January, the Company opened the Monadelphous Employee Development Centre in Belmont, here in WA. This new facility provides pre-mobilisation and nationally-accredited construction skills and training services for the Company's projects and operations.

As John mentioned earlier, Monadelphous also made a public commitment to the implementation of its Indigenous engagement strategy through our Reconciliation Action Plan approved by Reconciliation Australia.

This slide provides a snapshot of Australian market conditions.

As you can see resources construction capex peaked in 2013 and is forecast to moderate over the next five years. Increased expenditure in the oil and gas sector is expected to offset the decline in resources. Infrastructure capex is forecast to remain flat and maintenance activity is expected to increase as the number of resource and energy operations grow.

Turning now to the Project Pipeline. A number of committed projects in the resources and energy sectors are still to have major construction contracts awarded or yet to reach peak activity. As you can see on the map, these projects are predominately in the iron ore, LNG and upstream coal seam gas markets.

The level of bidding activity for new contracts in these markets is currently very high with well over \$3 billion of tenders in progress. Turning now to the Outlook.

The Company experienced an extraordinary surge in growth, with revenue increasing more than 80 per cent over the past two years and more than doubling over three years.

Over the latest financial year, market conditions in the mining and minerals sector progressively and significantly tightened as customers pulled back and reassessed their capital expenditure plans and focused on optimising asset performance and reducing costs. Customer sentiment has changed from an aggressive growth focus to an efficiency focus as commodity prices have normalised in a rising cost environment.

After an abnormal surge in revenue in the past two years, 2013/14 will be a year of consolidation with revenue levels moderating and not expected to reach those achieved in the previous year.

With margins under pressure from a more competitive environment, the Company continues to focus on efficiency improvements and cost reductions. Consolidation of our fixed cost structure through the restructure of our operating divisions is having a positive impact on productivity and overall, our cost

reduction strategies to date have delivered savings in overheads of approximately \$15 million per annum.

Prospects from committed and planned resource developments in the iron ore and oil and gas sectors will continue to provide construction opportunities for Monadelphous in the current financial year and beyond. In particular, the large volume of committed LNG projects moving into the mechanical and electrical phase of construction will provide significant construction prospects over the next few years.

The maintenance service market remains robust as new resource development operations come on stream. While maintenance services volumes are under pressure from mining and minerals customers, volumes in the oil and gas market are expected to grow as new LNG projects move to the operating phase.

The Company has begun the year with a solid workload with revenue levels in the first half expected to be similar to the previous corresponding period. Revenues are expected to soften in the second half as a number of projects reach completion. As I have mentioned, the level of bidding activity remains high with a number of significant tenders still to be awarded. Construction revenue flows will be dependent on the size and timing of new contract decisions, some of which are anticipated in the coming months.

The Company's leadership position in its core markets of resources and energy and continued development of its diversification strategy will support long-term growth. Opportunities for expansion in existing infrastructure markets of water and power and longer-term market diversification, including new services and geographical 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

Analysts/Investors

Rachel Cooper
Investor Relations Manager
+61 8 9315 7429
+61 457 539 985
rcooper@monadel.com.au

Media

David Tasker
Director – Investor Relations
+61 8 9388 0944
+61 433 112 936
david.tasker@ppr.com.au

Monadelphous Group Limited (ASX: MND) is a leading engineering group, headquartered in Perth, Western Australia, providing construction, maintenance and industrial services to the resources, energy and infrastructure sectors throughout Australasia. The Company has two operating divisions comprising Engineering Construction, that provides large-scale multidisciplinary project management and construction services and Maintenance and Industrial Services that specialises in the planning, management and execution of mechanical and electrical maintenance services, shutdowns, fixed plant maintenance services and sustaining capital works. For more information visit www.monadelphous.com.au