

21 November 2017

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

Dear Sir / Madam

RE: 2017 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

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ASX RELEASE

21 November 2017

2017 Annual General Meeting Address to Shareholders

Chairman John Rubino

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

After several years of challenging conditions, the Australian resources and energy markets have stabilised, and appear to be improving.

In 2017, we continued to build a leadership position in our core markets, and further broadened our revenue base.

We secured \$1.8 billion of new work, including several major oil and gas maintenance contracts.

We also kept a strong focus on improving productivity, delivering better value for our customers.

We made good progress on our markets and growth strategy, expanding our maintenance services, winning more business in infrastructure and developing more overseas opportunities.

Safety continues to be a focus with a number of activities undertaken to strengthen our safety culture.

We also maintained a strong cash position, which will enable us to pursue acquisitions and invest in equipment needed to support continued growth.

I will now hand over to Rob who will provide more insight into our performance during 2017, and the Company's strategy and outlook.

Before I do so, I would like to take this opportunity to thank our customers and shareholders for their support, our Board of Directors for their guidance and our dedicated team of people for their commitment and efforts.

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Managing Director Rob Velletri

For the year ended 30 June 2017, Monadelphous recorded sales revenue of \$1.26 billion, reflecting lower levels of engineering construction activities, which were partially offset by an increase in maintenance activity.

Net Profit After Tax was \$57.6 million and earnings per share was 61.4 cents.

A final dividend of 30 cents per share fully franked was paid on 29 September. This took the full-year dividend to 54 cents per share, equating to a payout ratio of 88 per cent.

We secured new contracts and additional work valued at approximately \$1.8 billion across a broad range of core and new markets. Several significant, long term oil and gas maintenance contracts were secured in Australia and Papua New Guinea, strengthening our position as the major provider of onshore and offshore services to the oil and gas industry. In construction, we were awarded a number of additional packages of work at the Ichthys Project, and several new contracts in the water, irrigation and renewable energy sectors in Australia and New Zealand.

We maintained our focus on business improvement, delivering increased productivity levels for both ourselves and our customers. This included implementing a number of technology based solutions and progressing the transition of a range of support services offshore.

We advanced our markets and growth strategy in a number of areas, both domestically and internationally.

Zenviron, our renewable energy joint venture, secured its first construction contract at the Sapphire Wind Farm in New South Wales. In addition, in July this year, a second contract was secured for the Salt Creek Wind Farm in Victoria. Through Zenviron, we are well placed to secure further work in the rapidly growing renewable energy sector.

We further broadened our maintenance services offering, which now includes specialist coatings, rope access, dewatering and marine maintenance, and expanded our heavy lift services capability.

During the year, we established Mondium, a strategic joint venture with Lycopodium, to pursue EPC opportunities in the Australian minerals processing market.

Highlighting our continued expansion of core services overseas, SinoStruct, our China-based fabrication business, secured a number of new contracts for North American customers. In support of these activities, and to assist in the pursuit of further opportunities, we established a workshop and logistics facility in Houston, in the US.

With the momentum of SinoStruct, and continuing unfavourable market conditions forecast for the Marcellus region of the US, we took the decision to discontinue our Monaro joint venture.

Since the beginning of this financial year, we've also secured two packages of work at Rio Tinto's Oyu Tolgoi Underground Project in Mongolia, and are well placed to secure further packages of work on this significant project. I'll speak a little more about this later in the presentation.

Our earnings before interest, tax, depreciation and amortisation was \$98.2 million. Margins remained under pressure as a result of high levels of competition in the market and a continued focus on cost reduction by our customers.

Importantly, we continued to maintain a strong balance sheet, ending the year with a record net cash balance of \$228.1 million, a cash flow from operations of \$111.2 million and a cash flow conversion rate of 130 per cent.

We secured a number of contracts across Australia during the 2017 financial year. As well as major oil and gas services contracts in the west, an increasing number of construction contracts were secured in infrastructure markets on the east coast.

Since 30 June 2017, we've secured contracts valued at approximately \$275 million. This includes a two year contract to supply maintenance services for Rio Tinto at its coastal and inland operations in the Pilbara, as well as a 12 month extension to Woodside's Karratha Gas Plant Life Extension Program, through our joint venture, MGJV.

In addition, we secured a number of new international contracts. These include providing fabrication services to customers in North America, EPC services in Papua New Guinea, further construction work in the water and irrigation market in New Zealand, and at the Oyu Tolgoi Project in Mongolia.

Pleasingly, our oil and gas operations continued to deliver at world class safety standards. We have, however, experienced an increase in our Total Case Injury Frequency Rate, impacted in part due to our diversification into new markets.

To rectify this, we undertook safety campaigns across the business to identify opportunities for improvement. A number of safety initiatives have since been implemented, with a major focus on strengthening safety standards and culture within new areas of our business.

Our total workforce at the end of the financial year was 6,164 employees, up 39 per cent on 2016. I'm pleased to report our workforce has continued to grow this financial year, with the ramp up of our new offshore oil and gas contracts and a general increase in construction and maintenance activity.

As always, people are our priority. Our key talent retention remained strong throughout the year and we continued to focus on making Monadelphous a great place to work; attracting, developing and retaining the best people in our industry.

As mentioned, sales revenue was impacted by lower activity levels within engineering construction in the resources and energy markets in Australia, and more than half of our revenue was generated from the oil and gas industry.

I will now provide you with an overview of a number of projects and activities we undertook or secured during the year.

This photo (slide 15) shows the jetty at the Ichthys Project Onshore LNG Facilities, located in Darwin. Ichthys is one of the world's largest LNG developments.

Our Engineering Construction division was awarded a major construction contract for mechanical works in 2014 for JKC Australia. On the back of strong performance, the division was awarded additional packages of work, including electrical and instrumentation works for the product loading jetty, a contract for the completion of the cryogenic tanks and a contract for the completion of the gas turbine generators and associated steam piping of the combined cycle power plant.

This slide (slide 16) shows a collection of images from our water and irrigation business, which achieved solid growth during the year. The business secured a number of new contracts, including a construction contract in New Zealand for the Amuri Irrigation Scheme, a major upgrade to

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Unitywater's Kawana Sewage Treatment Plant on the Sunshine Coast and an upgrade to the Cleveland Bay Purification Plant in Townsville.

SinoStruct's focus on global business development opportunities, particularly in the North American oil and gas and resources sectors, resulted in a number of new contracts being secured throughout the year.

In support, SinoStruct established a new workshop facility in Houston, Texas, as pictured on the bottom right (slide 17).

One of the packages of work included an order to supply structural steel, fabricated spooling and preassembled modular pipe racks for Jacobs, as part of a plant expansion project in the US, as you can see in this picture at the top.

Diversification into renewable energy saw the formation of Zenviron, a joint venture which brings together the strengths of Monadelphous and renewable energy specialist, ZEM Energy.

The images on this slide (slide 18) provide a view of Zenviron's first contract, in consortium with Vestas; the 270MW Sapphire Wind Farm, the largest wind farm in New South Wales.

Oyu Tolgoi, which is managed by Rio Tinto, is one of the world's largest known copper and gold deposits. It's located in the South Gobi region of Mongolia, 550km south of the capital, Ulaanbaatar.

The next stage of development, the underground mine, has commenced. This stage represents a US\$5.3 billion investment by the partners. The open pit mine has been producing copper since 2013 and first production from the underground mine is expected in 2020.

We commenced operations in Mongolia some time ago, opening an office in Ulaanbaatar, in readiness for opportunities on the Oyu Tolgoi project.

Pleasingly, in recent months, we've secured two initial packages of work on the project.

Our strategy in Mongolia is to develop project execution capability by employing skilled locals, providing upskilling and development opportunities and establishing relationships with local suppliers. In this regard, as pictured (slide 19), we've established a registered training organisation to provide a full suite of upskilling courses and competency assessments.

And now to a few of our Maintenance Contracts.

These photos (slide 20) show the Woodside-operated North Rankin and Angel platforms, as well as the Karratha Gas Plant. These assets form part of the North West Shelf Project, Australia's largest oil and gas development.

Monadelphous has undertaken multi-disciplinary maintenance and shutdown services at the onshore Karratha Gas Plant and Pluto LNG since 2012.

Earlier this year, our Maintenance division secured a major contract with Woodside which expanded our contract to include the provision of both onshore and offshore maintenance services. This contract represents the largest ever contract, by value, secured by our Maintenance division.

This photo (slide 21) shows the Ichthys LNG Project's Floating Production Storage and Offloading facility, which is moored in the Browse Basin, about 220km off the WA coast. The facility, named Ichthys Venturer, is 336m long and 59m wide.

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On the back of strong performance on the Ichthys LNG project by our Engineering Construction division, the Maintenance division was awarded a major, long-term offshore maintenance services contract in May this year. The contract includes maintenance works associated with the FPSO facility, along with the Ichthys Central Processing Facility, which is the world's largest semi-submersible platform.

This is BHP's Olympic Dam copper-uranium operation (slide 22), located in Roxby Downs, South Australia. Monadelphous has been providing maintenance support at Olympic Dam for almost 30 years. In July last year, our existing maintenance contract was extended for a further five years, highlighting the success of our long term relationship with BHP.

Through a number of small, strategic acquisitions over the last few years, our Maintenance division has expanded its service offering to existing and new customers.

The acquisition of Arc West last year expanded our offering to include corrosion management, protective coatings and marine maintenance. It also enabled us to develop a base in Port Hedland and target other opportunities in the region.

In addition, we acquired RIG Installations, a Newcastle-based fabrication business, providing us with an opportunity to on-sell our diverse range of services to RIG's customer base in the region.

Services added in prior years, such as rope access and dewatering services, continue to grow and provide further prospects.

Taking a look now at historical and projected Australian market conditions.

Market conditions in the Australian resources and energy sectors are showing signs of recovery.

Investment in sustaining capital is forecast to increase, with significant planned capital expenditure announced in the iron ore industry, to maintain production levels, replacing existing mine operations, which are coming to the end of life.

Investments in precious metals and in base and battery metals, are also strengthening.

The outlook for the maintenance sector remains positive as production volumes increase.

Prospects in infrastructure markets are also healthy, particularly in water and renewable energy.

This slide (slide 25) covers the broad elements of our markets and growth strategy:

- to maximise returns from our core markets;
- to build an infrastructure business; and
- to deliver our core services to new overseas markets.

As I've highlighted throughout the presentation, we've made great progress in achieving our strategy.

Our focus for the future is on improving cost competitiveness and driving innovation, delivering a broader range of services to new and existing customers, continuing to grow our infrastructure business, and looking at further opportunities for entry into overseas markets.

As I mentioned, the resources and energy markets appear to have turned a corner with more favourable conditions anticipated. We're seeing increasing levels of sustaining and brownfields capital expenditure, which will provide a solid level of construction opportunities over the next few years.

The outlook for our maintenance division is also positive, with oil and gas services revenues expected to increase as new LNG projects are commissioned and production ramps up. The aging of assets in the resources sector is also likely to drive increasing maintenance and support activity levels.

We have a strong competitive position and are well placed to capitalise on these opportunities and continue to grow our recurring revenue base.

Revenue from infrastructure projects in the water, irrigation and renewable energy sectors is also expected to grow as a result of the high volume of new contracts secured this year. Prospects for new work are positive, particularly in renewable energy, and we will continue to pursue opportunities to grow our position in this sector.

We've had a good start to this year. I'm pleased to report sales revenue to date has been better than anticipated. The high volumes of contracts secured in the past year or so, together with a spike in construction activity at the Ichthys project and an increase in demand for our maintenance services are expected to result in half year revenue growth exceeding 30 per cent.

While sales revenue for the full year is expected to result in solid year on year growth, revenue is expected to moderate in the second half.

Margins are expected to continue to moderate as the business portfolio becomes more diversified. Productivity improvements and the delivery of cost competitive solutions for customers will continue to be key priorities.

In summary, we are well placed to deliver sustainable growth. We remain in a leadership position in our core markets and are making good progress on our diversification strategy.

Importantly, a strong balance sheet provides us with substantial capacity to invest in new business opportunities, particularly in infrastructure, where we will continue to pursue potential acquisitions.

Finally, I would like to take this opportunity to thank our dedicated team for their loyalty and highly valued contribution during what is an exciting time for our business.

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Further Information

Analysts/Investors

Kristy Glasgow
Investor Relations
T +61 8 9316 6386
M +61 403 781 909

investor_relations@monadel.com.au

Media

Zoey Patmore
Marketing and Communications
T +61 8 6311 1018
M +61 406 543 989

ZPatmore@monadel.com.au

About Monadelphous

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 of America. Please visit www.monadelphous.com.au for more information.

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