

20 November 2018

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

Dear Sir / Madam

RE: 2018 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

20 November 2018

2018 Annual General Meeting Address to Shareholders

Chairman John Rubino

Good morning everyone. I'm pleased you could join us today to hear more about Monadelphous, and how we have progressed over the past year.

After a few tough years in our industry, business is starting to positively look up in the resources and energy sector. Last year, we experienced a bigger demand for our services, and managed to grow both overseas and in infrastructure.

We've won approximately \$600 million of new work over that time, which includes work in the renewable energy sector, water markets, and also overseas in Mongolia. We also added a number of new services into our business and strengthened our position in maintenance, especially in iron ore and offshore oil and gas.

We've maintained our strong balance sheet, allowing us to invest in the right opportunities, as and when the opportunity arises.

As always, safety is a focus across Monadelphous. I'm pleased to say we saw a significant positive improvement in our safety performance.

We continue to look for ways to improve the things we do, as competition levels remain high and our customers expect safer and more innovative and cost-effective services.

Our strong performance is based on our reputation for delivering what we promise. As conditions continue to improve in our core markets, there will be more opportunities for our business, particularly in construction. Monadelphous is in a good position to take advantage of these new opportunities.

I will now hand over to Rob who will provide a more detailed insight into our performance during 2018, and the Company's strategy and future outlook.

Before I do, I'd like to thank our customers and shareholders for their support, our Board of Directors for their guidance and our dedicated team of people for their loyalty and commitment.

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Managing Director Rob Velletri

I am pleased to report, the 2017/18 financial year saw a return to growth with our sales revenue jumping 41 per cent to \$1.78 billion.

Construction revenues were particularly strong on the back of a surge in activity on our oil and gas projects, while demand for maintenance services strengthened across the resources sector. We also saw growing revenue contribution from overseas and infrastructure markets.

Net Profit After Tax increased 24 per cent to \$71.5 million, and earnings per share was also up 24 per cent to 76.1 cents.

A fully franked final dividend of 32 cents per share was paid on 5 October, taking the full-year dividend to 62 cents per share.

Our largest construction contract to date, the Ichthys LNG Project in Darwin, was completed in August this year. A key highlight from the project was the significant amount of additional work secured, driven by our productivity and quality performance, as well as our outstanding safety record.

Our Maintenance and Industrial Services division achieved record sales revenue from increased demand in maintenance and sustaining capital works across the mining industry, and ramping up of activity on our offshore oil and gas contracts. New services were successfully embedded into operations and we expanded our geographical presence throughout the Pilbara region of WA, and in Newcastle, New South Wales.

We achieved strong growth in our infrastructure sectors, securing a further four wind farm contracts during the financial period, through renewable energy business, Zenviron, our joint venture with ZEM Energy, and we continued to deliver a number water and irrigation projects in Australia and New Zealand.

Mondium, our EPC joint venture with Lycopodium, successfully delivered its first contract and secured a second contract towards the end of the year.

Bolstering our delivery of core services overseas, we were awarded two packages of work on the Oyu Tolgoi Underground Project in Mongolia.

As John highlighted, we saw a significant improvement in our safety performance during the year, and continued to concentrate on improving operational productivity.

While revenue growth was strong, we experienced moderating margins due to high levels of competition across all markets and a continued focus on cost reduction by our customers.

An increase in activity levels, and the consequential impact on our working capital requirements, resulted in a cash flow conversion rate of 69.4 per cent for the period, and we ended the year with a healthy cash balance of \$208.8 million.

As mentioned earlier, we secured new contracts and additional work valued at approximately \$600 million.

Strategic highlights included work secured in Mongolia and New Zealand, as well as a number of wind farm contracts and our first two EPC contracts in the mineral processing sector.

Since the end of the year, we've secured a number of additional contracts, including a three-year general maintenance services contract for BHP at its inland mine sites in WA; a contract for balance-of-plant works at the southern section of the Moorabool Wind Farm in New South Wales and, most recently, a contract for balance-of-plant civil and electrical works at Dundonnell Wind Farm in Victoria. In addition, we were appointed to the Hunter Water Corporation Capital Works Panel, in New South Wales, for a period of four years.

I'm pleased to announce at today's AGM, we've been awarded a contract for the design and construction of a piped irrigation scheme for Kurow Duntroon Irrigation Company, valued at approximately NZ\$40 million. The project is located in Kurow, in the South Island of New Zealand, and is expected to be completed in early 2020.

Looking now at our safety performance.

Pleasingly, we achieved a 23.2 per cent improvement in our 12-month total case injury frequency rate during the year. This improvement can be attributed to our focus on critical risk controls and enhancing behavioural safety, as well as the growing maturity of our operations in new markets and environments entered into in previous years.

Taking a look now at our people. In recent years, we've seen growth in our total workforce due to a general increase in both construction and maintenance activity. At year end, we'd seen a decline in employee numbers as a result of a number of large Engineering Construction contracts approaching completion.

As always, our people are our priority and we continue to focus on employee development and retention. This is increasingly important as conditions continue to improve and the employment market tightens.

As I mentioned earlier, construction revenues were strong on the back of a surge in activity on our oil and gas projects, and we experienced higher demand for maintenance services across all sectors. In addition, we continued to see an increasing contribution from infrastructure work.

I'd like to talk to you now about some of the milestones we achieved during the year.

These photos (slide 14) show INPEX Operations Australia's Ichthys Project Onshore LNG Facilities in Darwin, one of the world's largest LNG developments.

Our Engineering Construction division was awarded a major construction contract for mechanical works on the project in 2014. 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.

Work on this project broadened our proven capability in the oil and gas construction market, enhancing our reputation and customer relationships, and positioning us well to secure a five-year offshore maintenance contract on the INPEX-operated Ichthys Project in 2017.

Zenviron (slide 15) continued to strengthen its position in the renewable energy sector.

During the year, it substantially completed balance-of-plant works on New South Wales' largest wind farm, the 270MW Sapphire Wind Farm.

Following its strong performance on this contract, Zenviron secured contracts for the Salt Creek, Lal Lal, Moorabool and Dundonnell wind farms in Victoria, as well as the Crudine Ridge wind farm in New South Wales.

In total, Zenviron has now secured a total of \$360 million in new contracts since April this year.

This slide (slide 16) shows a collection of images from our water and irrigation business.

During the year, we were awarded a contract with Pukaki Irrigation Company for the construction of an irrigation scheme in New Zealand, as pictured on the bottom right.

We also delivered work throughout Sydney as part of our Sydney Water Corporation contract and, subsequent to the end of the year, on the back of solid performance in this market, we were appointed to Hunter Water Corporation's Capital Works Panel, in regional New South Wales.

Mondium (slide 17) successfully delivered its first project, which included the design, construction and commissioning of a new feed system at Talison Lithium's Greenbushes Operations in WA.

In addition, Mondium secured a contract with Galaxy Lithium Australia for design, engineering and construction work associated with an upgrade of the Mt Cattlin project in WA.

Mondium is now well-placed to secure further work in WA's rapidly growing lithium market.

Oyu Tolgoi (slide 18), which is managed by Rio Tinto and located in Mongolia, is one of the world's largest known copper and gold deposits.

During the year, we commenced work on two construction contracts on the Underground Project.

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We've created a local project execution capability by upskilling and developing local employees with the support of expatriate management and supervision.

At present, approximately 850 people are employed on our work scopes in Mongolia.

This large-scale, five to seven-year construction project, which formally commenced in 2016, will continue to provide Monadelphous with opportunities in years to come.

Photos on this slide (slide 19) show a range of oil and gas projects which our Maintenance division is currently working on, including Shell Australia's Prelude FLNG facility and the Woodside-operated Goodwyn A gas platform.

During the year, our maintenance contracts at Shell's Prelude facility and the INPEX-operated Ichthys LNG Project ramped up as commissioning activities neared completion, and a number of shutdowns were completed across our Woodside and QGC contracts.

Having secured and successfully commenced delivery on a number of strategic, long-term contracts in recent years, we are now one of Australia's leading oil and gas maintenance provider, servicing both onshore and offshore facilities.

Significant growth in iron ore maintenance services work throughout the Pilbara (slide 20) saw our Maintenance division secure a number of new contracts with blue-chip customers.

Driven by a reputation of delivering what we promise, and subsequent to the end of the financial year, we secured our largest ever maintenance contract in the mining sector with BHP. The \$240m contract, which runs for three-years with two one-year options, includes general maintenance services across BHP's inland mine sites.

In addition, we secured a two-year contract to continue to supply fixed plant maintenance services with Rio Tinto at its coastal and inland operations.

As I touched on earlier, we also established a facility in Newman in support of our customers in the region, and expanded our operations in Karratha, Port Hedland and Tom Price.

Taking a look now at current and forecast Australian conditions in our markets (slide 21).

The resources and energy sectors have improved, with an increase in capital projects announced or under feasibility studies. In the resources sector, major mining companies are continuing to progress new projects to sustain current production levels and improve product quality. We're also expecting the energy sector to continue to expand, with the development of offshore fields, debottlenecking of onshore LNG assets and brownfields growth options.

Conditions in the maintenance sector are forecast to remain positive as onshore and offshore LNG assets continue to ramp up production, and levels of ongoing maintenance and support on aging resources assets continue to increase.

Turning to infrastructure, investment in the water sector is expected to be steady, while the outlook for the Australian renewable sector is buoyant.

This slide (slide 22) covers the broad elements of our markets and growth strategy:

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

As I've highlighted throughout the presentation, we've made good progress on each of these elements.

We are committed to improving cost competitiveness and driving innovation, delivering a broader range of services to new and existing customers, continuing to pursue opportunities to grow in the infrastructure sector, and exploring potential prospects overseas.

As stated earlier, the overall outlook for the resources and energy sectors is positive, and maintenance activity is forecast to grow.

Project pipeline visibility continues to improve with several major iron ore projects having entered the early stages of development, and an increasing number of opportunities in the base metals and lithium markets.

We are experiencing high levels of tendering activity, with major resources construction projects expected to generate significant revenue possibilities in 2019/20 and beyond.

Investment in infrastructure is healthy, with prospects continuing in the water and irrigation market, as well as in the Australian renewables sector.

As highlighted in our full year results, as a result of the expected timing of future resource construction opportunities, and the large revenue contribution earned from the Ichthys project in the prior period, we're forecasting lower construction revenues in 2018/19.

Based on how we are tracking, our total revenue for the first half of this financial year is expected to be around ten per cent less than the prior corresponding period.

Productivity improvements will remain a priority as high levels of competition persist and customers focus on innovative and cost competitive solutions.

A strong balance sheet provides us with capacity to invest in the right opportunities, and enable us to continue to progress our markets and growth strategy.

Monadelphous is in a good position and is well placed to capitalise on upcoming market conditions.

In closing, I would like to thank our very talented and dedicated team of people for their loyalty and outstanding contribution. I also wish to sincerely thank all of our other stakeholders, including our shareholders of course, for their ongoing support.

<ENDS>

Further Information

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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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