

Monadelphous Group Limited AGM presentation
– Tuesday 21st November 2006

Chairman - John Rubino:

Slide – Chairman’s Address

Good morning, ladies and gentlemen, my name is John Rubino and I am the Chairman of the Board of Directors of Monadelphous Group Limited. It is my pleasure to welcome you here today to our 2006 Annual General Meeting.

I would like to start by introducing you to the rest of the Board sitting alongside me. Managing Director, Rob Velletri, Non-Executive Director and Audit Committee Chairman, Peter Dempsey and Non-Executive Director, Irwin Tollman. Also alongside the Board is our Company Secretary and Chief Financial Officer, Giles Everist.

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

In a few minutes I will hand over to Rob to deliver his address on the operations and the outlook for the Group. After which there will be an opportunity for shareholders to ask questions.. We will then move onto the AGM business.

While I am sure most of you have taken the opportunity to read through the 2006 Annual Report, I would like to start by providing you with a brief overview of the highlights and an outline of the strategic issues Monadelphous is currently facing.

Slide – Highlights

I am delighted to report that 2006 has been another outstanding year of growth for the Monadelphous Group.

The company continued its long run of record financial performance with revenue increasing 36% to \$532 million, profit after tax up 76% to \$29.4 million and earnings per share rising 72% to 36.5 cents.

The total dividend pay out ratio of 90% was in line with the previous year, and included a special dividend of 9 cents per share paid to shareholders in September 2006, which was on top of the ordinary dividend payout policy of between 60 and 70%.

On the back of continuing strong market conditions the Board has confirmed its intention to approve a further special dividend to be paid along with the September 2007 final dividend.

The Board is currently considering its position towards further special dividends and intends to give further guidance when it announces the half year result in February 2007.

The year’s solid performance builds on what is now a long track record of consistently growing returns to shareholders, and is reflected in the growth in market capitalisation to over \$550 million, more than 70% higher than quoted this time last year.

Slide – Strong Shareholder Returns

The AGM allows an opportunity to reflect on where Monadelphous has come from and on where we are going.

When Monadelphous re-listed in April of 1990, we had a market capitalisation of around \$3m and approximately 300 shareholders.

Today we have a market capitalisation of over \$550 million, are in the ASX 300 and have more than 5,000 shareholders, over 40% more than last year. No wonder we have been forced to hold the AGM outside of the head office for the first time!

Shareholder returns over the past 5 financial years total 1226%, equivalent to a compound annual growth rate of 68%.

Slide – Strategic Issues

Let me take a few minutes to talk about what is driving the positive outlook and the current issues facing us and the industry in which we operate.

Australia has been experiencing a resources boom over the last few years, the likes of which we haven't seen since the 1960's. Some of you, like me, may remember those times.

While the boom of the 60s was driven by the growth of Japan, the current boom is being driven mainly by the incredible growth of China, as well as other emerging economies.

The demand for resources has driven major investment into resources plant and infrastructure in Australia, particularly iron ore, coal, nickel and base metals. Demand is likely to remain at relatively high levels, driving opportunities for construction and maintenance work within the sector. It is however, difficult to predict the duration of demand in a boom market.

The implication of such strong demand produces other challenges which primarily relate to capacity constraints and the consequent escalation in project costs. As a result we have seen a number of projects deferred which, at the end of the day, may be lost opportunities for Australia or alternatively may result in a lengthening in the cycle. We, of course, hope it's the latter. Alternative sources of supply and project delivery methods aimed at minimising costs are therefore key challenges for the industry.

Central to the issue of capacity constraints is the well publicised issue of skills shortages. Our business is all about people and sourcing capable professional and skilled employees to meet the growth in the resources market is a significant challenge. Retention and recruitment strategies, including overseas recruitment, and training and development strategies will continue to demand our attention.

Lastly, over 90% of our sales revenue is sourced from the resources sector. Clearly the key long term challenge for us is to reduce our reliance on this sector. We need to broaden our market base and diversify into other markets. This will provide a more sustainable revenue base and provide ongoing growth opportunities. We are dealing with this challenge by organic means as well as canvassing acquisition opportunities. We are focussed on a strict set of acquisition criteria and are determined to ensure a complementary and synergistic fit where genuine value can be created.

Before I finish, I would like to take the opportunity to recognise the commitment of our highly competent management and staff. On behalf of the Board, I would like to express my sincere thanks and appreciation for their ongoing loyalty and for their terrific contribution to another outstanding year. I would also like to take the opportunity to thank you, our shareholders, for your ongoing support.

I will now hand over to Rob who will present an overview of the Group's performance and an update on the forward outlook

Managing Director - Rob Velletri:

Slide – Managing Director’s Address

Thank you John and good morning ladies and gentlemen.

As you have heard our financial results for 2006 have been without a doubt, outstanding. The year’s exceptional performance has extended a long trend of record performance in revenue, profitability, dividends, as well as operational capability and capacity and safety performance.

Importantly, we have entered the 2007 financial year with confidence. We secured a number of milestone contracts during 2006 including the largest ever contract win in the history of Monadelphous; a \$180 million contract with BHP Billiton Iron Ore for expansion works associated with the Rapid Growth Project 3 at Port Hedland which was awarded in March 2006. These achievements have certainly made 2006 a milestone year.

Slide – Strong Revenue & Profit Growth

Revenue from operating activities was \$532 million, up 36% with profit after tax up 76% to \$29.4 million, reflecting continued strong growth in our core business and improved operating margins.

A demand driven market, together with the company’s strong competitive position, resulted in increasingly higher levels of activity across all of our operations. Revenue from the Maintenance and Industrial Services Division increased a healthy 60% to \$243 million, while revenues from the Engineering Construction Division grew 21% to \$289 million.

Slide – High Earnings & Dividend Growth

Earnings per share grew strongly again this year -up 72% to 36.5 cents. As shown on the graphic, Monadelphous has now recorded an average growth rate in earnings per share over the past five years of 50% per annum – a remarkable achievement.

Dividends also continued to grow strongly. The board declared a total dividend for 2006 of 33 cents per share fully franked, an increase of 71% on the previous year. This total included a special dividend of 9 cents.

I would now like to cover some key operational and strategic highlights for the period as well as our growth strategies moving forward.

Slide – Increased Workforce

In an environment of major skills shortages the company has been successful in significantly increasing its workforce numbers by over 50% to more than 3000 by year end.

We have invested heavily in retention, attraction and recruitment strategies including overseas recruitment of professional staff, graduate intake and development programs, an employee referral program and leadership and development programs.

More particularly, we continually work at making Monadelphous an attractive place where the work is interesting and challenging, people can work collaboratively and supportively, people can engage with the business, achieve their potential and share in the outcomes. I cannot stress enough the value of the company’s strong inclusive people culture and the significance it has to the success we have enjoyed over the years.

Slide – Safety Performance

Health and Safety excellence is a core value at Monadelphous so it's pleasing to see a further improvement in performance in this area in 2006 with a 23% reduction in the total case injury frequency rate.

During the year, we continued to progress our long term injury reduction program with the commencement of a company wide rollout of an upgraded health and safety management system and a customised management and supervisory training program.

Other highlights of the year included the achievement of 2 million man-hours of lost time injury free performance in both our Engineering Construction Division as well as at our Roxby Downs operations in South Australia.

Slide – Operational Highlights – Engineering Construction

The company has continued to capitalise on its strong reputation and delivery record. We have successfully undertaken larger and more challenging projects for our blue chip customer base.

In 2006 we undertook a number of major engineering construction contracts associated with large resource development projects in WA and Qld.

Major projects undertaken during the year included:

- Iron ore stockyards for Rio Tinto Iron Ore Dampier Port Upgrade project in WA
- Sulphuric acid plant construction at BHP Billiton Ravensthorpe Nickel Project in WA
- Stockpile capacity extension for BHP Billiton Mitsubishi Alliance at the Hay Point Coal Terminal in Queensland
- Iron Ore facility expansion at BHPBilliton's Rapid Growth Project 2 (RGP2) in WA
- Iron Ore facility expansion at Rio Tinto Iron Ore's Yandicoogina mine in WA

The company also announced a string of new major contract wins valued at \$500 million including its two largest ever contracts both associated with the BHPBilliton Iron Ore Rapid Growth Project 3.

Slide – Operational Highlights – Services

Our objective of growing recurring revenues also met with considerable success in 2006. All major service contracts were retained with additional service contracts established with Rio Tinto Iron Ore in WA and Incitec Pivot in Queensland.

Our efforts to expand further into the oil and gas sector also met with some success with the award of a two year maintenance services contract with Conoco Phillips for the new Darwin LNG facility in the Northern Territory.

We are also very pleased with the development of our electrical and instrumentation service expansion with strong growth in our subsidiary company MIE. We have taken the decision to establish MIE as a separate division within the Group and have recently commenced a process to expand the Queensland based business nationally.

Subsidiary company Skystar Airport Services, our aviation ground handling business also grew rapidly doubling revenue to \$15 million

Slide – Our Strategy

Looking forward, our strategy continues to be focussed on maximising our core business and making the most of our strong position in a strong market, as well as diversifying our business sensibly for long term sustainable growth.

We have begun a process of leveraging our capability into the oil and gas, power and water sectors and have established a separate business unit to pursue opportunities in these markets.

Recent wins in the oil and gas sector provide us with some encouragement and I'm pleased to announce that following the award of the maintenance services contract at Darwin LNG we have also recently been awarded a significant services contract with Oil Search at their oil and gas operations in Papua New Guinea. The contract is for the provision of field facilities construction services and is for an initial term of three years.

As outlined earlier, we are also committed to national expansion of our electrical instrumentation services business which will benefit from the Group's well established customer and infrastructure network across Australia.

Whilst we are actively pursuing organic growth in these markets, we are also in a strong position to expand our business and achieve these market growth objectives through acquisition. We continue to canvass a variety of options in this regard on an ongoing basis.

Supporting our growth and market expansion strategies is our focus on the ongoing development of our processes and systems commensurate with our growth as well as our focus on maintaining and enhancing our reputation through our right people right culture strategy – our major competitive advantage.

Slide – Outlook

Now to the outlook...

We moved into the 2006/07 year with a strong and high quality workload following the award of a number of very significant contracts. In the financial year to date we have also experienced accelerated work rates on a number of concurrent projects resulting in an extraordinary and certainly greater than anticipated surge in construction activity. Sales revenue is therefore forecast to spike significantly in the first half to around \$450 million. With a number of projects ramping down, second half sales revenue is expected to return to a more normalised level with full year sales revenue estimated to reach around \$750 million which represents a 40% increase on the previous year.

Our core business is highly dependent on mineral resource developments and in particular the massive iron ore expansions which are currently fuelling enormous growth in Western Australia. Sustaining this level of revenue will obviously be challenging though market conditions are forecast to continue to be buoyant with the visibility of a strong project pipeline remaining at two to three years. Skills shortages will remain a major challenge and revenues will continue to be dependent on project timing and capacity constraints.

Slide – Managing Director's Close

In closing I would like to acknowledge and thank the efforts of all of our employees. We have a strong and stable team of highly talented people. Our successful performance is a result of many years of their steadfast dedication to our values, our purpose and our vision of being recognised by all our stakeholders as a great company.