



22nd November 2005

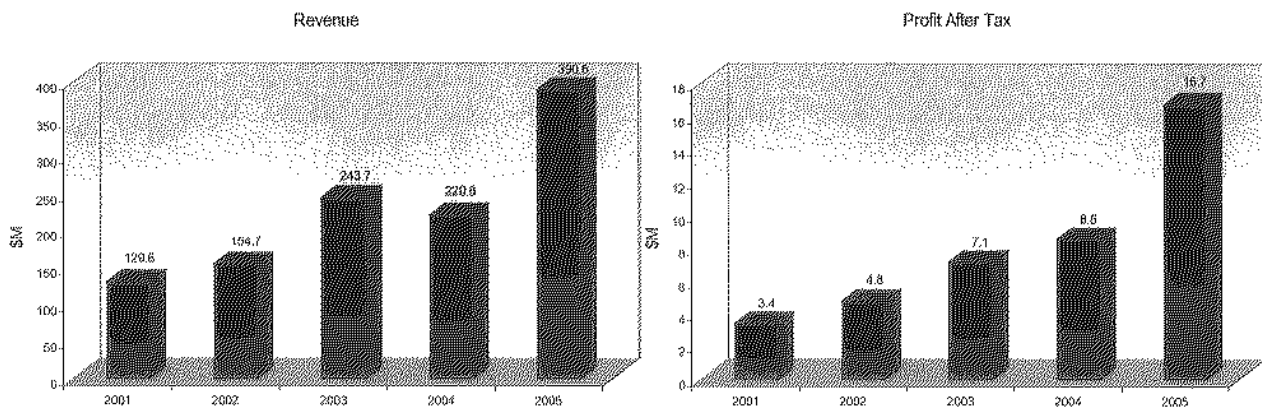
Company Announcements Office
 Australian Stock Exchange

**Monadelphous Group Limited
 Annual General Meeting
 Managing Director's Address**

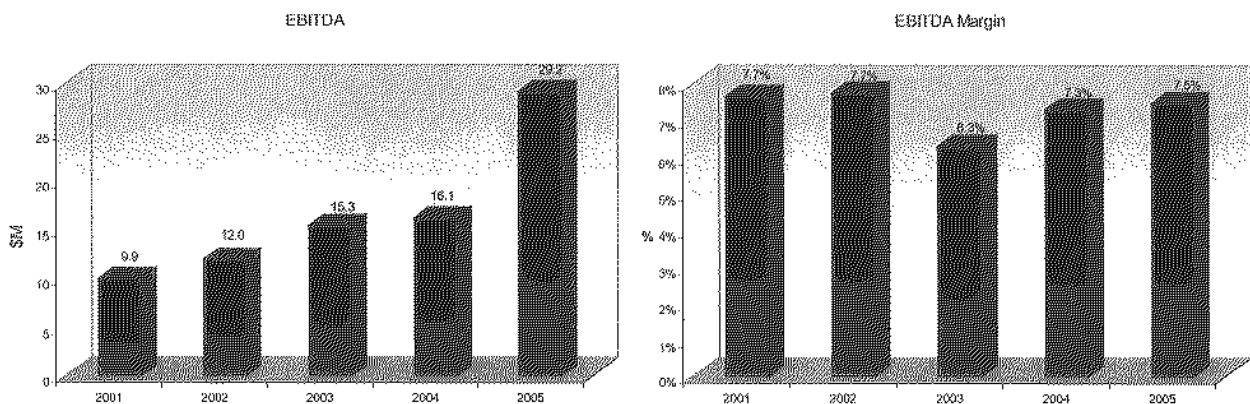
Firstly, let me say that it is a pleasure to be here today speaking to you about a truly exceptional year. It has been without a doubt a year of outstanding growth and development for the Monadelphous Group.

The year has seen our team here at Monadelphous continue to capitalise and build upon the company's growing reputation as one of Australia's leading resource development contractors. Indeed in many of our markets we are now recognised as the leading structural/mechanical contractor in Australia.

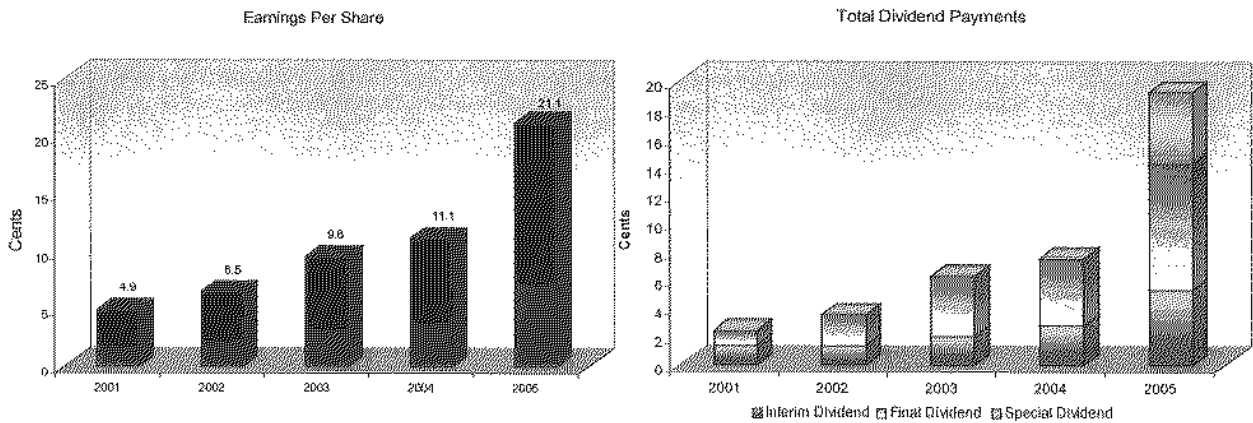
Our financial performance reflects a surge in sales revenue from the execution of an increasing number of major engineering construction and industrial services contracts in a very buoyant resources sector.



Revenue from operating activities was \$390.6 million, up 77% with profit after tax up 95% to \$16.7 million. The 2005 financial year saw a continuation of the strong growth in both revenue and profit after tax with a 49% compound annual growth rate achieved over the past four years.



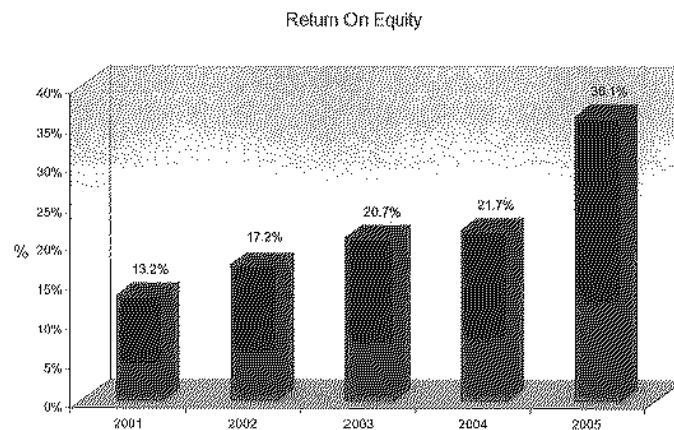
Earnings before tax, depreciation and amortisation were up 81% to \$29.2m in line with the increase in revenue. Margins are showing signs of improvement from improving operational performance and economies of scale.



Earnings per share were up 90% to 21.1 cents with the board declaring fully franked dividends totalling 19.25 cents per share, up 157% on the previous year.

Dividends comprised an interim dividend of 5.25 cents and a special dividend of 5 cents paid in March of 2005, together with a final dividend of 9 cents paid in September 2005.

Given the company's strong cash flow and healthy balance sheet, the board has flagged payment of further special dividends in 2006 and 2007 financial years, payable with the final dividend.



A well above historic average return on equity of 36.1% was achieved from strong organic growth funded internally.

Monadelphous' 5 year average return on equity ranks the company amongst the top 40 public companies in Australia.

I will now cover the major strategic and operational highlights for 2005.

➤ **Major expansion in capacity and capability from surging customer demand**

Record levels of resource development activity have continued to provide us with numerous opportunities. We have rapidly expanded our capacity and capability throughout the year in response to increasing customer demand.

➤ **Development of management structure, personnel & systems**

In support of the rapidly expanding business, we have continued to advance our corporate development during the year making significant progress in the development of our management structure, our people and our systems with a particular focus on managing risk in a fast growing business.

➤ **Upgrade and expansion of construction plant & equipment fleet**

In line with the substantial increase in workload, we have also significantly upgraded and expanded our construction plant and equipment fleet with significant capital expenditure on major heavy lift cranes and other key field construction equipment.

➤ **Acquisition of Murray Instrumentation & Electrical**

In May 2005, the Company announced it had acquired Queensland based electrical and instrumentation company MIE (Murray Instrumentation and Electrical).

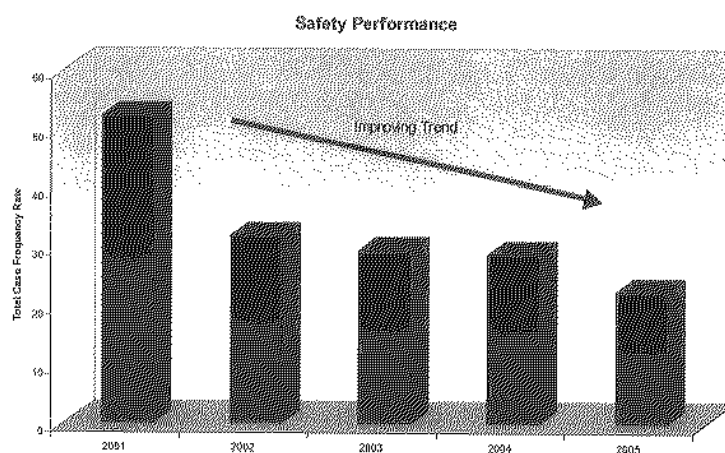
The acquisition is aimed at diversifying and growing the Maintenance and Industrial Services division as well as broadening the Company's services capability.

➤ **Staff recruitment and retention strategies**

The well publicised 'skills shortage' continues to be a major challenge facing the industry. In an environment of increased demand for skilled employees we have invested and will continue to invest heavily in human resources management initiatives aimed at maximising the attraction, recruitment and retention of the right people.

We have implemented a number of initiatives in 2005 including the establishment of a group-wide recruiting system, the development of a nation-wide applicant database, salary packaging initiatives and employee referral programs. Staff development and training and remuneration schemes targeted at staff retention also figured heavily during the year.

➤ **Health & safety improved 20%**



The continued focus and company wide commitment to improving Health and Safety has produced significant results during the past five years. There has been a steady downward trend in the 'total case injury frequency rate' (TCIFR) with a reduction of 20% during the 2004/05 period across the Group.

During the year, the Company's health and safety improvement program focused on the development of upgraded safety management systems and improvements in front line management and employee training.

ENGINEERING CONSTRUCTION DIVISION

➤ **Surge in major construction contracts drives 2005 revenues up 137% to \$239m**

Turning now to operational highlights for 2005, the Engineering Construction division has undergone rapid expansion with revenues surging 137% to \$239 million from a number of increasingly larger construction contracts associated with some of Australia's major resource development projects.

The division has rapidly grown its management structure, resources and importantly its capability to successfully execute larger projects.

➤ **Projects substantially and successfully completed:**

Major construction contracts completed or substantially completed by the Engineering Construction division during the year included:

- Structural, mechanical and electrical construction works for the expansion of Comalco's bauxite operations at Weipa in Queensland.
- The design and construction of coal handling facilities for Xstrata's Rolleston Coal Project in Queensland.
- Structural and mechanical works including the installation of a new iron ore rail car dumper for Rio Tinto's Dampier Port Upgrade project in WA.
- Major expansion of Rio Tinto's Yandi iron ore plant in the north west of WA.
- Structural and mechanical works for the Burrup Fertiliser Ammonia Plant in Karratha, WA.

➤ **Zero lost time injuries (over 1 million manhours)**

During the period the division also achieved the milestone of one million manhours with no lost time injuries recorded – a terrific achievement.

➤ **Major projects currently underway:**

Major construction contracts won and currently underway include:

- Major expansion of iron ore stockyards associated with Rio Tinto's Dampier Port Upgrade project in WA.
- Construction of the Sulphuric Acid Plant associated with BHP Billiton's Ravensthorpe Nickel Project in WA.
- Extension of stockpile capacity at the BHP Billiton Mitsubishi Alliance (BMA) Hay Point Coal Terminal in Queensland.
- Construction work associated with BHP Billiton's Iron Ore 'Rapid Growth Project 2' at the Nelson Point and Finucane Island port facilities in Port Hedland, WA.

➤ **Long and strong pipeline of projects in core markets**

Looking forward, we can see a long and strong pipeline of engineering construction projects coming through in our core markets from sustained developments in all the major resource commodity sectors.

MAINTENANCE AND INDUSTRIAL DIVISION

➤ 2005 revenues up 26% to \$151m

Moving now to our Maintenance and Industrial Services division; revenues increased 26% to \$151 million in 2005 with growth being experienced in most of the division's operations. The division continued to develop its revenue base by securing a number of new long-term contracts and new major customers.

➤ Significant growth in Qld with new major contracts secured / established

We achieved significant growth in the Queensland market following the establishment of a 5 year maintenance contract at the new Comalco Alumina Refinery in Gladstone as well as being selected as preferred tenderer for a 2 year contract to provide mechanical services at Comalco's Boyne Smelter, also in Gladstone.

Monadelphous was also selected as preferred contractor for a major maintenance shutdown contract for Incitec Pivot at their Gibson Island works in Brisbane, which is scheduled for 2007.

I am pleased to be able to report that both the Comalco Boyne Smelter and Incitec contracts have now been awarded.

➤ Other new customers / contracts secured

Other new long term customers secured in 2005 include:

- the commencement of site operations for the provision of minor capital works at BHP Billiton's Worsley Alumina Refinery in the south west of WA and,
- the award and commencement of a long-term contract for the provision of maintenance services at Rio Tinto's Hismelt steel operations in Kwinana, WA.

➤ Contract extensions

All of our major contracts were retained, with contract extensions secured with Chevron at Barrow Island in WA and Alcan at the Gove Alumina Refinery in the Northern Territory.

SKYSTAR AIRPORT SERVICES

➤ Emerging business undergoing rapid growth

Our subsidiary, Skystar Airport Services, which was established in 2002 to provide ground handling services to the airline industry is undergoing rapid growth. Structural changes in the airline industry with a move to outsource ground handling to more focussed and competitive independent service providers are providing considerable opportunities for Skystar.

➤ 2005 new contracts

In 2005 Skystar secured contracts with Malaysian Airlines and Royal Brunei at Perth Airport; Air Paradise at Brisbane Airport and Jetstar at Queensland regional airports in Proserpine and Hamilton Island.

➤ **2006 to date new contracts**

To date this year Skystar has also won contracts with Singapore Airlines at Perth and Brisbane airports, Qantas at Kalgoorlie airport in WA and Jetstar at Christchurch airport in New Zealand.

➤ **Revenues expected to double to over \$15m in 2005/06**

Skystar now handle approximately 12,000 aircraft movements per annum across seven airports in Australia and New Zealand with revenues expected to more than double to \$15 million in the 2005/06 financial year.

Moving now to the future outlook for the Group...

OUTLOOK

➤ **All projects and operations performing well**

Year to date performance for 2006 is showing continuing improvement with all of our projects and operations performing well.

➤ **H1 2005/06 EPS growth of over 30% expected from improving sales and margins**

We are confident of achieving more than 30% earnings per share growth for the half year ending December 2005 from improving sales and improving margins.

We are also currently in the process of tendering and negotiating a number of new major engineering construction contracts which provide us with confidence looking forward.

➤ **Strong competitive position + booming market ⇒ positive growth outlook**

Our strong competitive position together with a booming resources market continues to provide a positive outlook.

➤ **Record levels of resource sector investment forecast for the next 2 to 3 years**

We will continue to enjoy broad exposure to the resources sector with record levels of investment in project developments forecast for at least the next two to three years. In particular, a vast range of major iron ore and coal development projects in Western Australia and Queensland, respectively, are expected to continue to provide us with ongoing opportunities.

➤ **Capacity constrained by skills shortage**

Skilled labour shortages will continue to constrain capacity and remain a major challenge for Monadelphous and for the broader construction industry. Staff recruitment and retention strategies are a major focus and will continue to be a significant management issue for some time.

We are actively sourcing professional engineering staff from overseas with recruitment campaigns in the UK, Canada and South Africa currently under way.

➤ **Long term focus on maintenance and industrial services growth**

We will continue to pursue growth of our recurring revenue base with further market expansion and development planned for the Maintenance and Industrial Services division. The industrial maintenance market is projected to grow significantly with numerous new or expanded production facilities coming on stream over the next few years.

➤ **Exploring further acquisition opportunities for diversification**

We are mindful of any longer term downturn in our core markets and advancing our long-term strategies for more diversified and recurring revenue streams through acquisitions will also continue to be explored.

Finally, I take this opportunity to thank our valued customers and other business partners for their terrific support throughout the year. We look forward to building on our excellent long-term relationships with them well into the future.

The Company's exceptional performance is testimony to the terrific team of people we have assembled here at Monadelphous. I applaud them for engineering another milestone year of success and thank them for their ongoing dedication and commitment.