19 November 2019

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

Dear Sir / Madam

RE: 2019 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

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2019 Annual General Meeting Address to Shareholders

Chairman John Rubino

Good morning everyone. I'm very pleased you could join us today.

I'm sure you will agree, Monadelphous has changed significantly over the last few years, as we continue working towards building a more sustainable business.

We've cemented our position as a market leader in maintenance services, achieving a record annual revenue from our Maintenance and Industrial Services division for the second year in a row. Maintenance now makes up more than half our business, providing us with a solid recurring revenue base. The division continues to broaden its range of services, with offshore oil and gas and rail services now a core part of our offering.

We've also seen diversification within our Engineering Construction division, in particular with renewable energy and EPC work. Over the past few years, we've seen our strategic joint ventures, Zenviron and Mondium, go from strength to strength. Rob will talk about this later in his presentation.

In addition, we have continued to grow our footprint overseas, getting large-scale international experience through contracts in Mongolia, continuing work in Papua New Guinea, New Zealand and the US, and through our fabrication business in China. Importantly, and as announced last week, we also entered Chile for the first time, with the acquisition of Buildtek. A very exciting opportunity for our company. We have, and will continue to draw on, our Non-Executive Director, Helen Gillies' wealth of experience in Chile to support this venture.

I'm happy to tell you we are experiencing improved market conditions within the resources and energy sectors in Australia, which will generate a good pipeline of opportunities over the next few years. We are about to enter a very busy period for our Construction business.

We continue to have a strong balance sheet, which means we can invest in suitable opportunities as they arise.

Our strong safety culture is fundamental to the way we operate, and has always been a key differentiator for us. We have worked very hard over many years to embed it into everything we do. As we grow and diversify, it is important that this culture is embedded into new areas of our business.

The right people, that share our core values, are what makes us successful. We continue to focus on attracting, retaining and developing the right people for our business.

Innovation, continuous improvement and technology are more important than ever, and are another key part of our culture. They will ensure we remain competitive into the future.

Before I finish, I would like to welcome Sue Murphy, who was appointed to the Board as a Non-Executive Director in June. Sue is a civil engineer with 40 years of experience in resources and infrastructure. She was most recently CEO at the Water Corporation of Western Australia for over a decade. Sue's experience aligns closely with our strategy, and we look forward to the value she will continue to add to our Company.

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

I will now hand over to Rob who will provide a more detailed insight into our 2019 performance and outlook.

Managing Director Rob Velletri

The 2019 financial year was another successful year for Monadelphous. We saw continued growth in maintenance and infrastructure revenues with an improved outlook for resource construction activity. Overall, we recorded revenue of $1.6 billion, which was around 10 per cent down on the previous year, impacted by lower construction revenues following the completion of our mega project at the Ichthys LNG plant.

Net profit after tax was $57.4 million and earnings per share was 61 cents. This excludes the impact of a one-off provision of approximately $7 million, resulting from Amended Assessments received from the ATO in relation to R&D tax incentives claimed in previous years, which were prepared by independent tax advisors. We have applied for a review of these findings.

A fully franked final dividend of 23 cents per share was paid on 4 October, taking the full year dividend to 48 cents per share.

Our Maintenance and Industrial Services division continued its run of record annual revenue performance, as activity levels in the iron ore and oil and gas sectors increased, and demand for our services across the broader resources sector strengthened.

We continued to improve our position in the infrastructure sector, with revenue growth in both water and renewable energy markets.

We have seen an increasing volume of opportunities coming to market over the last year and the level of tendering activity in our business has been high. These opportunities, combined with our strong reputation for delivery, has resulted in us securing over $1.4 billion worth of new contracts and extensions since the beginning of the 2019 financial year. This includes over $400 million won since the end of June, with further wins expected to be announced in the coming months.

During the year, our Engineering Construction division experienced lower levels of activity in resources construction, and higher levels across water and renewable energy.

We've seen renewed confidence in the resources sector, with the award of a number of major construction contracts.

Our strong track record in delivering large-scale, multidisciplinary construction projects saw us secure two packages of work on BHP's South Flank Project in the Pilbara. The contracts, valued at more than $200 million, are associated with the construction of the Project's inflow and outflow infrastructure. We commenced work on site in October, and are scheduled to be completed by mid-2021.

Other contracts secured include a $100 million contract at West Angelas for Rio Tinto iron ore and a major contract with Albemarle for their new lithium hydroxide plant in WA.

Our work on Rio Tinto's Oyu Tolgoi Underground Project in Mongolia continued to progress well during the year with our two packages of work expected to be completed in 2020.

In infrastructure, we were appointed to the Hunter Water Corporation Design and Construct panel in the Hunter Valley, and we secured three new wind farm contracts in Victoria through our participation in renewable energy joint venture, Zenviron.

As I mentioned earlier, our Maintenance division achieved another record revenue performance during the year. In fact, we've seen revenue growth of over 50 per cent in the last two years. This impressive performance reflects the successful expansion in the range of services we offer customers as well as an overall increase in demand across all our markets.

We secured a major $240 million contract with BHP for general maintenance services at its Pilbara iron ore mine sites and saw growth on our long-term oil and gas contracts.

We continued to expand our range of services, securing long term maintenance work in rail, and via the acquisition of iPipe, becoming a provider of technology, maintenance and construction solutions to the coal seam gas sector.

Our earnings before interest, tax, depreciation and amortisation was $106.8 million, resulting in an EBITDA margin of 6.6 per cent, which was a similar result to the prior year.

Cash reserves were impacted by an increase in working capital requirements as a result of growth in our Maintenance division, significant employee entitlement payouts on large, multi-year projects, and the repayment of the R&D tax incentive referred to earlier. At 30 June 2019, we had a healthy cash balance of $164 million.

This slide (slide 12) shows our contracts secured since the beginning of the 2019 financial year. As you can see, a significant amount of this work is in the resources sector, particularly iron ore and lithium, as well as a number of projects secured in the infrastructure market on the east coast.

Looking now at our safety performance (slide 13).

Disappointingly, we experienced an increase in our 12-month total recordable injury frequency rate. Our safety performance was impacted by rapid growth in labour mobilisations in our maintenance business on the back of significant growth in activity, and an increase in subcontractor numbers across the business.

We've been working on a number of fronts to reverse this trend, including strengthening our subcontractor management and ramping up our safety leadership and behavioural programs, and bolstered the management structure of our Maintenance division.

This graph (slide 14) shows our total workforce, including direct employees and subcontractors.

Over time we've seen a significant increase in the number of subcontractors engaged in the business as a result of our diversification both internationally and into infrastructure.

As the demand for skilled labour grows, we continue to focus on attracting, retaining and developing key talent. During the year, we implemented a number of strategic sourcing initiatives to ensure we have access to the best talent on a global basis. In order to foster an owner's mindset, we continued to drive employee equity participation in the business through our employee equity incentive programs. And we focussed on developing key talent for our current and future leaders, as well as increasing our graduate and apprentice intake.

During the year, we launched our Gender Diversity and Inclusion Plan, which aims to improve the rate of female participation in our workforce, and continued to progress our Stretch Reconciliation Action Plan, which focuses on increasing engagement with Aboriginal and Torres Strait Islander peoples through employment, training and business opportunities.

Now, I'd like to take you through some of the milestones and activities we have achieved during the year. As you will see, an increasing number of these are the culmination of our efforts to diversify our business over the last few years.

During the year in the water sector, we completed the Pukaki Irrigation Project, pictured here (slide 15), and continued work on a number of irrigation and water treatment plant projects.

As mentioned earlier, we were appointed to the Hunter Water Corporation Design and Construct Panel for a four year term, with two one-year extension options. We've since secured our first package of work under the program at the Dungog Water Treatment Plant, also pictured on the slide (slide 15).

Our renewable energy business, Zenviron, continues to go from strength to strength, securing three new windfarm contracts valued at $190 million in total.

These photos (slide 16) show works at the 228 MW Lal Lal Wind Farm, located in regional Victoria. Zenviron was responsible for engineering, procurement, construction and commissioning of balance of plant works, which was completed earlier this year.

Since establishment, Zenviron has been involved in the construction of eight wind farms, comprising a total of 387 wind turbines with generation capacity of just under 1.4 gigawatts. This represents power for almost 800,000 homes and displaces 4.5 million tonnes of carbon dioxide each year.

Mondium, our joint venture with Lycopodium, continued to establish itself as a safe and reliable EPC service provider in the mining and minerals processing sector. It was awarded its largest contract to date, valued at approximately $100 million, to build a tailings retreatment processing plant at Talison Lithium's Greenbushes mine site in Western Australia (slide 17).

Future prospects for Mondium remain positive.

And now to some highlights in our Maintenance division.

Here are some photos (slide 18) from our recently secured contract with BHP for the provision of general maintenance services in the Pilbara. The three-year contract includes work at BHP's Mt Whaleback, Jimblebar, Eastern Ridge, Mining Area C and Yandi mine sites.

Activity increased across our offshore oil and gas maintenance contracts, with both Shell's Prelude FLNG facility (slide 19) and the INPEX-operated Ichthys LNG offshore processing facilities commissioned during the period, and two major shutdowns undertaken at Woodside's onshore facilities.

We also expanded our Woodside services contract to include heavy lift crane services throughout their operations in the Pilbara.

We achieved a strategic milestone for our business with the award of a three-year rail services contract with Rio Tinto for its iron ore rail network in the Pilbara (slide 20). The contract, valued at approximately $60 million, includes general track maintenance and renewals, resurfacing and rail workshop services. The work will allow us to strengthen and build on our existing capabilities and positions us for further opportunities in the rail sector.

Last week, we announced our entry into Chile with the acquisition of construction and maintenance services contractor, Buildtek (slide 21).

Buildtek provides multidisciplinary construction and maintenance services to the mining sector, with facilities in key mining locations across Chile, and a head office in Santiago. It was founded in 2007 and employs approximately 700 people. Customers include major resources and energy companies, including Codelco, BHP, Albemarle, Anglo American and GNL Quintero.

Monadelphous acquired 75 per cent of the business, with an option to purchase the remaining 25 per cent in three years' time.

The acquisition forms part of our markets and growth strategy, enabling our entry into the growing Chilean resources market through an established and well-recognised operator. Monadelphous will support Buildtek to grow and expand in South America.

The acquisition is the result of significant efforts over a number of years to understand the South American market, and we are looking forward to the opportunities ahead.

We continue to recognise the importance of innovation and continuous improvement to our long-term success.

In this slide (slide 22) you can see our Mechatronics Engineer with our in-house developed skirt inspection robot, which won my Managing Director's Safety Innovation Award this year. This clever innovation uses robot technology to remove the requirement for personnel to physically work on conveyor systems to inspect product retaining skirts, eliminating exposure to heat stress and manual handling hazards, and of course, it also adds value to our customers' operations, improving productivity.

The resources and energy sector in Australia is expected to provide a solid pipeline of opportunities over coming years as more favourable market conditions return.

Project development activity has increased with a number of resources construction opportunities coming to market, particularly in the iron ore sector. Prospects arising from further development in LNG production are also expected to be positive in the years to come.

Maintenance activity in the resources market is expected to be strong as production levels in Australia continue at record levels. Customer focus on optimising production will drive demand for solid levels of maintenance support and sustaining capital work.

Investment in infrastructure remains healthy, and prospects in both the water and renewables sector will continue to provide opportunities.

Monadelphous has been awarded a significant number of new major construction and maintenance contracts and, with its strong reputation across a broadening range of services, is in a good position to secure further work.

While growth prospects over the longer term are positive, a number of construction opportunities are advancing to execution later than expected. Sales revenue growth for the 19/20 financial year is dependent on the timing of progress on the work secured, as well as the value and timing of future contract awards.

We anticipate revenue this year to show progressive growth and be skewed towards the second half.

Revenues in the first half of the 2020 financial year are expected to be up on the second half of last year, and similar to the previous corresponding period.

High levels of market competition, price sensitivity and customer expectations for cost competitive delivery will drive demand for productivity improvements and continue to challenge margins.

The attraction and retention of high performing talent remains a key priority for the Company, with increased industry activity leading to further tightening in the skilled labour market.

In summary, Monadelphous is in good shape to deal with the opportunities and challenges ahead.

I would like to take this opportunity to thank our talented and committed team of people for their loyalty and highly valued contribution, and our shareholders and other stakeholders for their ongoing support.

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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 further information.*