

27th April 2009

Revised 2009 profit guidance

Macmahon Holdings Limited (ASX:MAH) today announced that due to a sharp deterioration in market conditions and a number of one-off impacts, 2009 full year profit after tax is now projected to be in the range \$15 to \$20 million,¹ with revenue of around \$1.4 billion.

Recent events have proved particularly challenging, as a result of the following factors:

- cancellation of some mining contracts and reductions in the scope of some others;
- severe wet weather which has hampered operations in both Queensland and Western Australia; and
- slower than expected progress in recovery of claims and variations on two construction contracts.

These impacts, in conjunction with restructuring and redundancy costs, will lead to a significantly lower than expected profit for the second half of the 2009 financial year.

The changing economic environment and the dramatic reduction in demand for resources have impacted Macmahon's Mining business in particular; with monthly revenues now averaging 30 to 40 per cent lower than six months ago. This reduction equates to over \$250 million of annualised revenue.

Chief Executive Officer, Nick Bowen, said that the demand for contract mining services has continued to deteriorate with further client driven reductions in activity.

"We've seen very significant cutbacks across nickel, copper, uranium, diamonds and very recently in coal," he said.

"Adding to these issues, severe rain and cyclones in the March quarter have impacted both our mining and construction operations in Queensland's Bowen Basin and the Pilbara region of Western Australia," Mr Bowen said.

Business unit update

Mining

Mining remains a challenging sector, with subdued market conditions as a result of continued uncertainty in commodity pricing and client difficulty in gaining access to project funding.

To date, Macmahon has seen volume reductions across most commodities including:

- completion of work at the Perseverance Deeps nickel mine;
- deferral of work on the Argyle diamond contract;
- reductions at the Ellendale diamond mine and at Olympic Dam; and
- deferral of the Sinclair underground nickel mine.

In addition, Macmahon has been advised that work at the Goonyella coal mine for the BHP Billiton Mitsubishi Alliance (BMA) will now not be extended past its April completion date due to recent changes to the mine plan. Last Thursday, BMA also advised the early termination of the Saraji coal contract at the end of May 2009. The Saraji contract was scheduled to run until February 2010.

¹ This anticipated profit range is subject to no further material changes to market or operating conditions. It assumes no impairment on assets and an average forecast tax rate of approximately 10%

On a positive note, the Eaglefield coal mine is ramping up, which will utilise some equipment and a number of employees from Goonyella and Saraji.

Construction

In contrast to Mining, Macmahon remains optimistic on the outlook for its Construction business.

The Construction business is continuing to win work, as evidenced by the recent award of BHP Billiton's RGP5 rail expansion contract in the Pilbara region of Western Australia.

Ongoing government spending is supporting activity within the construction sector and Macmahon expects to benefit from upcoming infrastructure funding.

The Company has previously advised that it is in negotiations with clients with regards to claims and variations on two construction contracts. Progress on these claims has been slower than expected, and they are now unlikely to be fully resolved by the end of the 2009 financial year which will impact second half profit.

Response to current economic conditions

Faced with these challenging circumstances, Macmahon has moved quickly to adjust its business.

Over the last four months employee numbers have been reduced by approximately 420. This has been across both site employees and corporate support staff. A further 360 employees will be made redundant over the next two months as a result of the completion of the two coal contracts.

The reduction in corporate staff combined with other head office savings is expected to deliver an annual cost saving of around \$10 million. In addition, Macmahon has implemented a salary freeze across the Company.

The Company is working with suppliers and sub-contractors to realise additional cost savings, as well as reducing discretionary spending and limiting capital expenditure.

Balance sheet update

As a result of the lower profit and with the impact of restructuring costs, Macmahon is generating lower free cash flow. Gearing is currently just below 40 per cent, compared to 12 per cent at December 2008.

The Company remains focused on balance sheet management.

Outlook

In this current climate, the outlook remains volatile and difficult to predict. The mining sector is expected to remain challenging until global demand for commodities improves. However, the construction sector is expected to be buoyed by the soon to be announced Federal Government infrastructure spending package.

Macmahon currently has \$900 million in revenue secured for the 2010 financial year. This compares to approximately \$1 billion secured for 2009 at this time last year. The order book now stands at approximately \$1.6 billion.

Media Release



In addition to already secured revenue, the Company expects to add to its order book with a number of mining contracts due for renewal within the next 12 months. Additionally, there are a number of construction contracts in advanced negotiations which are likely to boost the 2010 order book.

“Over the next 12 months we expect to see a smaller mining contracting business, offset by a growing construction business, with the aim of maintaining revenues around current levels and improving profitability.

“While the forecast reduction in 2009 profit is disappointing we are committed to ensuring the long-term success of the Company, as we navigate through these uncertain times,” Mr Bowen said.

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