MACMAHON
HOLDINGS LIMITED
ACN 007 634 436

CHIEF EXECUTIVE'S ADDRESS TO THE FORTY FIRST ANNUAL GENERAL MEETING OF MACMAHON HOLDINGS LIMITED FRIDAY, 26 NOVEMBER 2004 AT

It is my pleasure to present this years CEO report to shareholders. Before commencing I would like to show you a video of the Eaglefield Coal Mine which is currently Macmahon's largest Open Cut contract.

As outlined in the Chairman's Report, 2004 was a very successful year. Key highlights for the year included:

- a 36% increase in Profit after tax to $11.6 million
- an improvement in our safety performance with a Total Recordable Injury Frequency Rate reducing to 22.1 and our Lost Time Injury Frequency rate reducing to 2.9
- a reduction in our net debt to $51.5 million with debt/equity improving to 51.8%
- a record June 2004 order book of $784 million as a result of $862 million of new contracts and contract extensions
- and importantly a dividend of 0.5 cps

It is pleasing to report that since our rebuilding programme commenced in early 2000 we have now delivered improved profit results over the last 4 years. Of equal importance is that in this 4 year period from July 2000 to June 2004 Macmahon has generated $144 million cashflow from operations, reinvested $111 million into the company but at the same time reduced net debt including operating leases by a significant $159 million. Certainly these are impressive figures for a company of our size.

Our markets

We are currently seeing unprecedented growth in opportunities across all of our business units. This growth emerged some 12 months ago but has accelerated in the last 6 months and is now at levels I have not seen in the last 20 years. We are seeing a combination of significant opportunities in civil infrastructure combined with increased requirements from the resources industry for our services. All of the forecasters are indicating a period of sustained growth which we expect to continue for many years. Areas of particular interest to Macmahon include:

- the level of work from government bodies for infrastructure development including roads, railways and dams
- new and expansion projects for resource companies
- increased production across the mining industry particularly in iron ore and coal, and
- opportunities for our new developing Allplant services business

These levels of work not only provide an opportunity for Macmahon to grow its business but I also see potential for us to both improve our margins and ensure more certainty in earnings delivery.

Division Details

Now to look at our operating divisions, their performance and outlook.

Civil

Prospects in our Civil division are at the highest level ever. Current indications are our civil turnover including joint ventures will increase to over $275 million this year (up from $169 million last year) which will make the civil division our largest business unit. We have capacity to expand the Civil business further and expect it to increase to over $300 million pa in 2006.
Our civil work load is currently split fairly evenly between infrastructure for Government bodies and major mine infrastructure projects.

This year we have already been awarded a major contract by Rio Tinto Iron Ore for the earthworks and bridge construction for 100km of rail duplication in the Pilbara. This work continues our long association with Rio Tinto Iron Ore and we expect further work over the next 3 years.

Negotiations are nearing completion to secure a major contract to carry out the civil works component of the Alcan Gove 3rd stage expansion – G3 project in the Northern Territory.

Current major projects in our Civil division include:

- Tonkin Highway Duplication – WA	Main Roads of WA
- Perth to Mandurah Railway – WA	Perth Urban Rail Development
- Burnett River Dam – QLD	Burnett Water Pty Ltd
- Tunkawanna to Rosella Rail Duplication – WA	Rio Tinto Iron Ore

Our focus in Civil is to continue our association with our major clients and ensure an appropriate balance of work across Australia.

Open Cut

The efforts over the last few years by the Open Cut team have started to pay dividends with the profitability of the business improving. There has been a planned change in the mix of business from a position 4 years ago where the majority of contracts were in gold whereas today some 60% of the business is generated from coal and iron ore with only 15% from gold. Revenue in 2005 is expected to grow to around $220 million ($197 million – 2004) reflecting high fleet utilisation.

We have also developed our capabilities and the new Eaglefield project which was shown in the video is an example of Macmahon's total mine management capability.

The significant increase in mining activity and shortages of mining equipment has resulted in improved pricing for our contract services which will flow through to improved returns. The division is now delivering on our required financial hurdles and we are therefore prepared to invest further in equipment for appropriate projects.

The Open Cut division has recently finalized a major contract extension with BHP Billiton Iron Ore for works at Mt Whaleback which will involve the movement of in excess of 45 million tonnes over the next 15 months.

Major current contracts include:

- Eaglefield Coal Mine – QLD	Peabody
- Moura Coal Mine – QLD	Anglo Coal
- Mt Whaleback Iron Ore – WA	BHP Billiton
- Dampier Bulk Iron Ore Handling – WA	Hamersley Iron
- Phosphate Hill – QLD	WMC Fertilizers
- Nifty Copper – WA	Aditya Birla
- Ellendale – WA	Kimberley Diamonds

Underground
The 2004 year delivered improved returns from the Underground division and we are now focussed on growing the business. We have developed a business model in which risks and rewards are appropriately shared between ourselves and our clients. Our specialised drilling and cable bolting division continues to grow and combined with our mine development work we expect revenues to increase above $75 million this year (up from $54 million last year).

The Underground division has recently been awarded a 2 year contract by Bendigo Mining to carry out development work at Bendigo in Victoria. This major contract sees a continuation of our association with Bendigo Mining which commenced in 1997.

Major current contracts include:

- Olympic Dam Development – SA	WMC Resources
- Leinster Nickel Operation – WA	WMC Resources
- Mt Isa Development – QLD	Xstrata
- Cannington Cable Bolting – QLD	BHP Billiton
- Bendigo – VIC	Bendigo Mining

Allplant
This new business is an exciting addition to the services Macmahon offers its client.

The Allplant business has 3 separate arms delivering services to the construction, mining and associated industries. The services offered are:

- Plant Hire – incorporating large earthmoving plant. There are currently over 120 items of plant in the fleet operating across Australia.
- Labour Hire – providing maintenance and operating labour hire
- Maintenance Services – providing mechanical repair and rebuild services for major equipment

The division has both external and internal clients. Combined revenue was $18.6 million in 2004 (up from $5.8 million in 2003). This year revenue is expected to exceed $40 million and is likely to increase to $60 million in 2006.

We are finding that demand for our services is far exceeding capacity and we are investing in additional hire plant and workshop facilities to meet demand.

Malaysia
Although only a small part of our business, our new contract with La Farge at the Kanthan Cement Works has commenced successfully and we are hopeful of adding additional work in the next few years.

Investment – Freight link

The ramp up phase of the freight business continues with freight volumes now exceeding 50,000 tonnes per month. Additional rolling stock is being procured to meet the expected freight task. There are three important components to the business which must be developed:

- Bulk liquids which are expected to commence in late calendar 2005.
- Bulk minerals with the first project expected to come on stream in the second half of calendar 2005, and
- International business which is being progressively developed but requires more frequent shipping services to Darwin to facilitate growth.

The ramp up in the freight business is expected to continue for the next 4 to 5 years.

People

Without doubt our most valuable resource remains our people. We have a dedicated, committed and hard working team who strive to deliver on our client and shareholder expectations.

Our workforce numbers have increased from 1686 at 30 June to some 2000 now with a further 500 subcontractors. We expect further growth in this number over the remainder of the year.

Much has been said in the press regarding the current skills shortages in the mining and construction industries. Whilst we are not immune from this challenge we have implemented a number of strategies which are delivering results. These strategies include:

- focus on retention of our existing workforce and ensuring opportunities are provided for relocation after contracts are completed
- a heavy focus on training and development of new people
- a continuation and expansion of our apprenticeship scheme with 17 new first year apprentices taking our total to 38
- an expansion of our graduate engineer program with 10 new graduates
- recruitment of experienced engineers from overseas with an initial 6 recruits underway

We also intend to make further use of our Executive Option Scheme to provide incentives and to retain our senior staff.

In the area of safety our commitment continues and we have increased our resources to cater for the additional employees required to meet our growing work load.

Order Book

We started the year with a record order book of $784 million. In October we announced $55 million of new civil contracts in WA. Today we have announced 2 major contract awards being the the BHP Billiton Iron Ore contract extension at the Mt Whaleback Mine and a 2 year Underground development contract at Bendigo. These 2 contracts have a combined value of $100 million.

These 2 new contracts combined with other contract extensions and new work won have delivered a total of $180 million of new work in the first 4.5 months of the year.

Our order book now stands at $760 million and we have a further $150 million of work in final negotiation with clients.

Outlook

From our order book we already have secured contracts which will deliver $525 million of revenue this year. With further contract extensions and new work anticipated we now expect full year revenue for 2005 to exceed $580 million and it may possibly reach $600 million (up from $434 million last year).

In conjunction with the release of our Annual results in August this year we indicated an expected 40% improvement in profitability for the 2005 year which equated to around $16 million profit after tax. Based on our contract successes and our increased revenue forecast of $580 million we now expect full year profit after tax to exceed $19 million, a 65% uplift in last years profit. This result will equate to earnings per share of around 5 cents.

The profit growth will be skewed to the second half with our first half result likely to be around $7 to $8 million. The higher second half result is due to the ramp up of new contracts.

Additional equipment is required for the revenue growth and capital expenditure is now expected to be around $55 million (similar to 2004) with the majority of this occurring in the first half.

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In past years Macmahon has enjoyed the benefit of reduced taxation as a result of accumulated tax losses. From an accounting perspective tax will continue to be applied at 10% for 2005 but will increase to 30% in 2006. Actual tax paid will however remain at 10% until around the end of 2006.

Revenue and profit growth are expected to continue in future years. Our objective is to focus on delivering increased annual earnings per share even after allowing for our transition to full tax.

Overall I see a very positive outlook for Macmahon shareholders for the next few years.

Thank you.

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