Monadelphous

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Company Announcements Office
Australian Stock Exchange

Monadelphous Group Limited
Annual General Meeting
Managing Director's Address

The 2002/03 financial year was an extremely busy one with the company exceeding all expectations and achieving a rate of revenue and business growth well in excess of our long term targets. The year's results reflect the company's success over recent times in securing a number of major engineering construction and industrial services contracts flowing from rising activity in resource development investment across Australia.

The company has capitalised on its improving market profile and capability, taking a more prominent position on major projects and successfully securing and executing increasingly larger contracts.

I'd now like to present the major highlights of the 2002/03 period.

➢ **Restructure for Strategic Growth**

The company completed a strategic organisational review during the period aimed at developing an upgraded management structure to achieve long term growth. As a result of the review, the company has moved to a structure which is focussed on two main operating divisions:

- Engineering Construction division
- Maintenance and Industrial Services division

Each division is organised regionally in western and eastern Australian sections.

The revised structure will allow the company to continue to capitalise on its strengthening position in both the construction and industrial services markets. It will further improve its capability and capacity to undertake larger contracts and to better penetrate the industrial services markets in the eastern states.

➢ **Board and Senior Management Changes**

Complementing the management restructure, in June 2003 the company also announced changes to the structure and composition of its Board of Directors.

Former Managing Director of major international construction group AW Baulderstone, Peter Dempsey was appointed as an independent Non-Executive Director.

John Rubino relinquished his role as Managing Director and will, I am pleased to say, continue in the role of Chairman.

I was appointed to the role of Managing Director after having formerly been the Group General Manager for eleven years.

Former Finance Director and Company Secretary Irwin Tollman retired from his executive management position in July 2003 and relinquished his role as Company Secretary. He continues to serve on the Board as a Non-Executive Director and I take the opportunity to thank Irwin for his valued contribution as a member of the senior executive team during the company's recent years of strong growth.

Giles Everist, who joined the company as Chief Financial Officer was appointed Company Secretary.

These changes will strengthen the Board structure and composition and better equip the company to advance its long term development plans and also increase the level of non-executive participation and independence of the Board. Your Board recognises the importance of good corporate governance practices and we continue to review our practices in this area. Our level of disclosure meets a high standard and we remain committed to maintaining a high level of financial transparency.

- **Cost Control Improvements**

Increasing attention was given during the year to upgrading internal cash flow and cost controls and to further developing the company's risk management systems. There is a significant challenge in ensuring we keep control of costs in a strongly growing business. A lot of work has been done to provide access to reliable work status updates and up-front business management systems.

- **Regional Operations Review**

During the period, a review was conducted of a number of the company's regional operations. This was part of greater attention being given to cost controls and the quality of earnings. Following the completion of this review, the company has rationalised its marginally performing operations at Mt Magnet and Karratha in Western Australia.

The company has ceased these locally based operations and is continuing to service these regions more efficiently from its Perth based operations.

These changes reflect Monadelphous' growth from being a local contractor to the status of a major services contractor. Our goal in the year ahead is to continue to build on that record.

- **Engineering Construction**

Major projects completed during the period by the Engineering Construction division included:

- The QAL Alumina Handling Facilities project in Queensland
- The Alcan Gove Optimisation Project in the Northern Territory
- The BHP Billiton Coal Mt Arthur North Project in New South Wales
- The Rio Tinto HIsmelt deconstruction project in Western Australia

Major projects underway at the end of the period included:

- The BHP Billiton Iron Ore projects at Mining Area 'C', Nelson Point, Finucane Island in Western Australia valued at over $80m

- **Maintenance and Industrial Services**

- And with our Maintenance & Industrial Services division significant progress was made during the period on the Woodside LNG4 General Services Contract, a contract we have in joint venture with Brambles of approximate value of $50m
- The division also secured a 3 year contract for provision of trades labour with Alcoa's operations in Western Australia; and
- All major services contracts were retained.

- **Strategies for Growth**

- The company remains committed to persuing long term growth
- We will be continuing to target increasingly larger construction projects and maintenance and service contracts
- We will be pursuing new markets in new industries and diversifying outside the resources sector eg. infrastructure, utilities and manufacturing
- We are committed to further expansion in the Eastern States, with particular emphasis on the Maintenance and Industrial Services business
- We will be continuing to leverage off our established customer relationships and developing greater opportunities with our existing customers
- Our strong financial position ensures that we are well positioned for strategic acquisition opportunities

Central to our strategy for growth is the constant challenge of maintaining our people resources. I take this opportunity to thank all of our staff for their continuing efforts and their contribution to the company's success to date.

- **Outlook**

Looking forward:

- Sustaining similar levels of revenue in the short term will be challenging. An extraordinary high level of major project activity considerably boosted revenues in 2002/03 and expectations for growth in the short term should be treated with caution.
- The company now faces a period of consolidation to ensure we do not encounter problems controlling our continuing growth and development.
- Despite this, the market outlook for Monadelphous in 2003/04 remains positive.
- Project developments planned to come on stream in the Australian resources sector will continue to provide opportunities for the company. The company is well placed, in particular, to benefit from further iron ore, alumina, oil and gas, and nickel related developments. With resources development activity projected to gain momentum over the next few years, prospects for growth in both our Engineering Construction and Maintenance and Industrial Services divisions remain positive.

In closing, I would like to thank our customer's, suppliers and investors whose support is critical to the company's future. We thank you for your continued support and look forward to another year of success for the Company.