



Macmahon 2011 Half Year Results

Nick Bowen – Chief Executive Officer

Ross Carroll – Chief Financial Officer

23 February 2011



Overview

- ❑ Half year loss after tax of \$13.2 million
- ❑ Result significantly impacted by RGP5 Rail North contract write-down
- ❑ Underlying profit after tax (excluding RGP5 Rail North contract) of \$18.2 million
- ❑ Surplus cash over debt of \$21.2 million
- ❑ Won \$492 million in new contracts – order book of \$2.1 billion
- ❑ Preferred tenderer on \$1.3 billion of new work
- ❑ Wet weather is impacting second half

RGP5 Rail North contract

- ❑ Contract experienced a number of issues
 - Delays and cost increases
- ❑ Total write-down of \$49 million in contract value for the half year
 - \$20 million announced in October 2010
 - A further provision of \$29 million at 31 December 2010
- ❑ Significant Variations and Claims being negotiated
- ❑ December accounts include final costs but only paid revenue
 - Conservative position
- ❑ Project completion expected April 2011

Construction Business review

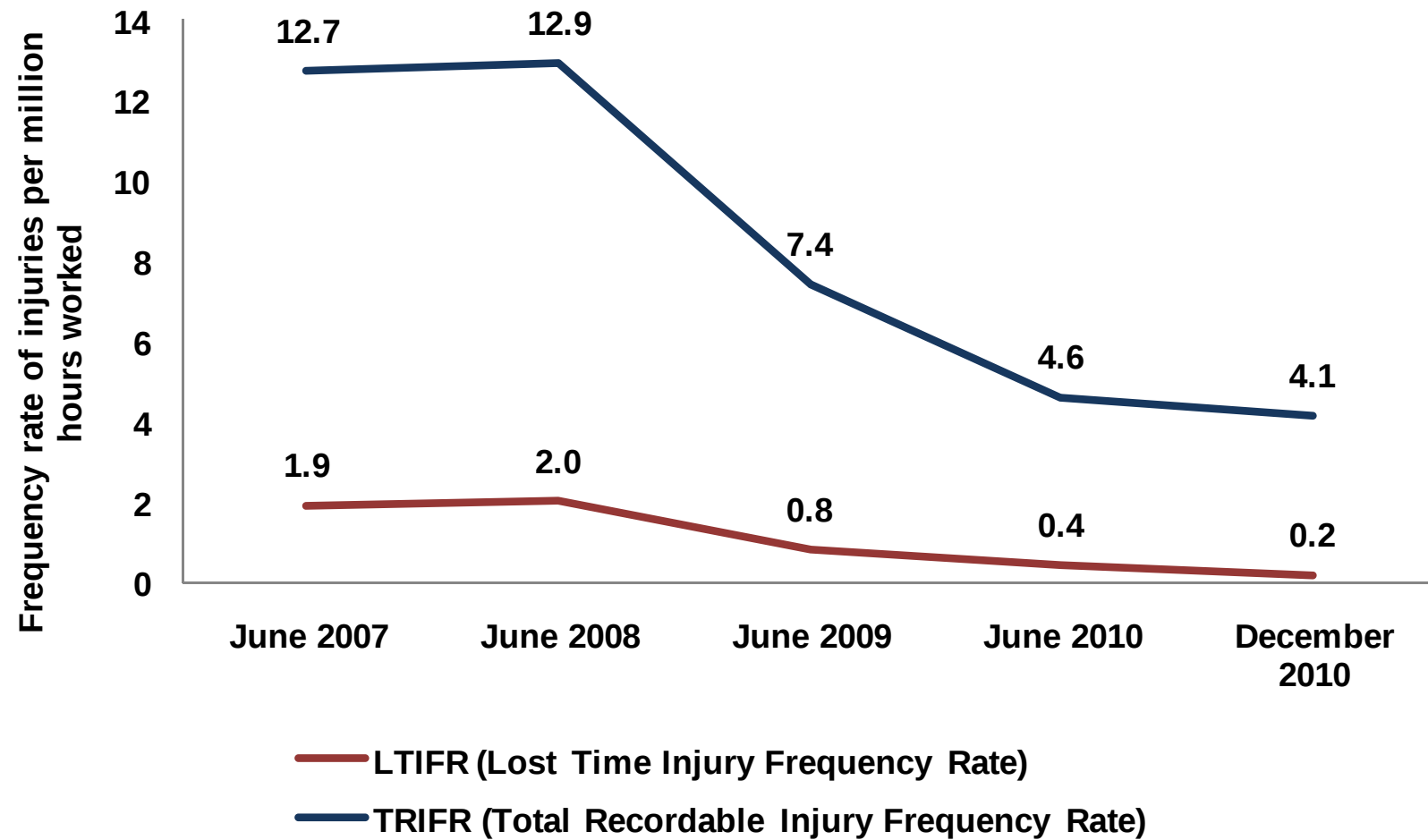
- ☐ External review completed
- ☐ The Construction Business remains viable
- ☐ Examining risks and reviewing processes to minimise impact
- ☐ Actions being undertaken:
 - Strategy review – focus on core strengths in each state
 - Restructuring to improve efficiency
 - Ensuring contract styles and structures are best fit for Macmahon
 - Improving commercial skills and processes for complex contracts
- ☐ Recommendations to be implemented over the next 6 to 12 months
- ☐ The business is focused on delivering improved profit and consistent margins

Our people



- ❑ Strong commitment to further developing the Company's successful Indigenous training, apprenticeships and graduate programs
- ❑ Significant focus on retention of key talent
- ❑ Initiatives driven towards reduction in turnover and strategies to attract key personnel
- ❑ Executive team changes

Safety performance



Contract wins

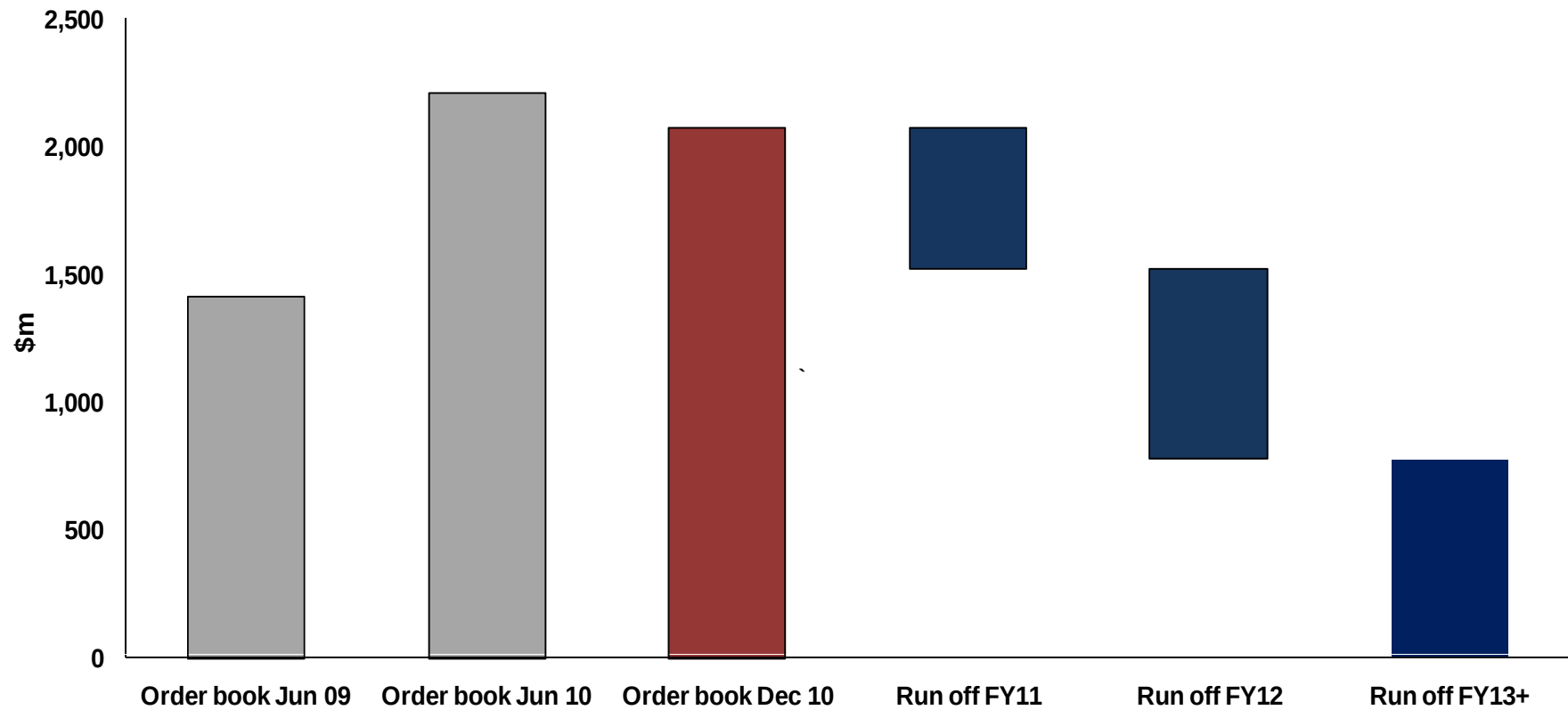
\$492 million of new contracts awarded:

- ❑ Karara rail contract, Karara Mining Limited, Western Australia, \$86 million
- ❑ GEH/Roe interchange project, Main Roads WA, Western Australia, \$74 million
- ❑ South Road Superway project, Department of Transport, Energy & Infrastructure, South Australia, \$230 million
- ❑ RAAF Base Darwin Fuel Farm, \$25 million
- ❑ Combined underground contracts, \$60 million

In addition:

- ❑ Preferred tenderer on \$1.3 billion of new work

Order book



☐ Preferred tenderer status on \$1.3 billion of contracts

Financials



Income statement

\$ millions	Dec 10	Dec 09	Change %
Revenue	601.0	656.3	(8%)
EBIT – before significant item	31.4	33.4	(6%)
Interest	(5.8)	(3.1)	(87%)
Profit before tax – before significant item	25.6	30.3	(16%)
Significant item – write down of RGP5 Rail North contract	(48.9)	-	
(Loss)/profit before tax	(23.3)	30.3	(177%)
Tax benefit/(expense)	7.0	(8.3)	
Minorities	3.1	(0.5)	
Net (loss)/profit after tax & minorities	(13.2)	21.5	(161%)
PBT margin – before significant item %	4.3	4.6	
Earnings per share (cents)	(1.8)	2.9	
Dividends per share (cents)	0.0	1.5	

Mining performance

\$ millions	Dec 10	Dec 09	Change %
Revenue	313.2	237.2	32%
PBT	22.4	19.7	14%
PBT margin %	7.2	8.3	
Order book	1,273	567	125%

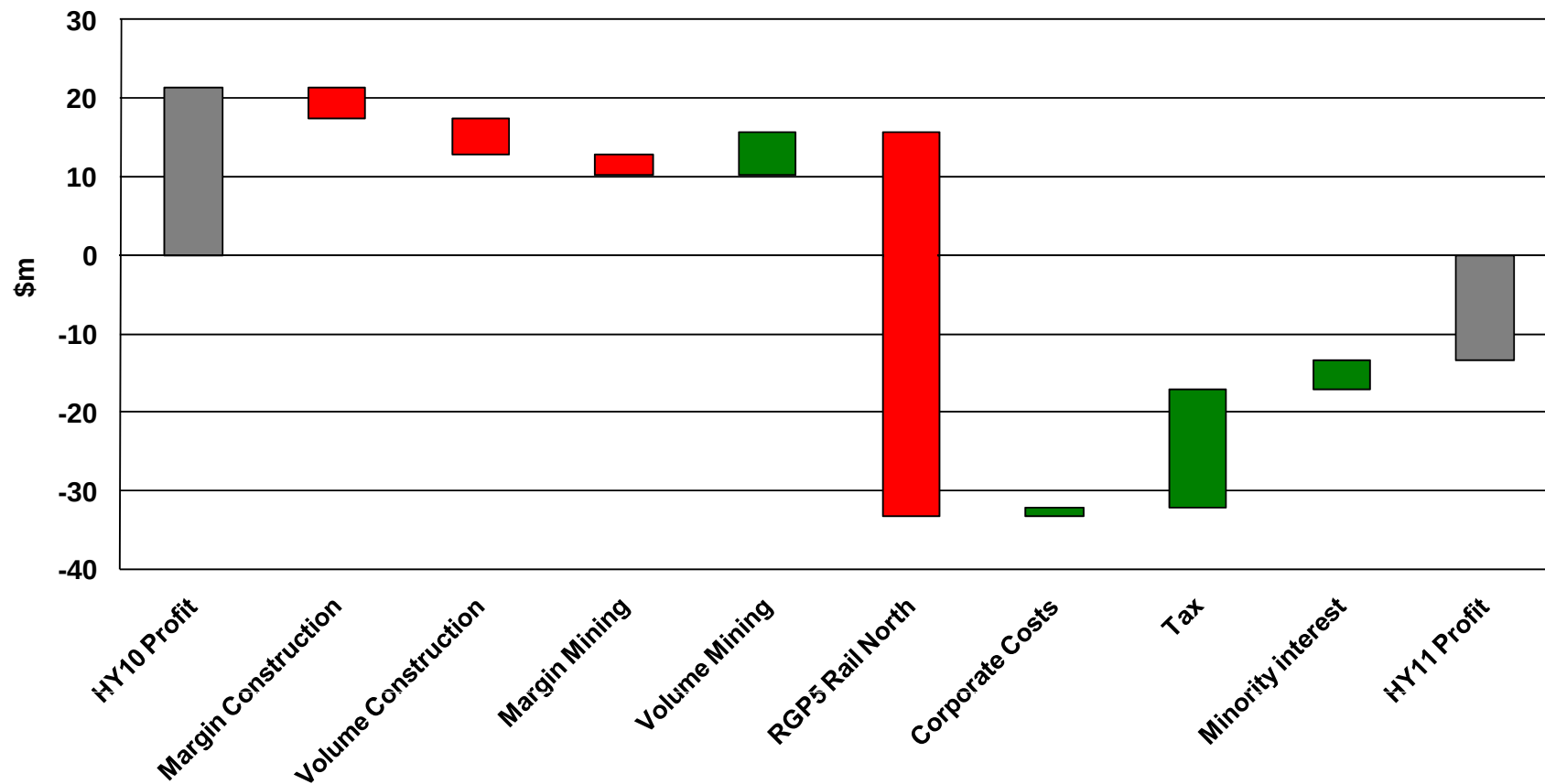
- ❑ Revenue increase underpinned by growth in the underground division
- ❑ Profit margin in line with targets
- ❑ Cameby Downs impacted by rain and flooding
- ❑ Strong pipeline of growth visible in all sectors

Construction performance

\$ millions	Dec 10	Dec 09	Change %
Revenue	287.8	419.1	(31%)
PBT – before significant item	10.2	18.7	(45%)
Significant item – RGP5 Rail North contract	(48.9)	-	
PBT	(38.7)	18.7	(307%)
PBT margin – before significant item %	3.5	4.5	
Order book	804	716	12%

- ❑ Revenue and profit down due to reduced contract wins in prior year
- ❑ Underlying margins down due to overheads being distributed over a lower revenue base
- ❑ All contracts except RGP5 Rail North performing well
- ❑ Added \$430 million of new work

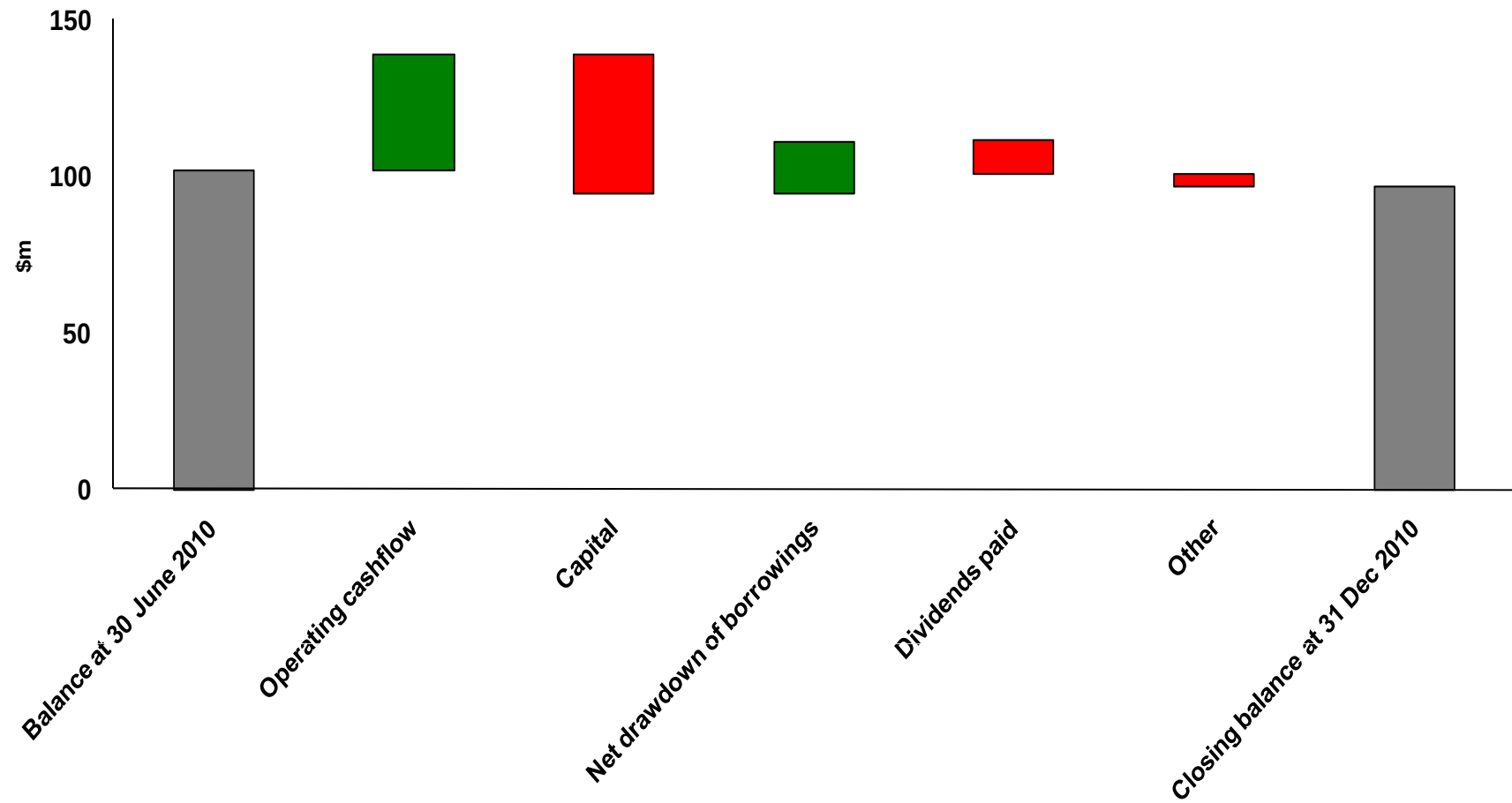
Profit after tax



Cash flow

\$ millions	Dec 10	Dec 09	Change %
Operating cash flow	37.2	60.6	(39%)
Disposals	0.7	2.4	(71%)
Capital expenditure	45.3	32.4	40%
Cash at hand	96.5	100.7	(4%)
Op. cash flow per share - cents	5.1	8.3	

Cash flow analysis



Balance sheet

	Dec 10	Dec 09	Change %
Current assets	264.4	236.1	12%
Non current assets	349.0	333.9	5%
Total assets	613.4	570.0	8%
Net assets	308.9	332.3	(7%)
Net debt	(21.2)	(27.5)	(23%)
Current ratio*	0.9	1.4	

* Note – Non-current loans have been reclassified as current as a result of the variation to a banking covenant

Business overview



Mining Business – project updates



Argyle diamond mine, Western Australia



Eaglefield coal mine, Queensland

Construction Business – project update



Tiger Brennan Drive extension, Northern Territory

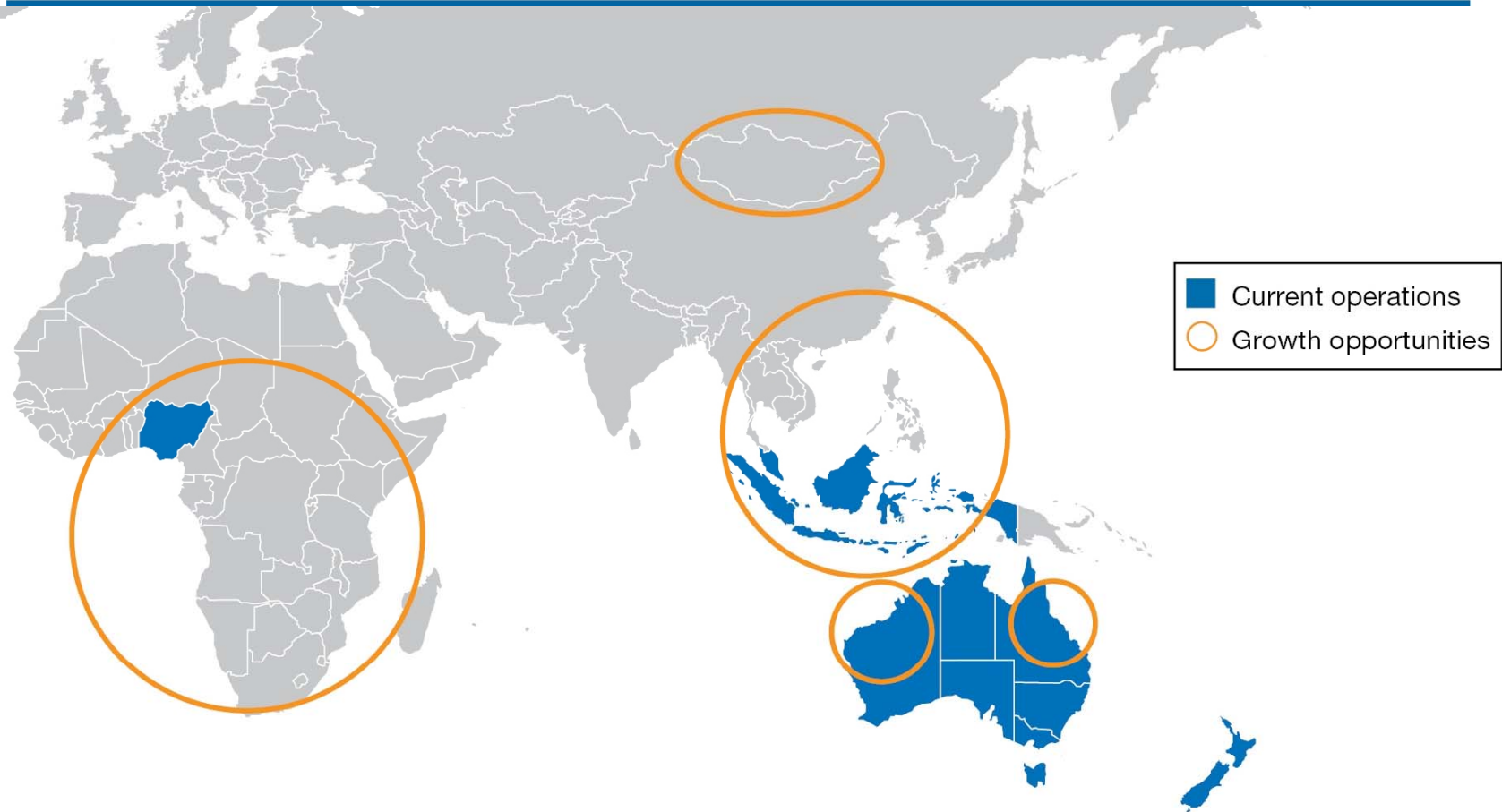
International



Outlook



Growth opportunities



- ❑ Tendering work across Australia and overseas
- ❑ Ensuring work undertaken is appropriate to risk appetite
- ❑ Focused on winning longer term contracts – provide steady revenue streams

Market conditions

- Demand from Asia strong – prices for key commodities remain elevated
- Substantial opportunities in iron ore, coal and metals
- Significant pipeline of work in the underground market
- International providing strong growth opportunities



Outlook for the business

- Strong current order book
- Anticipate ongoing growth in Australia and overseas
- Tendering activities remain high, with a substantial pipeline of work available
- Committed to increasing returns

Market conditions

- Resources expansion plans driving pipeline of construction work
- Continued government infrastructure spending forecast on road and rail
- Tendering activity is high with an improved pipeline of work



Outlook

- Focus on improving profit and consistent returns
- Implementing findings of the business review
- Opportunities in iron ore, coal and LNG
- Order book growth a priority

Our strategy



Strategic initiatives

Area	Initiatives	Progress
<u>Our People</u>	▪ Continued commitment to safety ▪ Focus on retention and recruitment ▪ Strengthening management team	  
<u>Customers</u>	▪ Delivering safe, efficient and reliable services ▪ Flexibility and collaborative approach ▪ Developing complete solutions, with end to end capability	  
<u>Shareholders</u>	▪ Building order book ▪ Improving margins ▪ Improving return on equity	  

Company Outlook

- ❑ Medium term outlook improving - preferred tenderer on \$1.3 billion of new work and strong tendering activity across both businesses
- ❑ Actions from construction review are being implemented – positive changes occurring
- ❑ Combined impact of wet weather anticipated to have a \$5 million negative impact on the Group's profit after tax
- ❑ After taking into account the wet weather, a profit after tax of approximately \$15 million is expected in the second half
- ❑ For the full year the Group expects revenue of around \$1.3 billion and a breakeven result



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Appendix - current customers



RioTinto

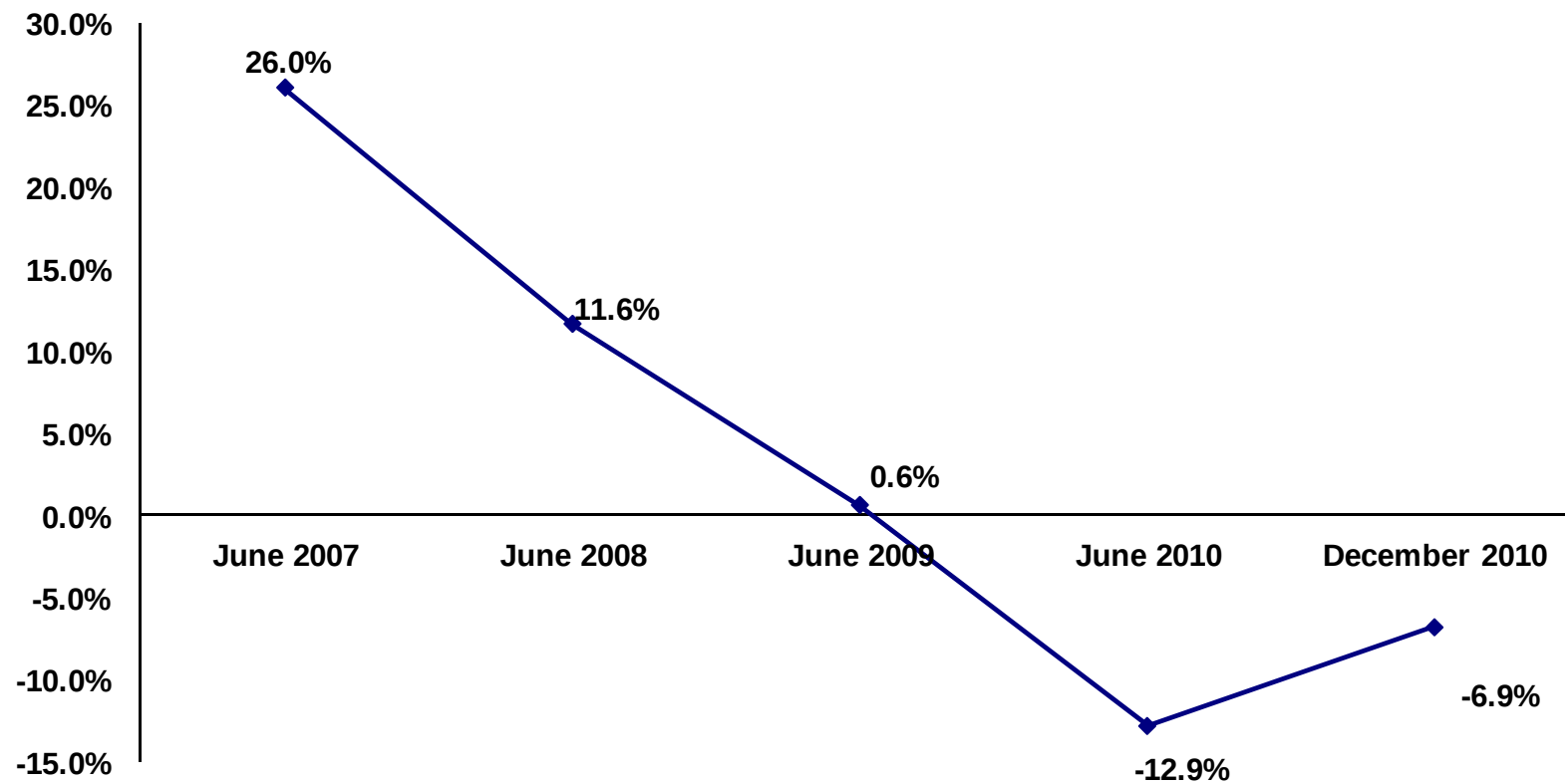


Peabody



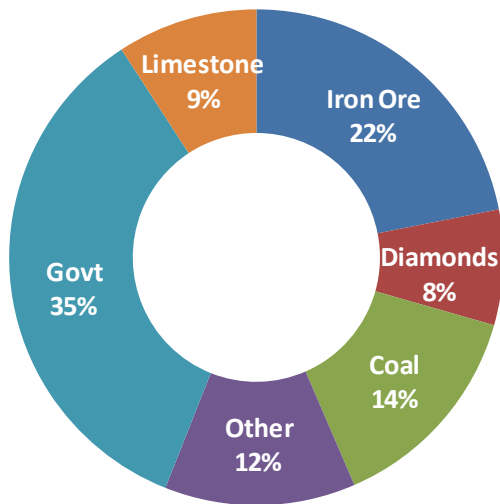
Appendix - balance sheet strength

Gearing (%)

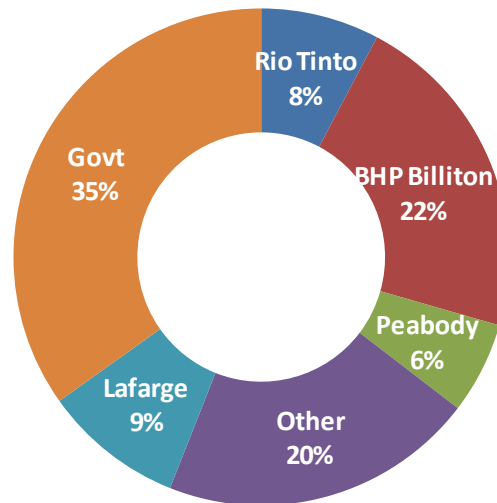


Appendix - order book

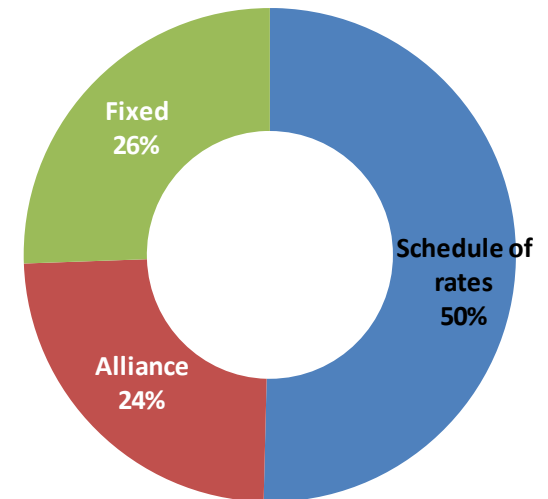
Commodity %



Client %



Style of contract %



Order book comprised of:

- ☐ Solid client base
- ☐ Geographical diversity
- ☐ High percentage of schedule of rates and alliance style contracts

Disclaimer and important notice

This presentation contains forward looking statements that are subject to risk factors associated with the mining and construction businesses.

It is believed that the expectations reflected in these statements are reasonable but they may be affected by a variety of variables and changes in underlying assumptions which could cause actual results or trends to differ materially, including but not limited to:

actual demand, currency fluctuations, loss of market, industry competition, environmental risks, physical risks, legislative, fiscal and regulatory developments, economic and financial market conditions in various countries and regions, political risks, project delay or advancement, approvals and cost estimates.

All references to dollars, cents or \$ in this presentation are to Australian currency, unless otherwise stated.

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