Media Release

16 August 2011

Macmahon releases 2011 full year results

Highlights

- **Full year profit after tax** of $1 million – consistent with market guidance
- **Underlying profit** of $39 million
- **Record order book now $2.8 billion**
- Preferred contractor for **$300 million FMG Solomon Rail Spur**
- **Strong balance sheet** and surplus cash over debt of $40 million
- Record **safety performance**

Macmahon Holdings Limited (ASX: MAH) today announced a full year profit after tax of $1 million, consistent with market guidance provided at the half year.

Macmahon Chief Executive Officer Nick Bowen said the Company worked hard to address the challenges of the first half and to position the Company to deliver improved profitably and growth in order to restore investor confidence.

“The outlook for the future is very positive. Macmahon’s order book is now at a record level of $2.8 billion and there is a very strong pipeline of work across both mining and construction,” Mr Bowen said.

“The Company was able to finish the financial year with a solid order book and has since been awarded substantial contracts including the Tropicana Gold Project and a variety of other Mining contracts. Additionally, Macmahon was today announced as preferred contractor for the $300 million Solomon Rail Spur for Fortescue Metals Group.

The Company currently has $1.25 billion of revenue secured for 2012 which is a record for the start of a financial year.

Finalisation of the Solomon contract will add $200 million to the revenue secured for 2012 and further contract wins are expected to take full year revenue past $1.5 billion.

“These significant new contract wins, and the preferred status, reflect an outstanding beginning to an exciting year ahead for Macmahon as we continue our focus on pursuing and delivering sustainable profit growth,” Mr Bowen said.

The Company’s industry leading focus on safety not only kept Macmahon’s workforce safe, but enhanced the Company’s ability to secure new contracts.

“Macmahon achieved its best ever safety performance across the business, reflecting the strong commitment to delivering projects effectively and safely on behalf of our clients,” Mr Bowen said.

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The Underground Mining Business recorded a strong improvement in revenue as a result of increasing demand for Macmahon's full service mining capabilities and continuing relationships with its clients. Surface Mining was named preferred tenderer for the, now awarded, $900 million Tropicana Gold Project. The 10 year contract is one of the largest ever awarded to the Mining Business.

The International Mining Business continues to provide the Company with an excellent avenue to take advantage of the array of contract mining opportunities in Africa, Asia and Mongolia.

A review of the Construction Business has been completed, resulting in the establishment of East and West operations from June 2011. The business is already seeing the benefits of management changes and a new strategy demonstrated by its recent project wins.

The Company has also maintained a solid balance sheet, with surplus cash over debt of $39.5 million.

"The Company's balance sheet and current funding, combined with the positive market outlook across the construction and resources sectors, mean Macmahon is well positioned to capitalise on future growth opportunities," he said.

"Given the number of mining and infrastructure projects recently won, plus the prospective opportunities, the Company has strong momentum and will deliver improved profits and returns for shareholders in 2012."

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About Macmahon

Macmahon is a leading Australian contract mining and construction company with major projects throughout Australia, in New Zealand, Asia and Africa.

An ASX/S&P 200 company, Macmahon has played a major role in the delivery of many of Australia's largest multi-disciplinary mining and construction projects throughout its 48 year history.

Employing more than 3500 people, Macmahon offers the full range of underground and surface mining services and comprehensive construction capabilities spanning transport, marine, water and resource infrastructure services.

With a commitment to providing end to end services, Macmahon's reputation for outstanding teamwork, integrity and commitment to the environment is underpinned by the Company's core value - safety.

Visit www.macmahon.com.au for more information.

Financial Highlights

Key points

- Full year profit after tax of $1.0 million – consistent with market guidance
- Result significantly impacted by write-down of RGP5 Rail North contract and wet weather, underlying profit after tax of $38.8 million, excluding these items
- Surplus cash over debt of $39.5 million
- Over $1 billion in new contracts, extensions and scope increases won during the year – order book of $2.0 billion at 30 June 2011
- $1 billion of new projects won since 30 June 2011, order book now at a record $2.8 billion, with $1.25 billion secured for 2012
- Preferred contractor on the $300 million FMG Solomon Rail Spur contract
- Outstanding industry leading safety performance – TRIFR improved by 24 per cent to 3.5 and LTIFR improved by 50 per cent to 0.2

Key financial indicators

For the year ended 30 June 2011:

A$ million except where stated otherwise	**June 2011**	**June 2010**	**Change**
Group revenue	1,089.4	896.4	22%
Joint venture revenue*	165.0	358.0	(54%)
Total revenue	**1,254.4**	**1,254.4**	**0%**
Underlying earnings before interest and tax (EBIT)	66.1	55.3	20%
Net interest	(12.0)	(5.8)	(107%)
Underlying profit before tax (PBT)	54.1	49.5	9%
Significant items:			
- Write-down of RGP5 Rail North contract	(48.9)	-	n/a
- Extreme wet weather events	(9.0)	-	n/a
Reported (loss)/profit before tax (PBT)	(3.8)	49.5	(108%)
Tax benefit/(expense)	1.1	(10.7)	
Minority interests	3.8	(0.9)	
Reported profit after tax and minority interests	**1.0**[1]	**37.9**	**(97%)**
Reported earnings per share – basic (cents per share)	0.1	5.2	
Dividends per share (cents per share)	0.0	3.0	
Order book as at 30 June 2011	2,013	2,215	(9%)

**Net of joint venture recoveries*
[1] Does not add due to rounding

Financial overview

2011 was a challenging year for the Company.

The Company reported a disappointing net profit after tax result of $1.0 million, following a significant $48.9 million (before tax) write-down of the RGP5 Rail North construction contract and a period of unusually wet weather which adversely impacted many parts of Australia, including a number of the Group's operations, totalling $9.0 million (before tax).

Group revenue for the year was $1,254.4 million, which was consistent with the prior corresponding period.

Earnings per share for the Group of 0.1 cents per share is an unacceptable outcome, which was driven by a disappointing first half result. Underlying returns for the business (removing the RGP5 Rail North write-down and wet weather impacts), were more acceptable with underlying profit after tax of $38.8 million and earnings per share for the Group of 5.3 cents per share, a 2 per cent increase on 2010.

Macmahon's balance sheet is in a strong position, with a cash balance of $115.6 million and a $39.5 million cash surplus over debt as at 30 June 2011.

Dividend

As an outcome of the Company's poor full year result, the Directors have not declared a final dividend.

People

As at 30 June 2011, the Company employed a workforce of more than 3,500 across Australia, in New Zealand, Asia and Africa. This is a 17 per cent increase compared to 30 June 2010.

Development, retention and attraction of employees, was a major focus of the Company during the year. Human resource initiatives concentrate on reduction in turnover whilst positioning Macmahon to attract the required skills to deliver projects. Macmahon is also very committed to the ongoing expansion and improvement of its Indigenous training, apprenticeships and graduate programmes.

A focus on adding further talent and strength to ensure the Company is best placed to grow, led to a number of changes within the executive team.

New appointments including Theresa Mlikota as Chief Financial Officer, Ashley Mason as Executive General Manager Strategy and Development and Aidan Mullan as Executive General Manager – Construction West, will inject an extensive level of industry related experience into the Group.

In addition to this, former Chief Financial Officer, Ross Carroll was promoted to the role of Chief Operating Officer – Mining and Queensland State Manager, Mark Hamilton, was appointed to the new role of Executive General Manager – Construction East.

Following the completion of the Construction Business review, the Group's Construction Business is now structured with two regional businesses – East and West. This allows the Construction Business to focus on its key strengths in each of these markets. The West coast based Construction Business is highly focussed on resource related infrastructure projects whilst the East coast business is geared towards government infrastructure and resource related infrastructure projects.

Board changes

The Board accepted the resignation of Director John Massey in February following three and a half years of service.

Safety performance

Macmahon delivered another outstanding safety result for the period, again producing industry-leading safety indicators. The Total Recordable Injury Frequency Rate improved by 24 per cent to 3.5 and the Lost Time Injury Frequency Rate improved by 50 per cent to 0.2 when compared to 30 June 2010.

Order book

$1.06 billion of new work, contract extensions and scope increases were awarded during the year.

Major new contracts, variations and extensions to 30 June 2011:

- South Road Superway Project (South Australia), construction of a new 4.8 kilometre highway corridor, including 2.8 kilometres of elevated roadway, Department of Transport, Energy and Infrastructure, Macmahon's share is $230 million
- Various underground contracts, extensions and variations, $210 million
- Gladstone LNG, Curtis Island (Queensland), civil works subcontract, Bechtel Australia Pty Ltd (as EPC contractor for the GLNG Plant Project), $150 million
- Rio Tinto Iron Ore (Western Australia), Hope Downs 4 - Rail Earthworks and Bridge Construction, Cape Lambert Port B Development - Bridges over Boat Beach Road and Cape Lambert Port A Sustaining Works – Bulk Earthworks, Roadworks and Civil Works, total $129 million
- Karara Rail contract (Western Australia), rail earthworks and track laying for a 85km spur line, Karara Mining Limited, $86 million
- Great Eastern/Roe Highway interchange project (Western Australia), design and construct road contract, Main Roads WA, $74 million
- RAAF Base Darwin (Northern Territory), fuel farm upgrade, Department of Defence, $25 million

A reconciliation of movements in the order book is shown below:

	$ million
Opening balance at 30 June 2010	2,215
Less: Work completed	(1,254)
Add: New contracts	963
Add: Contract extensions/scope increases	89
Closing balance at 30 June 2011	2,013

Cash flow and balance sheet

On a positive note, the Group continued to generate strong operating cash flow of $92.4 million and maintains a strong cash position of $115.6 million at year end.

Consistent with its growth plans, the Company invested $82.1 million in capital expenditure, the majority of which was injected into equipment for surface mining projects, in particular, Cameby Downs open cut coal project, the Ewekoro project in Nigeria, Orebody 18 open cut iron ore project and Underground projects.

The Company's strategy to reduce its gearing levels has positioned it well to take on new projects. The Group's balance sheet closed the year with a net cash position of $39.5 million and a negative gearing ratio (Net Debt / Equity) of 12.2 per cent.

Funding

The Company maintains significant undrawn financing facilities, which enable the Company to tender for new work, with committed facilities in place.

As at 30 June 2011, the Company had undrawn facilities totalling $112 million, including equipment financing of $66 million, working capital of $15 million, bank guarantees of $31 million. In addition the Company had undrawn insurance bonds to the value of $130 million.

Mining

$ million	June 2011	June 2010	Change
Revenue	674.4	465.6	45%
Underlying profit before tax (PBT)	51.1	34.8	47%
Wet weather impacts	(8.5)	-	n/a
PBT	42.6	34.8	22%
Underlying PBT margin	7.6%	7.5%	
Order book	1,079	1,530	(29%)

Mining reported revenue growth of 45 per cent, increasing to $674 million, which was driven primarily by strong performance in the Underground division and a full year's revenue contribution from the Cameby Downs project.

Underlying profit before tax also increased to $51.1 million, a 47 per cent increase on the previous year. Margins before the wet weather impacts were in line with the corresponding period.

The significant rain events in Queensland and the Pilbara of Western Australia affected a number of the Company's mining projects, however the greatest impacts were felt at two of the Company's Surface Mining projects. Cameby Downs open cut coal project in Queensland was the most adversely impacted and the Orebody 18 iron ore project in the Pilbara also suffered from flooding. The total impact of the wet weather across the Surface Mining Division was $8.5 million before tax.

The Underground Division performed well, doubling its revenue contribution from that of the prior year. This increase was a result of a number of new projects commencing during the period and an increase in demand for its services as many clients increased output and the scope of their contracts and increased production on the back of improved market conditions.

International projects continue to perform to plan. Although International contributions to the Company are modest, regions of Africa, Asia and Mongolia represent excellent avenues for growth in the future. During the year an office was established in Mongolia to target the opportunities available in the region.

At 30 June 2011, the Mining order book was $1.1 billion. Whilst this represents a decrease from 2010, a number of project awards have occurred subsequent to the end of the financial year.

Construction

$ million	June 2011	June 2010	Change
Revenue	580.0	788.8	(26%)
Underlying profit before tax (PBT)	13.7	34.8	(61%)
Write-down of RGP5 Rail North Contract	(48.9)	-	n/a
Wet weather impacts	(0.5)	-	n/a
PBT	(35.7)	34.8	(203%)
Underlying PBT margin %	2.4%	4.4%	
Order book	934	685	36%

Construction reported revenue of $580 million for the year, a decrease of 26 per cent when compared to the prior corresponding period. The decrease in revenue is primarily the result of a reduced rate of contract awards.

Underlying profit was down 61 per cent to $13.7 million driven by lower revenue, overheads being distributed over a lower revenue base and a number of new projects commencing in the second half of the year, which contributed to revenue but were not progressed enough for profit recognition.

All construction projects, except the RGP5 Rail North contract, performed or continue to operate profitably.

The RGP5 Rail North contract was completed during the year and there has been no change to the write-down of $48.9 million announced by the Company in the 2011 Half Year result. The joint venture is still in discussions with the client regarding the outstanding variations and claims in relation to the project. The 2011 Full Year result does not include any assumed future claim settlement.

Construction recorded a loss of $35.7 million before tax for the period. The write-down of the RGP5 Rail North contract was the primary contributor to the loss.

Positively, Construction was successful in winning $830 million of work in the year and grew its order book by 36 per cent, to close the year at $934 million.

Interest

Net interest expense for the year was $12.0 million, an increase of $6.2 million from the prior corresponding period. The increase was due to the higher interest rates and establishment costs associated with the Syndicated Facility Agreement, executed on 18 May 2010, and lower interest income as average cash balances decreased from the prior year. In addition, the average drawn debt balance increased from the prior year.

Tax

The Group recorded a tax benefit position of $1.1 million for the year, compared to a $10.7 million tax expense in the prior corresponding period. The tax benefit represents an effective tax rate for the year of 28 per cent.

Construction Review

Macmahon's review of its Construction Business, which was announced in October 2010, was completed in June 2011 with the resulting recommendations implemented to improve the profitability of its operations.

Following the completion of the Construction Business review, changes were made to the strategy and organisational design of the Construction Business. The national structure of the business unit was split into two regional businesses - East and West. In addition, during 2012 the MVM Rail Business will be integrated into Macmahon, delivering savings and efficiencies.

The outcomes of the changes will be clearer lines of accountability, lower overhead costs and improved strategic alignment across the Company's operations in order to facilitate improved performance.

Market outlook

Demand for base metals and bulk commodities is as strong as it was before the financial crisis. The recent volatility in global markets resulting from sovereign debt issues is currently not impacting demand.

There is now a large pipeline of projects related to iron ore, coal, Liquefied Natural Gas (LNG) and base metals driven by demand from Asia, principally China, India and the reconstruction effort in Japan, which is expected to sustain the Australian mining and engineering construction sectors for many years.

Industrial commodity demand from developing economies continues to run ahead of the available supply of key commodities.

Global steel demand is expected to increase by 6 per cent in financial year 2012. This demand growth is expected to see contract prices for iron ore and coal remain high in the short-term, providing support for output growth in these industries. Australian production of iron ore and metallurgical coal are forecast to increase by 6 per cent and 14 per cent respectively in financial year 2012.

In addition, gold prices are forecast to continue to rise over the short to medium-term. The value of gold as a safe-haven investment has been supported by the natural disasters in Japan, the continued uncertainty around the global economic recovery and the sovereign debt issues within the European Union.

The strength of Australia's resources sector has also translated into high growth of mining related engineering construction. According to BIS Shrapnel, private sector funded engineering work now accounts for over 60 per cent of all engineering construction undertaken. Much of this is related to the mining and energy sectors – rail lines, new harbours and ports and processing facilities.

As a proportion of total engineering work, mining related construction has risen from 9 per cent in 2001 to around 38 per cent in 2010. It is estimated that mining related construction will increase exponentially over the next four years to record almost $57 billion of work done by 2014. As a share of total engineering construction activity, mining related construction will peak at around 55 per cent of total engineering construction activity in 2014.

New LNG projects have emerged recently to push Australia to the forefront of LNG developments compared to the rest of the world. Australian Government estimates indicate that more than half of the world's planned additions to LNG capacity are currently underway in Australia. Some $250 billion worth of LNG projects are currently under construction or in advanced stages of planning in Australia.

Public sector funded infrastructure projects in New South Wales are expected to gather pace in 2013 as the new State Government begins to implement a cycle of public works such as the North West rail link. Activity in South Australia and the Northern Territory will be determined by the pace of the development of the Olympic Dam Expansion in South Australia and the Inpex Ichthys LNG project in Darwin.

The biggest constraints to growth in all sectors of Australia will be the ability for companies to access the right people, equipment and to a lesser degree finance.

Internationally, the contract mining market remains extremely buoyant with many opportunities in Indonesia, Africa and Mongolia. Indonesia overtook Australia in 2005 as the largest exporter of thermal coal and is forecast to account for 40 per cent of the world's total thermal coal exports by 2015.

Africa holds an estimated 30 per cent of the world's mineral resources and is largely underexplored. Many African countries have become more politically stable in recent years and are adopting western business processes as they strive to unlock their mineral wealth to build their nations.

The Mongolian mining sector is still embryonic, however it is a country with enormous mineral wealth. It has the fourth largest proven coal reserves in the world, the second largest copper reserves and large deposits of uranium, iron ore and lead and zinc. While the country lacks capital, infrastructure, technical skills and labour, it will develop very quickly to supply the demand from China in these commodities.

Strategy

Very simply the Company's strategic focus is:

- To be safe;
- Win work; and
- Make profit

Macmahon is focused on the continuous improvement of its project selection process and project management controls. When assessing growth opportunities, the Company will be targeting work that complements its core competencies and strengths and delivers superior returns to shareholders.

Macmahon continues to diversify its portfolio across mining and construction, with a greater breadth of services and expansion of our geographical footprint. The Company's focus on international expansion is proving fruitful with a number of future opportunities in the pipeline.

In addition, Macmahon is leveraging existing expertise to diversify into new revenue streams, with a focus on delivering an end-to-end service solution to customers. This is particularly evident within the Mining Business, which has extended its capabilities over recent years.

Within Construction, Macmahon is driving strategy at a regional level, recognising the key differences that exist in this varied business.

Critical to Macmahon's strategy is a commitment to making profit through the delivery of improved margins and project performance. Overhead reduction, improved equipment utilisation and the targeting of higher margin offshore projects remain key objectives to achieve this.

Recognising that our ability to respond to all opportunities will be constrained by our access to people and equipment, the Company has increased its focus on the attraction and retention of staff and continues to nurture strategic supplier relationships to facilitate our future equipment needs.

The safety of our workforce is paramount. We strive to continuously improve performance in safety to ensure that we return our people home in the same state they come to work.

Macmahon is committed to delivering improved value to our shareholders.

Contract awards subsequent to 30 June 2011

Subsequent to the end of the financial year the Company has been successful in winning the following contracts:

- Tropicana Gold Project (Western Australia), surface mining contract, Tropicana Joint Venture between AngloGold Ashanti Australia Ltd and Independence Group NL, $900 million

- Various mining contracts, totalling $90 million

Further, Macmahon today announced its preferred contractor status on the $300 million Solomon Rail Spur contract for Fortescue Metals Group.

Company outlook

2011 has proved challenging for Macmahon, with severe wet weather impacts and the write-down of the RGP5 Rail North contract in Western Australia.

However, the outlook for the Company is positive. The Group's order book is currently at a record $2.8 billion.

Pleasingly, the Company currently has $1.25 billion of revenue secured for 2012 which is a record for the start of a financial year.

Finalisation of the Solomon contract will add $200 million to the revenue secured for 2012. Further contract wins are expected to take full year revenue past $1.5 billion for 2012.

Tendering activity across both Mining and Construction continues to remain strong and indicates further growth is achievable beyond 2012.

Together with a strong balance sheet, positive market conditions, internal restructuring and key management additions, Macmahon is well placed to make a strong profit recovery in 2012.

NICK BOWEN
Chief Executive Officer and Managing Director

16 August 2011