Media Release

MACMAHON

20 August 2012

Macmahon reports record profit of $56.1 million

Macmahon Holdings Limited (ASX: MAH) today announced a record profit after tax of $56.1 million for the 2012 Financial Year. The Company's success was driven by record levels of revenue at $1.9 billion, record project wins and the largest number of employees in the Company's history.

Highlights

- **Record revenue of $1.9 billion (up 49% on pcp)**
- **Record full year profit after tax of $56.1 million**
- **Earnings per share of 7.7 cents**
- **Final dividend of 2.5 cents per share, fully franked**
- **Record project wins of $3.0 billion, with an order book of $3.1 billion**
- **Domestic funding secured**

Macmahon Chief Executive Officer Nick Bowen said Macmahon had an outstanding year, delivering a record profit.

"The Company has worked through an intense project delivery program and met its commitment to provide returns to shareholders. Consequently, the Macmahon Board has declared a fully franked final dividend of 2.5 cents, delivering a total dividend of 4.0 cents per share for the full year," Mr Bowen said.

Mining achieved excellent results, with increased profit margins attained through better plant utilisation and production performance. Mining also continued to build on its strong relationships with clients, including securing new contracts at the Tropicana Gold and Tavan Tolgoi projects, in addition to expansion works for BHP Billiton.

Construction reported a return to profit for the year. However, the rapid growth of this business created challenges in securing people and equipment, which impacted margins.

Macmahon evolved significantly from its Australian based origins during the year with new International projects bolstering its mining operations. Mining activities pushed into Mongolia and further into Nigeria, demonstrating the Company's international expansion program was gaining traction. In Australia, new projects in the liquefied natural gas and iron ore sectors broadened the Company's domestic operations.

"The project diversity and geographical spread of Macmahon's revenue base provides a robust business model which is expected to deliver sustainable shareholder value over the long-term," Mr Bowen said.

At year end, the Company's order book stood at $3.1 billion. Project wins during the year, totalling a record $3 billion, have delivered greater certainty for the outlook.

The Company maintained its strong cash position throughout 2012, with a year-end cash balance of $134.9 million. EBITDA of $167.8 million was 157 per cent higher than the previous year. The Company's balance sheet is strong and gearing levels at 23.1 per cent remain below maximum targets.

Return on equity showed steady progress towards the 20 per cent target, with a 16.5 per cent return reflecting the Company's strong financial performance for the year.

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During 2012, Macmahon made a record $186.4 million investment in capital equipment. The purchase of new equipment has ensured the Company's ability to deliver on key projects, while also securing a modern fleet to meet future demand.

Mr Bowen said in a year of considerable growth, Macmahon also increased its number of direct employees from 3500 to nearly 4800 people.

"The focus for the year ahead will be to continue to drive margin improvements, through cost efficiencies, improved project execution and the pursuit of high margin overseas projects.

"Macmahon's diversified business strategy is now well advanced and the geographical footprint of our operations is continuing to expand across project types, markets and industry sectors. This business model positions the Company to tackle changing market conditions, while maintaining its commitment to delivering sustainable returns to shareholders," he said.

Mr Bowen said as Macmahon approaches its 50th anniversary, the outlook is positive for the year ahead, with a strong order book, robust tender pipeline and healthy working relationships with our clients. With much of the order book for the 2013 Financial Year already secured, the Company expects 20 per cent profit growth for the year ahead.

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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, Mongolia 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 49 year history.
Directly employing more than 4750 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

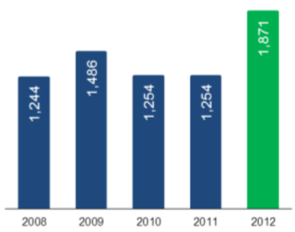
For the year ended 30 June 2012

Delivering Results

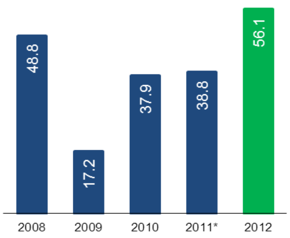
Revenue	Record revenue of $1.9 billion – up 49%
Profit	Record profit of $56.1 million – up 45% on 2011 underlying result
Order book	Record work won - $3.0 billion
EPS	7.7 cps – up from 0.1 cps
ROE	Increased to 16.5%
Dividend	Final dividend of 2.5 cps, fully franked Total dividend for FY12 4.0 cps, fully franked

Shareholder value

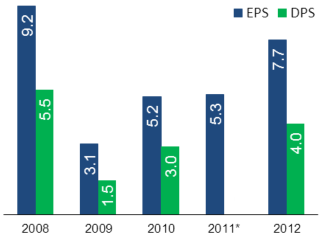
Revenue ($m)



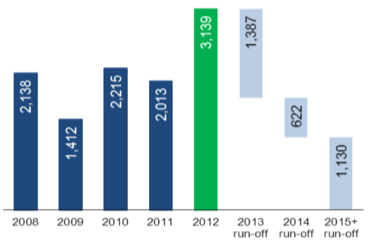
NPAT ($m)



EPS and DPS (cps)



Order Book ($m)



*Based on underlying figures

Financial performance

Macmahon delivered on its commitment to return to an acceptable level of profit, recording a record profit after tax of $56.1 million, a major uplift from the previous year of $1.0 million. The result reflects a substantial increase in revenue to $1.9 billion, with Mining performing strongly and Construction winning several new projects throughout the year.

The significant improvement in profit performance increased underlying earnings per share from 5.3 cents per share in 2011 to 7.7 cents per share in 2012. Underlying return on equity also increased from 10.7 per cent last year to 16.5 per cent in 2012.

Mining reported a record profit before tax of $72.3 million and record revenue of $880.1 million, an increase of 69.5 per cent and 30.5 per cent respectively. This was largely due to increased scope of works at existing projects and new projects won throughout the year. Mining margins increased from 6.3 per cent (7.6 per cent underlying) to 8.2 per cent in 2012 due to improved equipment utilisation, production performance and increased offshore activity.

Construction recorded an improved profit before tax of $25.9 million. It was a significant year for winning work and the ramp up of new projects, including the Solomon Rail Spur, Gladstone LNG earthworks and the South Road Superway. Although Construction has seen significant improvement this year with record revenue and higher profit, improving margins remains a focus for this Business where sourcing people and equipment has been a challenge in this period of rapid growth.

Order book

At year end, the Company's order book stood at a record $3.1 billion, with $1.4 billion secured for the 2013 Financial Year. A total of $3.0 billion of new work and contract extensions were secured during the year.

The strength of the Company's order book and a robust pipeline of work available for tender, underpin projected growth. The quality and diversity of the Company's client base provide the foundation for a sustainable business model well into the future.

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

	$ million
Opening balance at 30 June 2011	**2,012.8**
Less: Work completed	(1,870.7)
Add: Variations/extensions	253.3
Add: New contracts	2,743.4
Closing balance at 30 June 2012	**3,138.8**

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Dividend and DRP

The Board has declared a fully franked final dividend of 2.5 cents per share, which will be paid on 17 October 2012. This brings total dividends for the year to 4.0 cents per share fully franked, representing a payout ratio of 52.7 per cent. The resumption of dividend payments is a reflection of strong earnings growth and the positive outlook for the Company.

With further growth projected for the 2013 Financial Year, the Company has also reinstated its Dividend Reinvestment Plan (DRP). For the final dividend, investors will be given the opportunity to reinvest all or part of their dividends in additional Macmahon shares, without brokerage and other charges, at a discount of 1.5 per cent.

Cash flow and capital expenditure

The Company maintained its strong cash position throughout 2012, with a year-end cash balance of $134.9 million and operating cash flows of $86.8 million. Operating cash flows were impacted by some debtor collections which were delayed into early July 2012. The Company's EBITDA of $167.8 million, better depicts the company's cash generating capacity for the year.

The 2012 Financial Year saw Macmahon make a record investment in capital equipment, totalling $186.4 million. The purchase of new equipment has ensured the Company's ability to deliver on key projects, while also securing a modern, well maintained fleet to meet future demand. The Company's new equipment, combined with the Company's capability to maintain its own fleet, ensure Macmahon is well placed to meet the demand for projects requiring specialised equipment in the resources sector.

Capital Structure and Funding

Macmahon seeks to maintain a capital structure which appropriately reflects the inherent risks of a mining services business and positions the Company to be able to respond to growth opportunities as they arise to maximise shareholder value.

The Company's balance sheet is strong and gearing levels of 23.1 per cent net debt to equity remain within maximum targets. Taking into consideration almost $60 million in late debtor receipts which occurred in early July 2012, gearing is more accurately reflected at 7.1 per cent. Net interest cover improved to 6.2, an increase from 0.7 in 2011. All banking covenants remain well within limits with significant headroom.

In December 2011, the Company completed a $475 million early refinancing and upsizing of its syndicated financing facilities. The new facility was negotiated on improved margins and better terms and conditions, demonstrating ongoing support from Macmahon's core banking lenders. The new facility is expected to meet the Company's domestic growth funding requirements over the next three to four years.

As at 30 June 2012, bonding and funding facilities comprise:

$ million	Total facility	Drawn	Undrawn
Working capital cash advance (3 years)	75	64	11
Equipment finance (3 and 4 years)	275	149	126
Bank guarantee (3 years)	125	73	52
Insurance bonds	240	157	83

Arrangements for the establishment of non-recourse funding facilities for the Tavan Tolgoi project in Mongolia are well progressed, with Lead Arrangers appointed. The contract and funding arrangements for the project are planned to be sold down into a 50:50 off balance sheet joint venture structure in calendar 2013. In-country risks associated with the project have been mitigated by the use of political risk insurance and a contractual 'put option', which requires the client to buy the project fleet in certain circumstances.

Strategy

The Company strategy remains focussed on achieving 20 per cent year on year EPS growth and 20 per cent return on equity. Macmahon's diversified business model is now well developed, placing the Company in a strong position to deliver consistent growth, in spite of some uncertainty in market conditions. This is due to the Company's expanding geographical footprint and broad range of projects across different markets and sectors.

As part of its commitment to delivering shareholder value, Macmahon targets to pay out 50 per cent of profit as dividends.

Outlook

Despite recent uncertainty in the resources sector associated with lower commodity prices, the strategy of a diversified business model both geographically and by business type provides Macmahon with a solid growth outlook.

Contract extensions and the ramp up of the Tropicana Gold Project ensure the outlook for Mining in Australia remains strong, with quality projects still offering a good tender pipeline. The newly established Engineering business has opened up new markets for the Company's existing capabilities to deliver materials handling projects across the resources sector and in infrastructure construction. The Construction tender pipeline remains reasonable over the next few years with committed resource projects, combined with ongoing government infrastructure works.

Internationally, the Company's expansion into Mongolia, with the Tavan Tolgoi contract win, was an important step in the development of our global footprint. Together with the addition of a new project in Nigeria, the International business is growing to represent a more significant part of the Company's profit base. International operations typically have a competitive cost structure returning higher margins than domestic operations. International opportunities will be a major avenue for the Company's continued growth.

As Macmahon approaches its 50th year in calendar 2013, the outlook is positive for the year ahead, with a strong order book, robust tender pipeline and healthy working relationships with our clients. Much of the order book for the 2013 Financial Year has already been secured, combined with a cost control and productivity focus, the Company expects 20 per cent year on year profit growth.

For the year ended 30 June:

$ millions	2012	2011	Change
Profit and loss			
Operating revenue	1,661.5	1,089.4	53%
Joint venture revenue (net of joint venture recoveries)	209.3	165.0	27%
Total revenue	**1,870.7**	**1,254.4**	**49%**
Earnings before interest and tax	89.6	8.2	993%
Interest	(14.4)	(12.0)	20%
Profit/(loss) before tax	**75.2**	**(3.8)**	
Tax (expense)/benefit	(19.2)	1.1	
Non-controlling interest	-	3.8	
Net profit after tax & non-controlling interest	**56.1**	**1.0**	
Add back: significant items	-	37.8	
Underlying net profit after tax & non-controlling interest	**56.1**	**38.8**	**45%**
Underlying NPAT margin (%)	3.0	3.1	
Underlying earnings per share (cents)	7.7	5.3	45%
Dividends per share (cents)	4.0	-	
Cash Flow			
EBITDA	**167.8**	**65.3**	**157%**
Net interest paid	(9.2)	(12.0)	(23%)
Income tax (paid) / refund	(4.8)	(0.9)	
Working capital and provisions (decrease) / increase	(67.0)	40.0	
Operating cash flow	**86.8**	**92.4**	**(6%)**
Capital expenditure	186.4	82.1	127%
Cash on hand	134.9	115.6	17%
Operating cash flow per share (cents)	11.7	12.6	(7%)
Balance Sheet			
Net debt/(cash)	82.6	(39.5)	
Gearing (%)	23.1	(12.2)	
Order Book	**3,139**	**2,013**	**56%**

Note: Numbers in the table may not add due to rounding