

Macmahon Holdings Limited

Half Year Results 2014

18 February 2014



Half Year Highlights

- Creditable performance in a difficult market
- Revenue of \$574.9 million
- Net profit after tax of \$19.4 million
- Exit from construction now complete
- EPS from continuing operations of 1.4 cps
- Order book of \$2.8 billion consisting of long-term contracts with blue-chip clients
- Challenging market conditions increasing margin pressure
- New work difficult to secure



Operational Update

Surface Mining

- Continued focus on people and productivity improvements at Christmas Creek and Tropicana
- Rollout of new technology continuing at Tropicana:
 - Caterpillar MineStar system introduced in August 2013
 - Third excavation fleet delivered in July 2013
- Eaglefield – accelerated production schedule until October 2013 reducing thereafter (end of Lenton pit mine life)
 - Project 6 years LTI-free
- Waihi project exceeding client production schedule
- Orebody 18 likely to finish later in 2014. Negotiations with BHPBIO regarding a framework agreement for future work are progressing well
- Cameby Downs and Wheelarra projects now complete



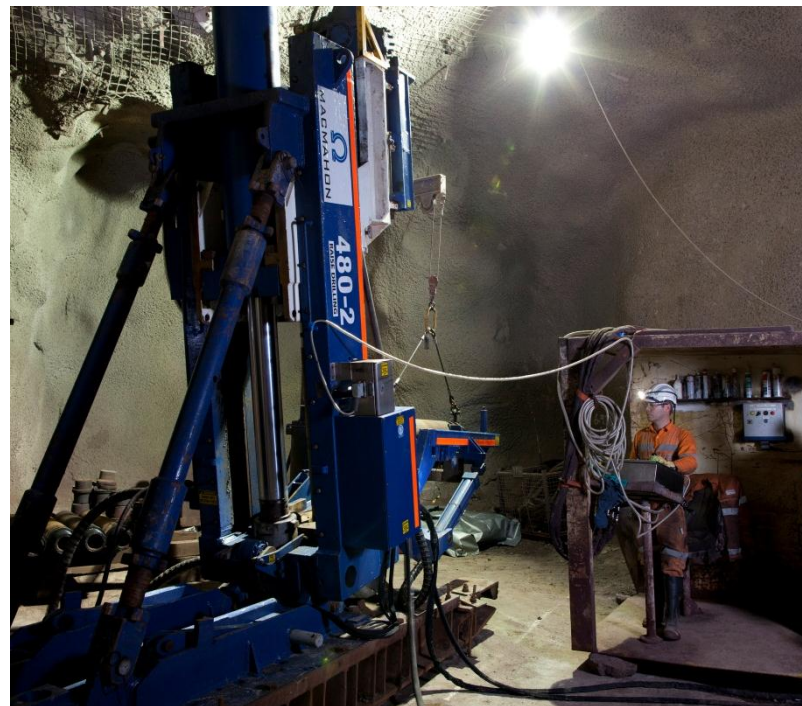
Operational Update

Underground Mining

- Operations expanded at Olympic Dam
- Works at Ranger 3 Deeps progressing well
- Future works at George Fisher currently under negotiation
- Argyle continuing on reduced scope of works
- Shotcreting approaching 7 years LTI free

International Mining

- South East Asian operations delivering consistent performance
- Nigerian operations impacted by lower demand from client – improvement expected going forward
- >3,000 LTI free days – Kanthan
- >1,000 LTI free days – Lhok Nga and Rawang



Tavan Tolgoi Contract Update

- \$US22 million of PPE required to be purchased from the client under the terms of the contract
- Proposal currently being pursued to offset PPE purchase against outstanding progress payments to reduce trade debtors and pay outstanding balance
- Termination protection – client required to buy fixed assets at termination of contract
- Additional short term client funding now in place. Delivery of Chalco prepayment tonnes expected to accelerate



Map of Operations

AUSTRALIA

Western Australia

Argyle
Christmas Creek Expansion Project
Lanfranchi
Orebody 18
Savannah
Tropicana
WAC workshop

Northern Territory

Ranger 3 Deeps

South Australia

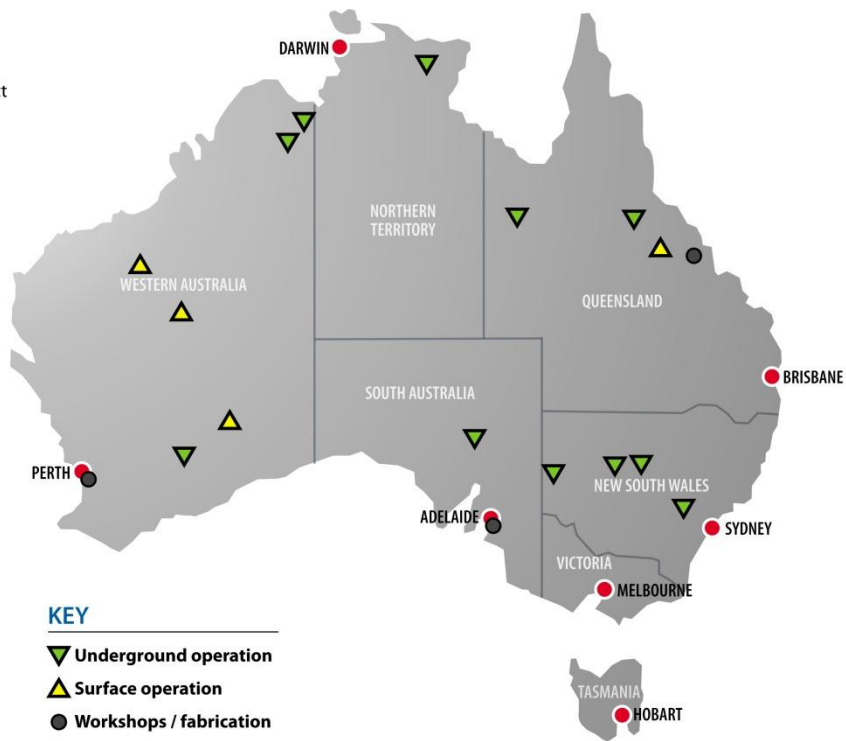
Olympic Dam
Lonsdale workshop

Queensland

Eaglefield / Lenton
George Fisher
Mt Wright
Nebo workshop

New South Wales

Broken Hill
Cadia
Peak
Tritton



KEY

- ▼ Underground operation
- ▲ Surface operation
- Workshops / fabrication



INTERNATIONAL

New Zealand

Waihi

Nigeria

Ewekoro
Calabar

Malaysia

Kanthan
Rawang

Indonesia

Lhok Nga

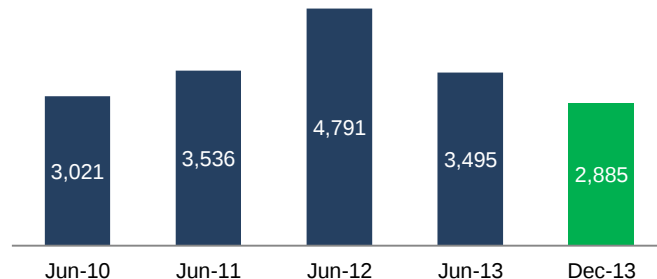
Mongolia

Tavan Tolgoi

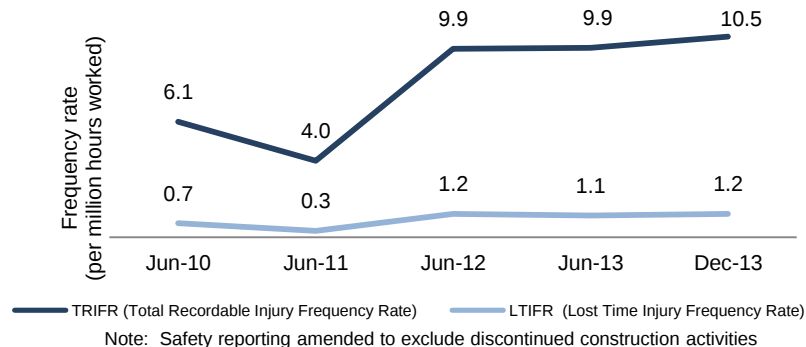
People and Safety

- Employee numbers reduced following completion of various projects
- Leadership and up-skilling programs a key focus
- Continued commitment to graduate, apprenticeship and Indigenous programs
- Safety improvement plan:
 - enhancing safety culture and leadership
 - streamlining safety systems and processes
- CEO Significant Incident Review process driving greater accountability

Group employee numbers



Safety performance



Financial Highlights

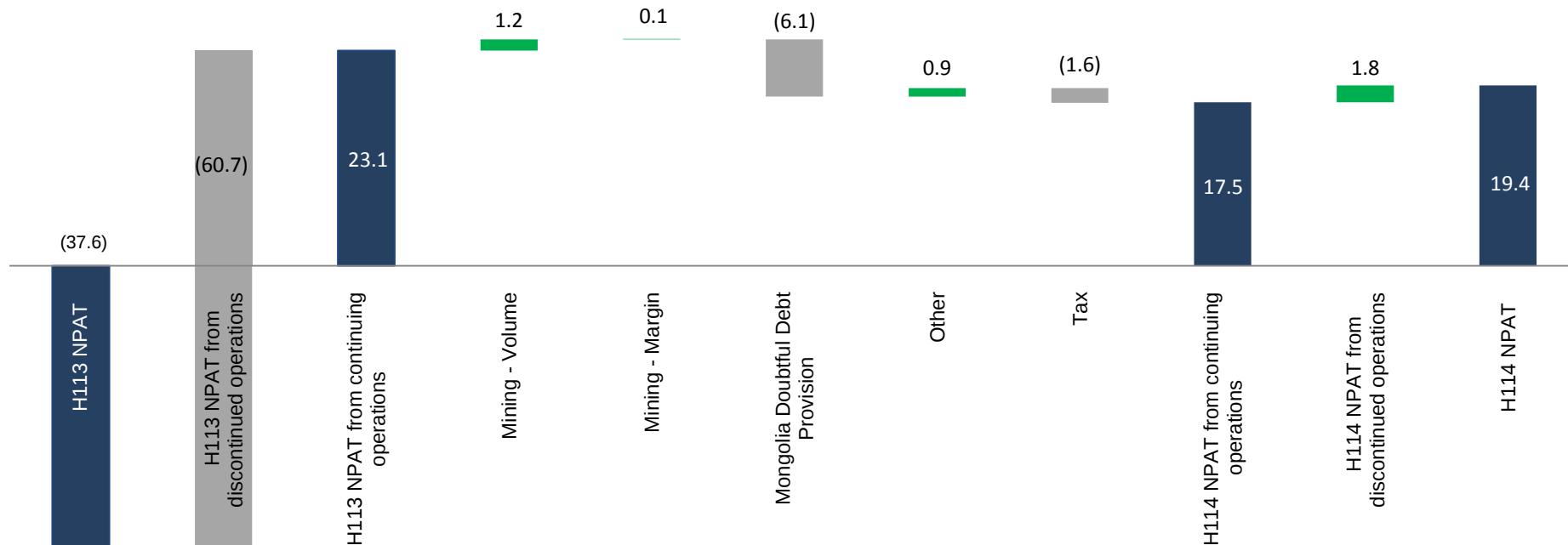


Income Statement

\$ millions	Dec-13	Dec-12	Change
Total revenue (including joint ventures) from continuing operations	550.1	533.3	3%
Earnings before interest and tax (EBIT) from continuing operations	37.1	43.2	(14%)
Interest	(8.7)	(10.8)	(19%)
Profit before tax from continuing operations	28.4	32.4	(12%)
Tax expense	(10.9)	(9.3)	17%
Profit after tax from continuing operations	17.5	23.1	(24%)
Profit / (loss) from discontinued operations (net of tax)	1.8	(60.7)	103%
Profit / (loss) for the period attributable to equity holders of the Company	19.4	(37.6)	152%
Profit after tax margin from continuing operations	3.2%	4.3%	
Earnings per share – continuing operations (cents)	1.4	3.0	(53%)
Earnings / (loss) per share – consolidated (cents)	1.5	(4.9)	131%
Dividends declared per share (cents)	nil	nil	

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

Profit Waterfall

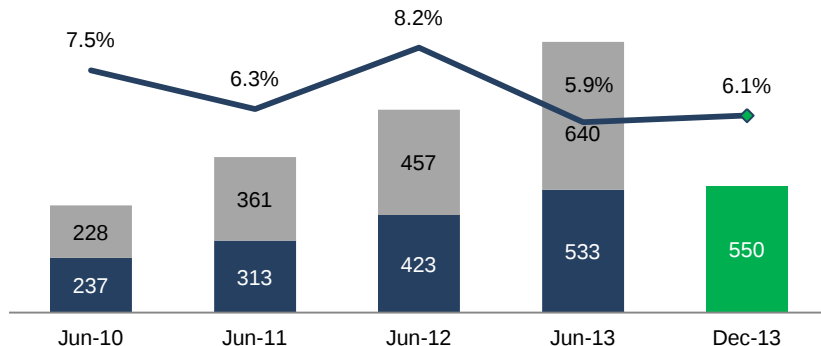


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Mining Performance

\$ millions	Dec-13	Dec-12	Change
Segment revenue	550.1	533.3	3%
Profit before tax	33.5	38.4	(13%)
Profit before tax margin %	6.1%	7.2%	
Order book	2,826	1,840	54%
Capex	59.3	76.2	(22%)

Revenue (\$ million) and PBT margin



- Total revenue of \$550.1 million - up 3% on pcg
- Significant increase in revenue from Christmas Creek and Tropicana
- Profit before tax of \$33.5 million, margin of 6.1%
- Profit result impacted by provision for doubtful debts against Tavan Tolgoi project. Excluding this provision, profit before tax would have been \$39.6 million and margin 7.2%, in line with pcg
- Order book of \$2.8 billion - up 54% on pcg
- Capex spend of \$59.3 million, relating mainly to replacement surface mining equipment

Discontinued Operations

\$ millions	Dec-13	Dec-12
Segment revenue	24.8	503.6
Profit / (loss) before tax	0.5	(110.1)
Profit / (loss) after tax	1.8	(60.7)
Order book	0.5	1,073

- Revenue of \$24.8 million relates to the Trangie Nevertire Irrigation Scheme project (completed) and the Hong Kong XRL-822 tunnel project (now sold)
- Profit after tax of \$1.8 million, includes tax benefit of \$1.3 million from the sale of Hong Kong XRL-822 project
- Exit from construction completed
- Majority of contracts now novated to the Leighton Group following sale in February 2013
- Legacy contracts fully provisioned

Cash Flow

\$ millions	Dec-13	Dec-12
Operating cash flow	(13.6)	77.5
Proceeds from sale of assets ¹	28.8	37.6
Capital expenditure ²	(59.3)	(80.4)
Equity raising and DRP	-	40.5
Dividend paid	-	(12.9)
Cash on hand	105.9	183.5

1. Includes sale and lease back of equipment (Dec-13: \$23.8 million; Dec-12: \$36.8 million)

2. Excludes plant and equipment acquired under finance leases and hire purchase (Dec-13: nil; Dec-12: \$9.3 million)

- Group cash from operations - net outflow of \$13.6 million driven by residual construction outflows of \$50.1 million
- Prior period net inflow of \$77.5 million included \$64.0 million in overdue debtors from the June 2012 period
- Operating cash flow from continuing operations of \$36.5 million (refer slide 14), negatively impacted by delayed collection of claims from Tavan Tolgoi and CSA projects
- Capital program fully cash funded resulting in reduced cash on hand of \$105.9 million

Normalised Cash Flow

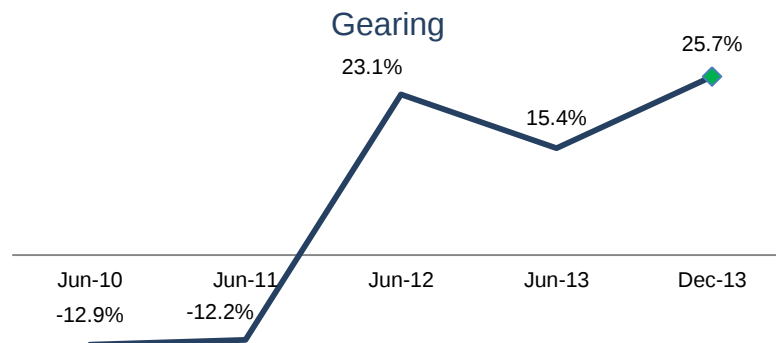
\$ millions	1-Jul-13 to 31-Dec-13			1-Jul-12 to 31-Dec-12		
	Continuing	Discontinued	Total	Continuing	Discontinued	Total
Reported Operating Cash Flows	36.5	(50.1)	(13.6)	93.4	(15.9)	77.5
Less: Delayed debtors collected in July	(18.9)	(1.1)	(20.0)	(7.0)	(57.0)	(64.0)
Add: Delayed debtors collected in January	16.2	-	16.2	9.5	4.1	13.7
Normalised operating cash flow	33.7	(51.2)	(17.4)	95.9	(68.8)	27.1

Note: Numbers may not add due to rounding

- Cash flow normalised for timing of debtor collections in each of the reporting periods
- Normalised operating cash flow from continuing operations of \$33.7 million, negatively impacted by disputed and delayed collection of claims from CSA and Tavan Tolgoi projects
- CSA claim being pursued through litigation
- Tavan Tolgoi - pursuing an option to pay for \$US22 million of PPE (required to be purchased from the client under the contract) out of outstanding debtors

Balance Sheet and Gearing

\$ millions	Dec-13	Jun-13	Change
Current assets	379.4	435.3	(13%)
Non-current assets	487.3	509.2	(4%)
Total assets	866.8	944.5	(8%)
Net assets	423.8	401.2	6%
Net debt	108.8	61.7	76%
Gearing	25.7%	15.4%	



- Bank guarantee lines reduced by a further \$36.6 million to reduce costs, funding facility now \$397.9 million
- Current funding headroom of \$167.0 million
- Gearing (net debt / equity) 25.7% following outflows associated with discontinued operations

Strategy and Outlook



Strategy – Four Pillars of Success

Improved Safety Performance

- Simplified safety polices and procedures implemented
- Visible safety leadership – on site mentoring and coaching to reinforce safety culture
- CEO Significant Incident Reviews implemented to increase accountability

Improved Business Development

- Up-skilling business development staff
- Structured client engagement program
- Leveraging internal expertise

Business Improvement Program

- Rapid sourcing initiative delivering annualised savings of \$6 million p.a.
- Strategic sourcing initiative commenced
- Value-driver mapping completed
- Focus now on operational efficiencies

Investing in our People

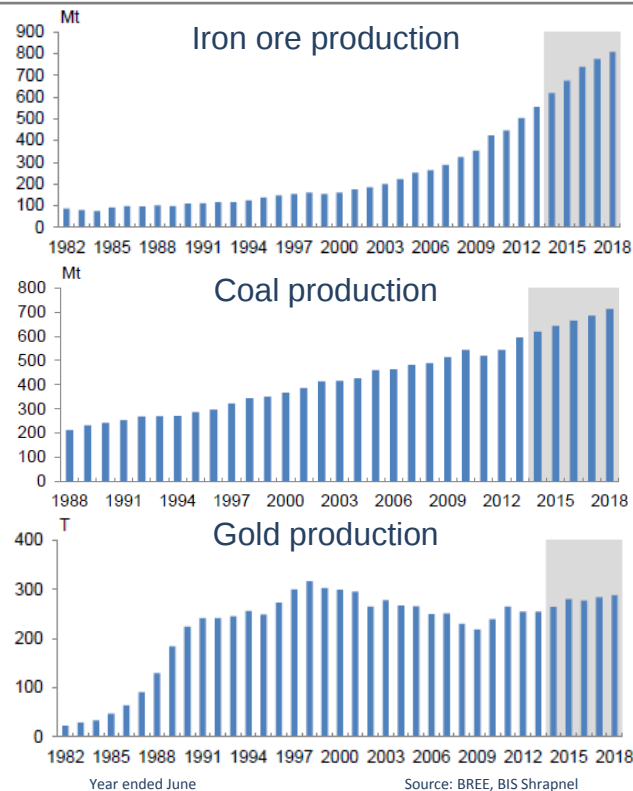
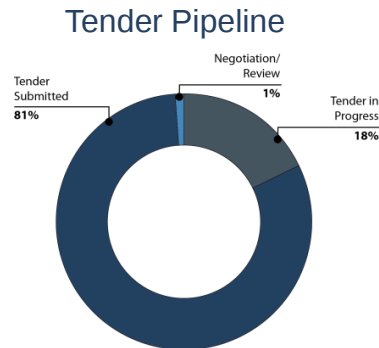
- Increased focus on training and development
- Establishing a culture of leadership and accountability
- Apprenticeship, graduate and Indigenous programs

Business Improvement Program

- Business improvement program formalised through creation of the REACH program
- Review of operations, support services and corporate functions underway
- Value-driver mapping completed
- Rapid Sourcing initiative completed – delivering annualised savings of \$6 million
- Strategic Sourcing initiative commenced – targeting consumables and freight
- Individual site initiatives include:
 - loader utilisation improvements
 - cycle time optimisation
 - drill maintenance cost reductions
 - idle time reduction
 - improvement in effective work hours

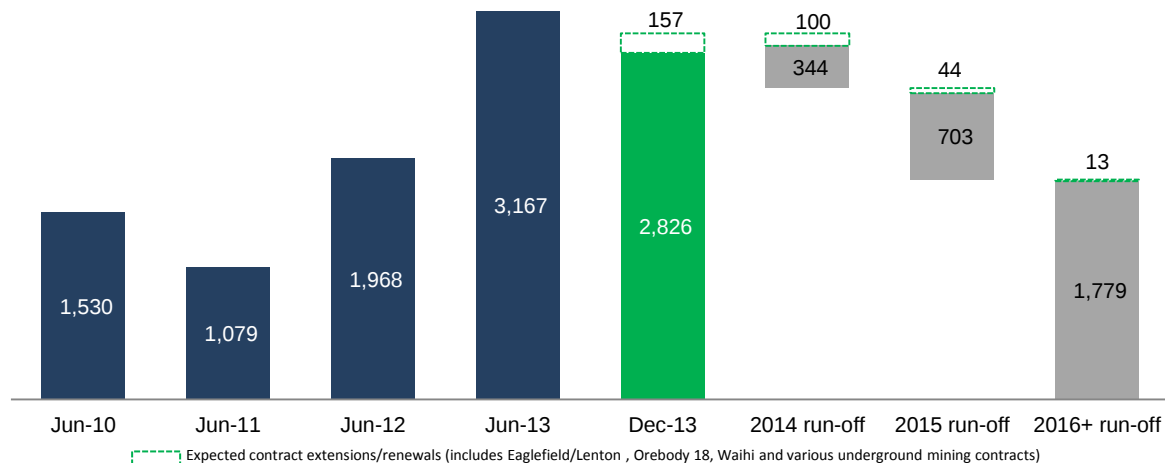
Outlook

- Challenging market conditions continue
- Margin pressure continues as clients seek to reduce costs
- Mining production forecast to increase over the next 4 years
- International outlook remains positive as strong economic growth continues in Asia and Africa
- ~\$3 billion of new opportunities in the tender pipeline but timing and certainty remains variable

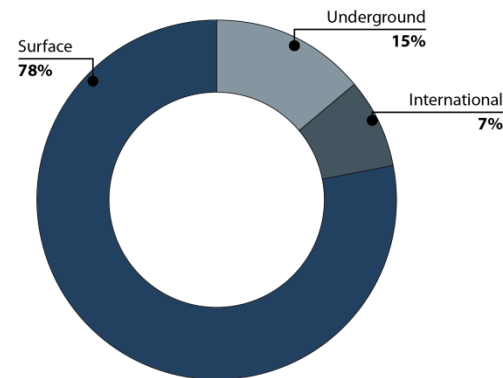


Order Book

Order book and run-off (\$ million)



Order book by division



- Order book of \$2.8 billion consisting mainly of long-term contracts with blue-chip clients
- More than \$340 million of second half revenue secured¹ and approximately \$100 million of revenue expected from works at Eaglefield/Lenton, Orebody 18 and various underground mining contracts

1. "Revenue secured" means revenue estimated to come from existing contracts. These estimates are subject to fluctuation for contract variations, termination, and other risk factors described in the Disclaimer slide.

Summary



 **MACMAHON**

Summary

- Creditable result in a difficult market
- Exit from construction now complete
- Business improvement program delivering cost savings
- Order book of \$2.8 billion
- Greater focus on business development and business improvement
- Full year revenue expected to be in line with previous guidance



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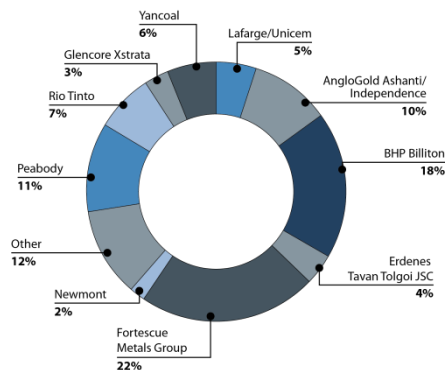
Major Projects and Key Clients

Project	Value	Started
Christmas Creek (WA)	\$1.8 billion	2012
Orebody 18 / Wheelara (WA)	\$975 million	2006
Tropicana Project (WA)	\$900 million	2012
Eaglefield / Lenton (QLD)	\$550 million	2003
Olympic Dam (SA)	\$687 million	2004
Argyle Mine (WA)	\$376 million	2006
Tavan Tolgoi (Mongolia)	US\$250 million	2012
Calabar Quarry (Nigeria)	US\$126 million	2012

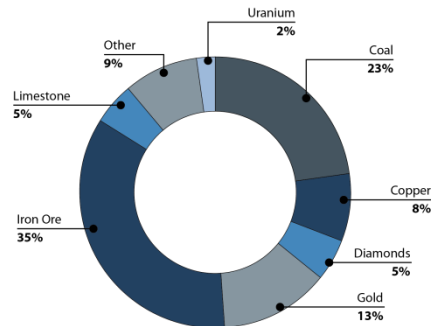


Revenue and Order Book Diversity

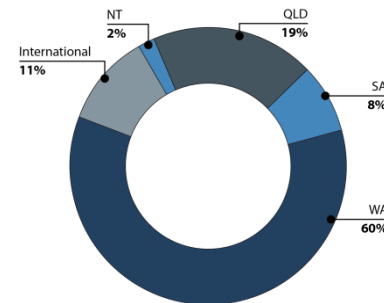
HY14 revenue by client



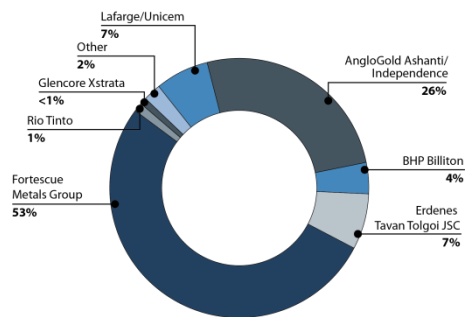
HY14 revenue by commodity



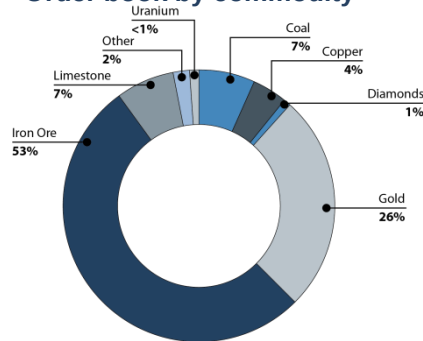
HY14 revenue by location



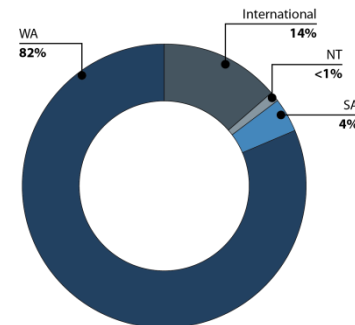
Order book by client



Order book by commodity



Order book by location



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References to “Macmahon”, “the Company”, “the Group” or “the Macmahon Group” may be references to Macmahon Holdings Ltd or its subsidiaries.

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