

27 August 2015

## **New CEO employment contract**

Macmahon Holdings Ltd (ASX: MAH) today finalised the employment contract with its new Chief Executive Officer, Sy van Dyk.

Macmahon Chairman, Jim Walker, said the remuneration package for Mr van Dyk had been designed to reflect the Company's current size and structure.

"Given current market conditions and our leaner business model, the Board has negotiated a salary package with Mr van Dyk which represents a 40 per cent cost saving on the salary of the former CEO," Mr Walker said.

The new salary package also involves a change in remuneration mix to focus incentives more on long-term shareholder returns, whilst still offering a reward for the achievement of short-term objectives.

Mr van Dyk's new salary is currently affected by the 10 per cent reduction that is in place as part of the nine day fortnight cost initiative. This reduction was implemented in June as part of broader cost reduction initiatives across the Company.

Key terms of Mr van Dyk's employment contract are listed in Appendix A (attached).

\*\*\* ENDS \*\*\*

For further information, please contact:

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**Appendix A:****Summary of the key terms and conditions**

|                                    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
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| <b>Position:</b>                   | Managing Director and Chief Executive Officer                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| <b>Commencement Date:</b>          | The new contract is effective from 13 July 2015. The contract is ongoing and has no fixed term.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| <b>Fixed Annual Remuneration:</b>  | <p>\$650,000</p> <p>A 10 per cent salary reduction is currently being applied to this remuneration as part of the corporate nine day fortnight cost reduction initiative. This reduces the fixed remuneration to \$585,000 per annum while the initiative remains in place.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| <b>Short Term Incentive (STI):</b> | <p>The CEO will be eligible to earn a cash bonus for each financial year, calculated in accordance with the applicable Macmahon Short Term Incentive Plan.</p> <p>For FY16, the CEO's opportunity to earn a short term incentive or cash bonus for 'target' levels of achievement (112.5% of Board approved budget) in each financial year will be 50% of fixed remuneration, subject to strict performance hurdles. For 'stretch' levels of achievement (125% of Board approved budget), the bonus opportunity will be up to 75% of fixed remuneration.</p> <p>25% of any bonus award will be deferred for two years before payment, and 30% of any bonus award will be subject to a claw back provision allowing the Company to reclaim the payments for up to two years in certain circumstances.</p>                                                                                                                      |
| <b>Long Term Incentive (LTI):</b>  | <p>The Company may, at its absolute discretion, invite the CEO to participate in the Macmahon Executive Equity Plan or some other long term incentive arrangement. This arrangement may take the form of (a) share options, (b) share performance rights which can be converted into fully paid shares subject to certain specified time restrictions and performance criteria being met, or (c) some other type of reward linked to the share price or long term performance of the Company.</p> <p>The Company intends to invite the CEO to participate in the FY16 LTI Plan once it is formalised by the Board. The long term incentive will be equivalent to 100% of Mr van Dyk's fixed remuneration at award, which the Company considers to be a fair market offering given the lower fixed remuneration.</p> <p>If required, Mr van Dyk's participation in any LTI award will be put to shareholders for approval.</p> |

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| <b>Notice Period</b>         | 6 months                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| <b>Termination Payments:</b> | <p>The contract can be terminated by either party with 6 months' notice or by payment in lieu, except in certain circumstances where no notice period applies. A pro rata award of the Short Term and Long Term Incentive will be made if there is termination by notice given by the Company (except where the termination is due to a substantial breach on the part of the Chief Executive Officer).</p> <p>If any benefit that would otherwise be due upon termination of employment requires the approval of shareholders under any regulatory requirement, then the Board has an absolute discretion about whether to seek shareholder approval. If the Board does not seek shareholder approval, or if shareholders do not give approval, then the benefit is not due.</p> |