

ASX/MEDIA RELEASE

09 October 2013

Clough Chairman's Address – 2013 Annual General Meeting

Overview of the Year

The past financial year was characterised by a slowdown in economic growth in China leading to weaker demand for mineral resources.

Along with the well-publicised productivity and cost challenges facing Australian projects, this downturn has resulted in the postponement of many major mining and minerals projects and turbulent markets.

Despite these challenges Clough has achieved unprecedented success. Through a strategy focused on project execution excellence, cost efficiency and enhanced productivity, the company has delivered record financial results, while continuing to improve safety and expand the workforce.

Total revenue increased by 50 per cent compared to the prior corresponding period, though more pleasing was the significant step change in profitability, achieved through an organisation wide focus on margin improvement, to deliver superior shareholder value.

Earnings before Interest and Tax, Net Profit after Tax and Basic Earnings Per Share have all increased by over 100 per cent compared to the prior year, with the challenging stretch targets on the company scorecard being achieved.

These results have been achieved while maintaining a solid order book, a strong balance sheet and significantly increasing investment in leadership development, graduate engineering programs and staff training.

Kevin will share the full details of our financial results in his presentation later in the meeting.

Operations

Clough continued to work on over 20 major projects across Australia and Papua New Guinea throughout the year, with a good spread of projects across our four business divisions. We remain well positioned in the Liquefied Natural Gas and Coal Seam Gas sectors, and are working on every major LNG project in the execution phase in Australia and Papua New Guinea today.

Operationally, we continued our commitment to establishing best practice in the areas of safety, cost and productivity performance.

Our safety performance improved for the fifth consecutive year, with Lost Time Injury rates declining by 7 per cent and Total Recordable Injury rates declining by 14 per cent. While these rates are Australian industry leading, our aim is to make Clough a workplace that operates free of injury or incident.

Sadly, in July 2013, we recorded our first fatality in more than 10 years, in Papua New Guinea. This is a sobering reminder that we must always remain vigilant on safety. Since this tragic incident, significant work has been done on improving our safety risk processes to identify and reduce the risk of future fatalities.

In terms of productivity we have invested significantly in technology and programs to improve our productivity performance. This included developing proprietary software to enable real time productivity reporting on our projects.

Productivity will be driven from the top, with Clough's Operating Committee providing governance and oversight for all operations. To drive the right behaviors at project level, project incentive programs will be aligned with safety, cost and productivity outcomes.

In response to industry cost challenges, Clough has implemented pro-active austerity measures to eliminate cost inefficiency. In the past year these measures have safely and sustainably eliminated more than \$10 million dollars in operating costs. In the coming year we will continue to focus on driving down costs to remain competitive in an increasingly global environment.

People and Leadership

Clough's workforce grew by 33 per cent to more than 6,000 people throughout the year due to increased demand for our services. Leadership was strengthened with key appointments, including:

- Rick Robinson as Executive Vice President of Projects,
- Geoff Bird as Vice President of Strategy and Commercial, and
- Peter Hayward as Vice President, Health, Safety and Environment.

We are taking a long term view to people development, by increasing investment in building capability. Succession planning and talent development programs continue to bolster our pipeline of future leaders, from graduates to executives.

In the coming year we will launch a project management development program in line with our aim to build superior project management capability that will differentiate Clough from our competition. Our aim is to have "Clough certified" project managers recognised as the best in the industry.

Performance Rights

A key part of our success is to ensure Clough retains and incentivises talented executives who are strategically important to the business.

At the 2012 AGM shareholders approved a new Executive Incentive Scheme that allowed the Board to make an annual allocation of Performance Rights to key executives.

Performance Rights are allocated to executives who have made an outstanding contribution to the business.

This year the Board Remuneration Committee considered and allocated the Performance Rights for 2013 to Kevin Gallagher and Neil Siford, subject to the approval of shareholders at this meeting because they are executive directors of Clough.

Both Kevin and Neil have done a fantastic job during the past 12 months and their contribution as board members is highly valued by all of the non-executive directors.

Due to the outstanding company performance, the Board considers that key executives have earned the right to participate in the Executive Incentive Scheme and should not be denied that right due to the Murray & Roberts proposal to acquire the minority shareholdings in the company.

Strategic direction

Clough's services span the full project lifecycle, from engineering through to operations. We offer clients a unique value proposition by engineering to construct, then constructing to operate, reducing risk by optimising safety, productivity and cost across every phase of a project. This full lifecycle service is a key competitive differentiator.

During the year, we continued to implement our strategy, guided by our 4+2+3 foundation business model comprising four services:

- Engineering,
- Capital Projects,
- Jetties and Near Shore Marine and
- Commissioning & Asset Support

Two market sectors:

- Energy and Chemicals and
- Mining and Minerals;

And three key regions:

- Australia,
- Papua New Guinea and
- International.

We continue to build capability in our Engineering and Commissioning & Asset Support businesses, which represent our medium term growth areas, both domestically and internationally.

Capital Projects and Jetties & Near Shore Marine represent our core foundation businesses, where our focus is on providing excellence in project execution and superior productivity for our clients.

In line with our strategy we took the decision to sell our 36 per cent holding in Forge for net proceeds of \$184 million and a pre-tax profit of \$70 million. Forge delivered strong growth and was an excellent investment for Clough. The sale contributed to year end cash holdings of \$441.2 million.

We strengthened our Commissioning capability significantly during the year, though the acquisition of leading Australian commissioning contractor e2o and the establishment of the Clough Coens Joint Venture in Korea, to provide commissioning services to the world's largest fabrication yards.

We were also pleased to evolve our strategy, with the introduction of our "new horizons" growth plan. This will manifest itself in the short to medium term with a controlled and orderly expansion of engineering led activities beyond Australia and Papua New Guinea.

The first step in this expansion will be the establishment of a United Kingdom engineering centre in Glasgow, Scotland, to provide low cost engineering services to the North Sea and Africa, where we see future LNG opportunities.

M&R Proposal

As you are aware, Murray & Roberts, who has held a 62 per cent investment in Clough for a number of years, is seeking to acquire all of the Clough shares that it does not already own via a scheme of arrangement. If the Scheme is approved, Clough shareholders will receive a total cash payment of \$1.46 per Clough share. The cash payment is expected to comprise:

- a capital payment of \$1.32 per share paid by Murray & Roberts; and
- a special dividend of \$0.14 per share, which is expected to be fully franked.

Clough shareholders will shortly receive a Scheme Booklet, containing full details of the proposed transaction, together with details of shareholder meetings to approve the transaction. The shareholders meetings will take place in mid – November 2013.

If the transaction is approved, shareholders will receive payment for the acquisition of their shares and the Special Dividend in mid – December 2013.

The Proposal represents an opportunity for Clough shareholders to realise significant value for their investment.

Your independent directors unanimously support the transaction and recommend that you vote in favour of the resolutions to implement the Scheme.

Thank you to shareholders

I would like to take this opportunity to thank you, our shareholders, for your support throughout another successful year.

Thank you.

Ends

For further information, please contact:

Luke Derbyshire, Corporate Affairs & Media Advisor +61 8 9281 9303

About Clough:

Clough is an engineering and project services contractor servicing the Energy & Chemical and Mining & Mineral markets in Australia and Papua New Guinea. Our services range from early concept evaluation and feasibility studies through design, construction, commissioning and long term asset support and optimisation.

Backed by an experienced management team, a workforce of over 6,300 personnel and sophisticated project management systems, Clough is recognised for a commitment to safety, sustainable development and the wellbeing of the people, communities and environments in which it operates.

www.clough.com.au