

23 October 2012

Clough Chairman's Address – 2012 Annual General Meeting

It has been a year since I provided you with my first address as the Chairman of Clough, and I am pleased to say I believe the past year has been one of the most exciting in Clough's history.

The pace of positive change under the new leadership team has been remarkable. Strategic clarity has been brought to the business, with the organisation aligned and focussed on providing shareholder value through:

- Excellence in project execution
- Cost efficiency
- Contract and portfolio diversification, and
- Organic and acquisitive growth.

A new group-wide organisation structure to improve earnings and position Clough for the next phase of growth has been implemented. Our focus is on growing our earnings across four business lines of:

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

Clough's current order book is heavily leveraged to the Energy and Chemical market sector, specifically LNG. Going forward, we aim to diversify earnings by increasing exposure to the Mining and Minerals market, and by growing our capabilities in Commissioning and Asset Support.

Financial and Operational Performance

2012 was a year of achievements.

Financially Clough performed well, delivering just over \$1 billion dollars of revenue for the year, up 28% on the previous year. We also improved earnings before interest and tax (EBIT) to \$37.2 million. Second half EBIT was \$24.4 million, up 90% on the first half of the year. These numbers exclude Forge's contribution.

Our people worked over 45 million work hours, more than double the hours recorded in the prior year. Despite the increased activity, safety performance improved with injuries at the lowest levels recorded.

Our Lost Time injuries were 0.13 per million work hours, a reduction of 38% on the prior year, while Total Recordable injuries reduced by 52% to 2.05 per million work hours. I am pleased to say this positive safety trend has continued, with both Lost Time and Total Recordable injuries reducing again in September 2012.

We secured 14 new contracts or contract extensions throughout the year, resulting in an order intake of more than \$1.5 billion dollars and contributing to our record order book of \$2.3 billion dollars.

Clough's project portfolio has a good balance of cost reimbursable and lump sum contracts over the 20 projects we are working on across Australia and Papua New Guinea.

We have a good spread of projects across our four business divisions. Our Engineering division has the Gorgon EPCM project, which now employs nearly 700 Clough people, and we are also ramping up our Ichthys IPMS project, which was awarded in September 2011.

The NAAN3 Ammonium Nitrate plant is a key project being executed by our Capital Projects business in WA, and sees Clough return to the Kwinana strip.

In Queensland, our focus is on the growing Coal Seam Gas industry. Construction on the K128 project for Santos' Gladstone LNG project is in full swing, while our Queensland engineering team has grown rapidly with contracts for a number of blue chip clients including Origin, Oil Search and QGC.

Post Full Year close, we increased our presence in the Coal Seam Gas sector with the award of Stage 1 of QGC's Queensland Curtis LNG Woleebee Creek Project. Successful completion of this project should see the contract extend to Stage 2, which would have a significant impact on our 2014 revenue.

Our three projects in Papua New Guinea span the Capital Projects and Jetties and Near Shore Marine business and continue to perform strongly. We have a workforce of over 2000 people in the region and recently added a minerals project to our PNG project portfolio, with the award of the Wafi-Golpu project by Marobe Mining Joint Venture.

The focus for our Jetties and Near Shore Marine business is also moving to the Western Australia and the Northern Territory region, with the ramp up of three projects, one for Wheatstone and two for INPEX, all awarded in the second half of 2012.

We have a number of Commissioning and Asset Support projects in the region, including the Wheatstone Hook up and Commissioning Project, where our commissioning people are working in an integrated team with Chevron to ensure a smooth transition to the operations phase for in 2015.

People and Talent

People continue to be the organisation's most valuable asset.

Clough's total workforce grew by 32% in the past year, to a total of 4785 people. Over 1200 new employees were sourced by our in-house recruitment team, from a network of local and global candidates.

As part of our organisational restructure, our Executive Committee was established in March 2012, to execute Clough's strategy and provide stewardship for the organisation.

In June 2012, we also established the Operating Committee to strengthen governance across our operations and ensure early detection and management of any project or business issues.

Leadership was strengthened with key appointments to both our Board and Executive Committee.

Henry Laas and Cobus Bester joined the Clough Board as Non-Executive Directors in July 2011, following the retirement of Brian Bruce and Roger Rees. CEO and Managing Director Kevin Gallagher replaced previous CEO John Smith, as an Executive Director on 3 November 2011, while Ian Henstock was appointed as a Non-Executive Director in January 2012, replacing Nigel Harvey. As Chairman I have been pleased with the way the new Board has been united in the achievement of Clough's vision and strategy.

Key Executive Committee appointments include Catharine Payze, who took the position of Executive Vice President, People and Organisation Development in May 2012, and Rick Robinson, who joined Clough on 2 October 2012, as Executive Vice President, Projects.

During the past year we also completed a comprehensive review of our training and development, succession planning and remuneration programs, to ensure these align with our vision and strategy. Innovative new programs have been implemented to ensure we continue to attract and retain top talent in the industry.

After an eight-year sabbatical we also re-established the Clough Scholars program in conjunction with the University of Western Australia. The program was originally introduced by Harold Clough back in 1969, and has awarded over 200 scholarships to the best and brightest engineering students. Today many of the Clough Scholars Alumni are leaders in industry, business and government.

Strong Foundations for Growth

The uncertainty in the Mining and Minerals sector has presented many challenges for our industry. Although we expect the sector to rebound, today Clough's strong position in the oil and gas sector provides a degree of protection from these market fluctuations.

Our investment in Forge continues to deliver value, with the company announcing its sixth consecutive year of strong, profitable growth. We expect this strong performance to continue in the coming year.

Clough has a record order book of \$2.3 billion, providing the foundations to improve financial performance and deliver superior value to our shareholders. Our strong tender pipeline features a number of good quality, near term opportunities across all of our businesses.

We are confident of further significant awards during the year, and are well positioned to win more work in Australia and Papua New Guinea.

We have a strong balance sheet and cash position which provides the flexibility to pursue growth options. During the year we will consider strategic acquisitions to extend our project management and engineering capability.

With a strong leadership team and an organisation and culture aligned on the delivery of shareholder value through a focus on excellence in operational and commercial performance, we expect to generate a minimum EBIT margin of 5% for FY13, and aim to increase to 7% in the longer term.

Thank you

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For further information, please contact:

Kristy McGrath, Marketing & Communications Manager +61 8 9281 9344

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, nearly 4800 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.

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