



**10 November 2004**

## **2004 Annual General Meeting - Chairman's Address**

In my Chairman's Report in this year's Clough Annual Report I cited that I remain optimistic on Clough's outlook as we move into the next stage of the Company's recovery. I remain of this view.

The Board and Senior management have two immediate priorities. One is the finalisation of the existing difficult contracts in a construction sense while also ensuring we attain the best possible commercial outcome for the work we have rendered.

The Company's other priority is to win new work. In this regard we believe we are on the cusp of being awarded a number of substantial projects. These will be primarily in the Oil and Gas division and will be undertaken in both domestic and international locations.

While it is disappointing that our work in hand position is low the Board is committed to supporting management's determination to only take on new Engineering, Procurement and Construction ("EPC") programmes that provide satisfactory financial returns and most importantly have contract terms and conditions that do not unfairly load us, as contractor, with risk exposure for which we are not being rewarded.

The dispute with Origin Energy and the BassGas Joint Venture and the near-term impact of this dispute on Clough is subject to a separate ASX release of today's date and this will be covered by our CEO Mr David Singleton.

Clough continues to seek to increase its business focus in activities outside our EPC mainline activities. Such other activities would include our engineering services business, our operations and maintenance business and finally our property development interests. Clough Property had an excellent year and the current year also looks promising.

Let me now make some comments on Murray & Roberts.

Subject to shareholder approval later in this meeting, Clough will be entering a new phase in its growth with the large South African engineering, construction and manufacturing group Murray & Roberts acquiring a 29% shareholding in the company.

From time to time over the last twenty years engineering and construction companies from around the world have approached Clough's controlling shareholder, McRae Investments Pty Ltd, a private company wholly-owned by the Clough family, and sought to agree some form of arrangement whereby they could gain a substantial ownership foothold or develop some form of substantial working alliance. McRae Investments always reviewed the merits of such propositions from the points of view of whether McRae believed they were in the best future interests for the Company and the best interests of all the shareholders.

Up until the discussion with Murray & Roberts, McRae believed all previous discussions with different engineering and construction groups fell short of the mark. They did not provide sufficient benefit to shareholders or did not add substantially, from an operational point of view, to what Clough was already doing.

Murray & Roberts saw a successful company substantially involved in the eastern hemisphere region into which they desired to further engage and expand their engineering construction and mining-related activities.

Clough saw in Murray & Roberts a group substantially larger than itself which had a similar culture of assisting clients with provision of smart engineering solutions to complex development projects. It also had a strong focus on mineral processing and mining-related engineering activities which Clough has a desire to more actively pursue.

The proposed transaction delivers advantage to all shareholders through the raising of 40 million dollars at a significant premium to the prevailing market price and enables Clough to proceed with the implementation of its strategic plan.

It is important for shareholders to recognise McRae Investment's recent history of ownership of Clough Ltd.

The company was wholly owned by the Clough family from inception in 1919 until the late 1980's when Harold Clough believed it appropriate to sell some of the family shareholding to staff members. This first occurred in 1989 at favourable pricing to the staff in recognition for their enormous contribution to the success of Clough up until that time. This process of sales to staff continued and by 1998 McRae Investments retained about 81% of the Company. In March of that year the decision was made by the Board and the Clough family to list Clough publicly on the Australian Stock Exchange. This was done for a number of reasons. It firstly provided a proper market for what had now become a large shareholder base consisting of McRae Investments and employees. It also allowed access to new capital. The company had been growing quickly and it was apparent that to maintain such growth it needed to have access to new equity. It also enabled an easier mechanism for McRae Investments to continue, in a staged fashion, to reduce its ownership in Clough in future years. Finally it was considered by McRae Investments that some of the listed market disciplines would assist the Board in effecting a transition process within Clough from a family-type directed company to one that had a more diverse ownership, conventional direction and Board governorship.

Following the listing of Clough in March 1998 McRae Investments retained a 66% interest which has been further reduced over the last six years to a current ownership of 54%. At all times the Clough family have given careful consideration to their level of ownership and have reduced their share ownership to reward incumbent executives, as in the early years, to facilitate the listing of the company or to accommodate the demand for greater liquidity and float in Clough shares on the market.

We see the proposed arrangement between Clough and Murray & Roberts as a sensible further progression of McRae Investment's share divestment that has progressively occurred over the last 15 years.

McRae sees Murray & Roberts as an ideal partner. Murray & Roberts believes in providing cost saving solutions for clients to challenging engineering and construction projects and to, wherever possible, work alongside a client to produce the best possible project development outcomes. Their core engineering and contracting competencies lie in mineral processing and mining, major civil infrastructure (roads, bridges, dams, etc) and large-scale building construction. Most of these activities have been located in Africa or the Middle East for the latter focussing on Dubai. These areas complement the regions where Clough is primarily engaged with their activities, being Australia, South-East Asia as well as India and Pakistan on the sub-continent.

Murray & Roberts has a core competency relating to mineral processing and mining-related engineering. This is activity which Clough has historical capability but which over the last 3-4 years has taken second stage to Clough's expanding focus in the onshore and offshore oil and gas business. A close working relationship between Clough and Murray & Roberts will assist Clough in our aim at reinvigorating such activities. Clough sees the establishment of an operating joint venture with Murray & Roberts to address this business activity in our region as an important new initiative.

I wish to finish by making mention and saying thank you on behalf of the Clough Board to all Clough hardworking employees and staff. The last twelve months have been a tough period for construction companies such as Clough yet our people remain resolved to deliver to our clients world class engineering and construction output in all the theatres in which we are engaged.

**Jock M. Clough**  
**Chairman of Clough Limited**

Ends

**About Clough**

Clough is one of Australia's largest multi-disciplinary engineering, construction and asset management groups. The Company operates globally in industry sectors including onshore and offshore oil and gas, petrochemicals, minerals, infrastructure and property. Clough has significant capability in project management, engineering services, construction, installation, commissioning, operations and maintenance.

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