



For the
half year ending
31 December 2004



HALF YEARLY REPORT

www.clough.com.au

Interim Overview

Group work in hand up

81% to
\$925 million

Loss attributable
to shareholders

\$42 million

Group turnover

\$273 million

Shareholders' equity

\$184.6 million

Total Company assets

\$410.6 million

Cash at bank

\$56.3 million

Earnings per share

(9.62) cents

Net tangible asset
backing per share

35.81 cents

Market capitalisation

\$235.3 million

Number of issued
shares at

480,232,225

Number of issued
options at

8,675,000

Chairman's Report



Jock M. Clough
Chairman

Dear Shareholder,

The Group continued to make substantial progress in the first six months of the 2004-05 financial year in rebuilding Clough. There have been successes on many fronts. Of particular note has been the growth of the order book.

Unfortunately this progress was negated by the severe financial impact of the action taken by Origin Energy Resources Limited (Origin Energy) in November 2004 to draw down a \$19.3 million contractor-provided bond as part of the ongoing dispute over the BassGas project, located in Victoria, Australia. This resulted in Clough Limited having to take provisions of \$45.3 million on the BassGas contract and reporting a net loss after tax of \$42 million for the six months period to December 31, 2004.

Clough Limited's net profit attributable to shareholders without the impact of Origin Energy's actions was \$3.3 million – ahead of the profit result for the previous corresponding half-year period.

The action by Origin Energy in cashing the bond will have repercussions for the whole industry. Clough has never experienced such adversarial conduct by a client in more than 40 years of operations in Australia and around the world.

The Clough Limited Board remains committed in its resolve to pursue all avenues to obtain a settlement of Clough's claim against Origin Energy and its BassGas joint venture partners, AWE Petroleum, CalEnergy, Wandoo Petroleum (a company largely controlled by Mitsui) and Origin Energy Northwest, and is confident of achieving an eventual successful outcome. The Board is fully supportive of our management in its actions on these matters. Murray & Roberts, Clough's second largest shareholder supports the Company seeking a fair and equitable resolution to this dispute.

The turnaround in the Group's work in hand in the first half of 2004/05 is a great achievement by our management team and staff. However, the nature of the engineering and construction contracting industry means shareholders will not see the full benefits of this flowing through to the bottom line until the next few years.

A key part of the strategy to rebuild Clough is the goal of generating approximately half of Group earnings from lower risk non-EPC (engineering, procurement and construction) work. Contributions from these areas include those made from negotiated and alliance contracts, engineering services work such as operations and maintenance activities and from Clough Property.

Chairman's Report

continued



Encouraging progress continues to be made towards achieving this goal with some exciting milestones being reached during the first half.

POST-TSUNAMI RECONSTRUCTION— PETROSEA'S ROLE

The Group's Indonesian subsidiary PT Petrosea Tbk continues to perform well, making another strong profit contribution for the period. The outlook for profitable business growth in Indonesia and South East Asia is increasingly positive.

However, we have all been affected by the Boxing Day earthquake and tsunami disaster which struck Indonesia's Aceh province and wrought such terrible devastation with such a loss of life across the Indian Ocean region.

Clough has been operating in Indonesia since the 1970s and we feel great affection and affinity for the country and its people. Clough's first contract in Indonesia was in Aceh.

Petrosea and Clough are donating skills and services to assist in the rehabilitation and rebuilding of the tsunami damaged regions of Indonesia. In addition, we are engaging Indonesian and Australian Governments and authorities to offer our support and services wherever they may be best employed. Both companies are also

talking with other larger Australian contracting companies working in Indonesia to ensure, wherever possible, a united operational capacity is presented.

We believe that Petrosea provides an appropriate entity to support the Indonesian and Australian Government's rehabilitation and rebuilding initiatives. Petrosea is a Jakarta-listed company, with financial transparency, strong corporate governance practise and a 33 year operating history of working in remote locations throughout the Indonesian Archipelago.

MURRAY & ROBERTS STRATEGIC ALLIANCE

The transaction with leading South African engineering group Murray & Roberts was approved by shareholders on November 10, 2004.

Since then work on developing the strategic alliance with Murray & Roberts has progressed steadily. The Clough Murray & Roberts Joint Venture has completed its strategic business plan and is proceeding with business generation activities.

On behalf of shareholders, I extend a welcome to the two Murray & Roberts representatives who have joined the Clough Limited Board as Non-Executive Directors - Mr Brian Bruce, Group Chief Executive and Managing Director

of Murray & Roberts Holdings Limited and Mr Norbert Jorek, Executive Director of Murray & Roberts Holdings Limited.

Funds raised from the Murray & Roberts transaction have primarily been used during the period to improve Clough's working capital. A number of small capital acquisitions were made during the period:

- Clough in a Joint Venture agreement with STP&I, a member of Thailand's Sino-Thai Group announced in November last year the establishment of a new waterside fabrication facility in the Sattahip port area close to Thailand's eastern seaboard petrochemical complex.
- Clough Engineering & Integrated Solutions (CEIS), through Sheddin Uhde secured a stake in Uhde Thailand.
- Acquisition of some assets for Clough Property's development and trading activities.

ASSET RATIONALISATION

As part of transforming the Group, work has continued on the rationalisation of non-core assets.

During the period an agreement was successfully signed with the Mitsui group for the sale of Clough's interest in Shark Bay Salt. This divestment was another step for the Group to better focus management resources, working capital and business growth activities in developing core businesses and capabilities.

INTERIM DIVIDEND

Due to the Company's profit performance and cash position the Board does not consider it prudent to pay an interim dividend at this time.

LOOKING AHEAD

The job of rebuilding Clough continues. There have been many steps forward in the past 18 months but much remains to be done. With oil prices at historically high levels, minerals prices buoyant and the Australian property sector remaining generally firm, there are many opportunities in the markets in which the Group operates. I remain confident about Clough Limited's future outlook.

I thank our shareholders and clients for their support. I wish to thank the executive team and all our staff for their hard work in what has been a demanding period for the Company.



Jock M. Clough
Chairman of Clough Limited

Chief Executive Officer's Review



David P.A. Singleton
Chief Executive Officer &
Managing Director

I have previously outlined our strategic and operational plan for rebuilding Clough and will review the progress achieved over the next few pages. We have completed a number of important strategic steps that will provide the basis for the Company's future development. Our key strategies in building towards 50% of our earnings in lower risk sectors and developing our 'multi-market' position have been enhanced significantly.

We have indicated previously that operational and contractual difficulties in our engineering, procurement and construction (EPC) business would continue to bear down heavily. Recent moves by Origin Energy on the BassGas project have caused us to take a provision in the half year, leading to a disappointing accounting result.

I also highlighted in the 2004 Annual Report that we had substantial new opportunities ahead of us. I am pleased to report that we were able to convert several of these into new orders, which collectively have more than doubled the backlog to in excess

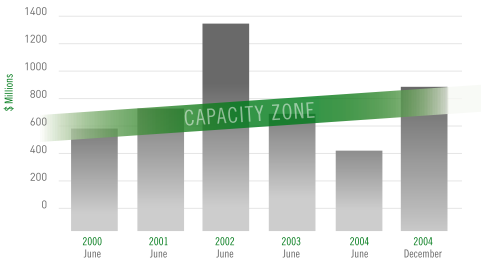
of \$900 million. Equally important, are our new Engineering Services contracts for the Gorgon LNG project in Western Australia and with Aramco in Saudi Arabia which at this stage contribute nothing to our order book, but will provide a lower risk earnings stream for several years to come.

FINANCIAL RESULTS

Clough Limited's profit after tax excluding BassGas for the six-month period was \$3.3 million. This includes strong contributions from Petrosea and again from Clough Property which delivered profits of \$5.6 million and \$4.7 million, respectively, for the period. In addition, the profit included \$11 million from the sale of non-core assets.

In the first half, total provisioning against the BassGas contract was \$45.3 million. This was principally composed of \$19.3 million from the bond being drawn down by Origin Energy and \$20 million in provisions foreshadowed to shareholders at the annual general meeting in November 2004. As a result of these provisions, Clough Limited has reported a net loss after tax of \$42 million for the six months to December 31, 2004.

Group turnover for the first half of 2004/05 was \$273 million, a reduction of \$162.8 million from the \$435.8 million at the previous corresponding period. This reflected the previous rundown in the order book which has now been addressed. Work in hand at December 31, 2004 was \$925 million – a strong increase of 81% compared to the same time last year when it was at \$510.9 million.



The outcome in rebuilding the order book reflects an enormous effort placed on new business development during this period. The total work in hand now sits comfortably within what we call our 'Capacity Zone', where work is at a sustainable level but also within our capabilities to execute projects efficiently.

Two of the most significant developments in rebuilding the order book were oil and gas projects in India for: the Oil and Natural Gas Corporation on the G1-GS15 deepwater gas field development and for BG Exploration and Production India Limited to develop the shallow water Panna oilfield.

The Company's net cash position deteriorated during the reporting period. However, we expect it to recover in the second half of the financial year.

At June 30, 2004, the Company had \$42 million in cash. During the six-month period to December 31, 2004, outlays totalled \$73.5 million. This was partly offset by the new share equity placement to Murray & Roberts to give a net cash reduction of \$44 million in the

six months period. This resulted in a cash position of negative \$2 million at December 31, 2004. This latter net figure also included the BassGas \$19.3 million bond draw-down.

Much of the remaining expenditure in the first half can be attributed to investment of working capital in initiatives which have been taken to generate new business and also to implement the strategy to rebuild the Group.

Cash management remains a critical focus for the Company. We expect to see a recovery in the cash position by June 30, 2005. It is worth noting that since the half-year balance date, the Company has received \$20.7 million from the sale of Clough's 50% share in Shark Bay Resources Pty Ltd to Mitsui Salt Ltd. (Shark Bay Resources Pty Ltd owned 70% of the Shark Bay Salt Joint Venture). Down payments on recently awarded contracts of approximately \$20 million have also been received.

Chief Executive Officer's Review

continued

GROUP TURNOVER – BY LOCATION 31/12/2004

| | | |
|--------------|-----------------|-------------|
| Australia | \$156.3m | 57% |
| Overseas | \$116.7m | 43% |
| Total | \$273.0m | 100% |

GROUP TURNOVER – BUSINESS SECTOR 31/12/2004

| | | |
|---------------------------|-----------------|-------------|
| Oil & Gas | \$137.7m | 50% |
| Minerals & Infrastructure | \$78.8m | 29% |
| Property | \$23.3m | 9% |
| Other | \$33.2m | 12% |
| Total | \$273.0m | 100% |

GROUP WORK IN HAND – BY LOCATION 31/12/2004

| | | |
|--------------|-----------------|-------------|
| Australia | \$132.4m | 14% |
| Overseas | \$792.4m | 86% |
| Total | \$924.8m | 100% |

BUSINESS SECTOR STRATEGY & ANALYSIS

A key strategy for rebuilding Clough is to focus on lines of business where we have clear differentiation from our competitors. We have also set ourselves a goal of generating 50% of earnings from lower risk, non-EPC related lines of business within five years.

Key to achieving this outcome is the building up of our engineering services and operations and maintenance capability within the Services Division and to grow the Clough Property business. I am pleased to report that encouraging progress has been made in the period on these fronts.

ENGINEERING SERVICES

Our Services Division will be a platform for lower risk business growth. I can report there have been some significant leaps forward in starting to fulfil this potential. Some highlights in this area during the period were:

- Partnering with AMEC in a new joint venture, Clough won a multi-million dollar contract from client ConocoPhillips to provide operations and maintenance (O&M) support services for the large Bayu-Undan gas and condensate field in the Timor Sea, for a three-year period with a two-year optional extension.

British-based AMEC - one of the world's top three project management and services companies - and Clough will pursue other asset support services activities in South East Asia, India and Australia. A further major service contract is currently being pursued in Australia with AMEC.

- Clough – as part of the Kellogg Joint Venture - Gorgon – was issued with a Letter of Authorisation to perform pre-FEED (front end engineering design) work for the Gorgon downstream LNG project, off Western Australia's north west coast. The A\$11 billion Gorgon development is planned by ChevronTexaco, operator of the Gorgon Joint Venture, one of the world's major energy companies. The Kellogg Joint Venture - Gorgon is comprised of Kellogg Brown and Root, Clough, Hatch and JGC.

Given Clough's substantial track record in LNG projects in the region – such as Woodside Energy's developments on the Burrup Peninsula, near Karratha in Western Australia – this initial Gorgon contract bodes well for Clough following on with further work in this area.

- In 2004, Clough Engineering and Integrated Solutions (CEIS), through its ownership in Shedden Uhde, secured an interest in Uhde Thailand now named Shedden Uhde Thailand. Clough will build on its success in Melbourne and Brisbane by adding Shedden Uhde offices in Thailand and Singapore.

Shedden Uhde's turnover is up approximately 30% since last year. As a result of another Clough joint venture winning a fabrication contract, Shedden Uhde Thailand was awarded additional engineering services support for the project – this virtually doubled the size of Shedden Uhde Thailand.

- Clough has established a 'Design House' in Karachi, Pakistan to provide engineering services for BP Pakistan Exploration and Production Inc. over a period of three years with two, one year extension options. The project entails capital and sustaining projects in support of BP's onshore oil and gas facilities, including design of well systems (new and existing), hydrocarbon gathering systems, pipe networks and gas plants. This contract provides a base load of work to enable establishment of an engineering office capable of servicing other clients and markets in the Pakistan region.

Following the interim balance date, in February 2005, Clough with a 50% stake in a consortium was awarded a Project Management Services (PMS) contract by Saudi Aramco of Saudi Arabia – the world's largest oil producing company. This In-Kingdom PMS contract is for an initial period of five years, with two plus-two-year extension options. This non-EPC, long-term work is reimbursable rates based.

This contract does not guarantee any minimum amount of work but historically has delivered in excess of 600,000 man-hours of work a year.

The scale of achievement in reaching these milestones, in such a relatively short period, will be fundamentally important in developing the Group.

Chief Executive Officer's Review

continued



REGIONALISATION

A key part of the strategy to transform Clough is to develop 'multi-domestic' markets by establishing the Group in Thailand and India, in the way we have already done in Indonesia. Some very encouraging progress is being made on this front. Thailand and India are key target markets for the Group because of their growing economies and projected growth in demand for energy developments.

Clough has established an office in Mumbai and was recently awarded two new major oil and gas contracts in India. During the reporting period, the Group also signed a joint venture with the Sino-Thai Group to establish a fabrication and assembly facility in Thailand. This facility has already secured a significant contract for Alcan's expansion of the Gove alumina complex in the Northern Territory, Australia.

PETROSEA / INDONESIA

In the past year, Petrosea has renegotiated a number of its mining contracts to secure more favourable rates and profitable trading terms. Petrosea exited one contract which could not be renegotiated.

In the most notable achievement for this reporting period, Petrosea secured a \$180 million, four-year extension to its long-term coal overburden stripping contract in East Kalimantan, for PT Gunungbayan Pratamacoal (GBP). The work for GBP was first awarded to Petrosea in 1999 – at that time it was one of the biggest contracts in the then 27 years in which the company had been operating in Indonesia.

In other developments Petrosea also: renegotiated its long-term contract at the PT Freeport Indonesia mine in Papua to return it to profitability; changed the terms of payment for the Bukit Baiduri Energi coal mine in East Kalimantan and restarted mining operations. Petrosea now receives all payments directly and reimburses the owner its share of the revenues, significantly reducing the contract's risk profile.

PetroCOG, a joint venture between Petrosea and Clough's Oil & Gas Division, continues to win more work. Notable contracts secured during the period were:

Transportation and installation of the KE40 wellhead platform for KODECO Energy Co. Ltd in the Madura Sea, East Java; and an offshore installation contract for ConocoPhillips Indonesia Inc. Ltd for the installation of flowlines, wellhead frames and subsea structures for the Kerisi development project in the Natuna Sea, north east of Singapore.

PetroCOG combines the strengths of Petrosea and our Perth-based Oil & Gas Division and will continue to target the many opportunities for new work in this sector which are emerging across Indonesia.

The improved performance of PT Petrosea Tbk has seen its share price double on the Jakarta Stock Exchange between June 30 and December 31, 2004, from approximately 2,000 Rupiah to 4,000 Rupiah per share.

Petrosea's management has also made a strategic decision to focus on winning new work in the ownership, construction, operation and maintenance of water treatment facilities in Indonesia. The first of these rehabilitation projects, which fits the Group's risk profile requirements, was awarded during the period. This was for a water treatment plant in Jakarta which Petrosea together with joint venture partners has upgraded and is now operating and maintaining.

Petrosea is also well placed to secure more of this type of work through the infrastructure reconstruction programs being planned in Indonesia in the wake of the tsunami disaster.

OIL & GAS

The Oil & Gas Division continues to be Clough's biggest generator of revenue. New contracts won in this sector – particularly the Oil and Natural Gas Corporation (ONGC) and BG Exploration and Production India Limited (BGEPIIL) projects in India – have driven the rebuilding of the Group's order book.

- \$280 million contract for India's national energy resources group ONGC for the G1-GS15 deepwater development, off India's east coast. This is the largest offshore project ever awarded to the Group.

- \$170 million contract from BGEPIIL to develop the shallow water Panna oilfield, off India's west coast.

- Nexen Petroleum Australia Pty Ltd awarded Clough a contract for the decommissioning and removal of the Buffalo Field, in the Timor Sea. All activities were performed with Clough's offshore crane barge *Java Constructor* and completed in January 2005.

- Clough was awarded and completed the Woodside Energy – Wanaea Cossack Lambert Hermes project on the North West Shelf, Western Australia. Woodside rated Clough very highly with a 9/10 on the final performance appraisal.

Growth in the Oil & Gas Division's business now sees the Clough offshore crane barge *Java Constructor* fully booked for work until mid-2006. Clough has secured additional specialist construction vessel capacity to perform the Indian contracts.

Chief Executive Officer's Review

continued



PROPERTY

Clough Property highlights during the period include:

- In November 2004, Clough Property secured a 108-hectare parcel of prime land in the popular and expanding Airlie Beach, in northern Queensland's Whitsundays tourist area. Approximately 1,000 residential lots are expected to be developed and sold over 10 years with a potential return of \$128 million.
- In October 2004, the acquisition of the Lyndhurst site, southeast of Melbourne, secured a significant parcel of industrial land for Clough Property. The 34.4 hectare site will be developed over the long term.
- On a smaller scale, the Salentina Ridge residential subdivision at Beaconsfield, near Fremantle in Western Australia, saw the first lots auctioned in August 2004 and it will be sold out early in 2005.

Projects such as Airlie Beach and Lyndhurst will deliver sustained cash flows over the medium and long term. The nature of the property sector means that while these bedrock developments will ensure reliable income streams, it is expected that other property investments will from time to time deliver more short term 'super profits'.

INFRASTRUCTURE & CONSTRUCTION

Clough's Infrastructure & Construction Division has secured new work but not yet at the levels we want it to achieve on a sustained basis.

A new management team for the Division is now in place and they are progressing the strategic clarity which the other divisions in Clough have now developed and are implementing. The Division is focusing on developing its capacity for quality work and ensuring it secures good programs and executes them well. However, it has not yet achieved the sustainable momentum required.

Some notable projects for the Division in the period include:

- A lump sum construction contract for marine piling and wharf construction works associated with the alumina loading and caustic offloading facilities in the Bunbury Inner Harbour, Western Australia, for Worsley Alumina, a subsidiary of BHP Billiton.
- The Cowal gold project for Barrick Australia, in central western New South Wales - an environmentally and archaeologically sensitive area. The project is being undertaken in joint venture with Seymour Whyte Constructions.

- The Roe Highway Stage 7 extension contract for Main Roads Western Australia was awarded in an Alliance with partners Clough, Henry Walker Eltin (HWE) and Maunsell. In January 2005, HWE was placed into administration. The project is proceeding as planned.
- The Hegigio Pipe Bridge project for Oil Search, in the Southern Highlands of Papua New Guinea, calls for the supply, fabrication, assembly and erection of a cable-stayed suspension bridge spanning 470 metres across the Hegigio Gorge. This project presents technical and schedule challenges and is being managed under a relationship type contract. The project provides an opportunity to position Clough for further involvement in Oil Search's long term development plans in PNG's main oil and gas producing province.

PEOPLE, SAFETY & ENVIRONMENT

Health, safety and environment (HSE) remains a priority for the Group. We continue to strive to achieve our vision of zero injuries for our people and zero damage to plant, equipment and the environment in all our operations. We continue to proactively manage the risks associated with the Company's activities.

Clough's HSE record continues to improve and is well below the industry average with a Lost Time Injury Frequency Rate (LTIFR) of 0.3 and a Total Reportable Injury Frequency Rate (TRIFR) of 4.9 for the end of 2004.

During the reporting period, the Oil & Gas Division recorded an historic first reaching the significant milestone of five million man-hours and 516 days lost time injury free while completing some 13 projects worldwide.

FUTURE OUTLOOK

The Group is making significant progress in implementing its strategy to transform Clough. The financial performance across the Group's operations provides a solid foundation for growth going forward, aside from the yoke of the BassGas contract and the actions of Origin Energy. Market conditions are generally strong and provide a range of opportunities for business growth. A performance culture is now well established within the Group.

The challenge lying ahead is to effectively manage our work in hand, during a period of considerable difficulty in attracting and retaining skilled staff. I thank all of our people for their continued enthusiasm, commitment and hard work.



David P.A. Singleton
Chief Executive Officer &
Managing Director of
Clough Limited

Oil&Gas

The continued high price of oil has seen strong investment and exploration maintained in the oil and gas sector. In the six months to December 31, 2004, Clough has won a number of significant offshore projects in India, Australia and Indonesia.

This reflects the Company's decision to pursue a 'multi-domestic' market strategy and its position as a leading Australian contractor in the sector.



NORTH WEST SHELF EXPANSION - LNG TRAIN 4 (PHOTOGRAPH COURTESY OF WOODSIDE ENERGY LTD)



› BAYU-UNDAN GAS RECYCLE FACILITIES

(PHOTOGRAPH COURTESY OF CONOCOPHILLIPS AUSTRALIA PTY LTD)

Notable Projects

G1-GS15 DEEPWATER DEVELOPMENT

INDIA

Clough has secured its largest ever offshore project from India's national oil resource group, Oil and Natural Gas Corporation to undertake work for the G1-GS15 deepwater development. Activities will include the design, procurement and installation of a new onshore gas plant, an additional shallow water wellhead platform and a five well subsea development.

APN/MM DEVELOPMENT

INDONESIA

Clough in partnership with Petrosea is undertaking a major contract for BP West Java Ltd on the APN/MM gas field, off the north coast of Java. The work includes fabrication of three monopod structures and the installation and commissioning of 80km of infield flowlines and brownfield tie-ins to existing facilities.

BAYU-UNDAN OPERATIONS & MAINTENANCE

TIMOR SEA, AUSTRALIA

The Clough AMEC Joint Venture was awarded a multi-million dollar contract from ConocoPhillips Australia Pty Ltd to provide operations and maintenance (O&M) services for the Bayu-Undan gas recycle project in the Timor Sea. The three-year contract, with an option to extend for a further two years, will include O&M for the offshore facilities including a Floating Storage and Offloading Facility and three fixed platforms.

PANNA FIELD DEVELOPMENT

INDIA

Clough has been contracted by BG Exploration and Production India Ltd to develop three new platforms and associated pipelines in the Panna, Mukta and Tapti Fields, 100 to 160km north west of Mumbai, off the west coast of India.

Oil&Gas

Notable Projects

WOODSIDE LNG EXPANSION PROJECT WESTERN AUSTRALIA

The first LNG product from the A\$1.6 billion 4.2 MTPA LNG Train 4 for Woodside Energy Ltd on the Burrup Peninsula near Karratha, Western Australia, was produced in September 2004, only 11 days after start up. It is the first LNG train to have been designed and engineered in Australia.

HAZIRA GAS PROJECT INDIA

The shallow water Hazira platform and pipelines project in the Gulf of Cambay, off the west coast of India, was completed and handed over to Canada's Niko Resources Ltd and India's Gujarat State Petroleum Corporation, for the production of gas, in August 2004. Other work is continuing on the stabilisation of the pipeline until April 2005.

PNG OIL REFINERY PAPUA NEW GUINEA

Papua New Guinea's first oil refinery successfully came on line in August 2004. The refinery, undertaken for InterOil Corporation includes a 32,500 barrels per day process plant, a storage tank farm, jetty, shiploading facilities and associated support infrastructure.

CALTEX CLEAN FUELS PROJECT NEW SOUTH WALES & QUEENSLAND, AUSTRALIA

Undertaken by Parsons E&C (now WorleyParsons) with Shedden Uhde as subcontractor providing the engineering, procurement and construction management services. The A\$300 project involves major upgrades to the Kurnell Refinery in New South Wales and Lytton Refinery in Queensland.

WOODSIDE SUBSEA INSTALLATION PROJECT WESTERN AUSTRALIA

Subsea work at the Wanaea, Cossack, Lambert, Hermes and Echo Yodel sites, 130km north of Dampier, Western Australia, was completed on schedule for Woodside Energy Ltd. The project included the engineering and installation associated with the subsea tieback of two recently drilled wells to two existing manifolds.

MALAMPAYA UNDERWATER CONTRACT PHILIPPINES

In October 2004, Covus won an additional three-year contract to continue providing underwater services for the Malampaya Field Development on behalf of Shell Philippines Exploration BV. The work scope includes all management, subsea inspection and engineering services for the client's offshore facilities. The work also included the successful completion of a highly technical umbilical repair operation using a combination of remote systems and saturation diving techniques.



› APACHE FORTIES FIELD RISER REPLACEMENT

**FORTIES
FIELD RISER PROJECT**

NORTH SEA, UNITED KINGDOM

In response to Apache North Sea Ltd's urgent need to replace an old production riser for the main export pipeline from Echo to Alpha platforms in the Forties Field, Clough UK responded with an innovative solution designed to minimise production downtime.

**MUTINEER-EXETER
SUBSEA PROJECT**

WESTERN AUSTRALIA

The Subsea 7-Clough consortium successfully completed subsea development works on the Mutineer and Exeter oil fields, approximately 150km north of Dampier, Western Australia. The work for Santos Ltd involved the engineering, procurement, installation and commissioning of rigid flowlines, mid water arches and risers to a Floating Production and Storage Offloading facility.

**KODECO
KE-40 DEVELOPMENT**

INDONESIA

Clough, in partnership with Petrosea, was contracted by KODECO Energy Co. Ltd to perform offshore installation services on the KE-40 Development Project in the Madura Sea, East Java. The *Java Constructor* was utilised during the project to install a wellhead platform and associated subsea pipeline, retrofit risers and subsea tie-ins.

**BUFFALO
FIELD PROJECT**

TIMOR SEA, AUSTRALIA

Clough has undertaken a contract for Nexen Petroleum Australia Pty Ltd to decommission and remove its Buffalo Field facilities, 560km north west of Darwin, in the Timor Sea. Activities included the plugging and abandoning of the crude oil production wells, removal of flexible flowlines, rigid flowlines and umbilical, and decommissioning and removal of the wellhead platform.

Minerals

The global minerals commodities upturn has continued, creating opportunities for Clough. Clough's alliance with Murray & Roberts is expected to enhance the Company's competitiveness in the minerals area, not only in Australasia but elsewhere in the world.

The Murray & Roberts track record in minerals processing plants in conjunction with Clough's local knowledge and experience will create real scope for growth.



COWAL GOLD MINE

Notable Projects

HISMELT KWINANA PLANT PROJECT WESTERN AUSTRALIA

Construction of the Hismelt Kwinana Joint Venture's 800,000 tonnes per annum Hismelt pig iron plant at Kwinana, Western Australia, was 98% complete at December 31, 2004. The Kvaerner Clough Joint Venture plans to complete the engineering, procurement and construction management contract in the first half of 2005.

CONTRACT OVERBURDEN STRIPPING





› HISMELT KWINANA PLANT PROJECT

COWAL GOLD
MINE PROJECT

NEW SOUTH WALES, AUSTRALIA

Barrick Australia Pty Ltd has contracted the Clough Seymour Whyte Joint Venture to carry out a civil and concrete works package for the Cowal gold mine, in the central west region of New South Wales. The contract includes construction of all concrete foundations, sub-structures and structures for the mine development.

ZINC / LEAD
MINE FEASIBILITY STUDY

INDONESIA

Clough Engineering and Integrated Solutions conducted a transport option study for the definitive feasibility study on behalf of PT Dairi Prima Mineral for their proposed lead/zinc mine in northern Sumatra. The study included costings for infrastructure such as marine facilities, pipeline system and portside storage and reclaim system.

CONTRACT
OVERBURDEN STRIPPING

INDONESIA

Petrosea has won a 48-month contract extension to its longstanding overburden stripping project at the Muara Pahu coal mine site, in East Kalimantan. Petrosea's work for PT Gunungbayan Pratamacoal has seen the movement of more than 100 million cubic metres of material from multiple open pits at this mine over the past five years.

MINING
SUPPORT SERVICES

INDONESIA

Since 1989, Petrosea has provided a range of construction and mining support services at Kaltim Prima Coal's Sangatta minesite, in East Kalimantan and at Freeport's huge copper and gold mine in Papua. Recent activities include the supply of heavy equipment, road upgrades, coal haulage, construction of new mine haul roads and drainage systems and environmental top soil replacement over finished areas.

Infrastructure

High levels of infrastructure investment continue throughout Australia, Indonesia and PNG, with opportunities in both the Government public assets area and particularly through increased growth in the resources private sector.

Clough has a key focus on building the order book through tendering on selective projects in venture partnerships, as part of lowering its risk profile.

Notable Projects



ROE HIGHWAY STAGE 7 **WESTERN AUSTRALIA**

The Roe 7 Alliance consisting of Main Roads Western Australia, Clough, HWE and Maunsell has successfully managed the environmental approvals process for this 4.5km freeway-standard road extension with three grade-separated intersections. Design of the works has been completed with construction commencing in December 2004.

BUNBURY PILING & WHARF PROJECT **WESTERN AUSTRALIA**

Clough was awarded a contract from Worsley Alumina Pty Ltd for marine piling and wharf construction works associated with the alumina loading and caustic offloading facility at Bunbury Inner Harbour, Western Australia.



› BUNBURY PILING & WHARF PROJECT

MPA ENERGY SERVICES NEW SOUTH WALES & QUEENSLAND, AUSTRALIA

Now in its thirteenth year of operations, MPA Energy Services continues to grow through its ability to deliver efficient high quality operating and maintenance services to the power industry in Australia. MPA operations include: Mount Piper, Bayswater and Wallerawang power stations in New South Wales; and Stanwell, Millmerran and Tarong North power stations in Queensland.

HEGIGIO GORGE BRIDGE PAPUA NEW GUINEA

Clough has received a Letter of Intent for construction of the Hegigio Pipe Bridge from Oil Search PNG Limited. The work scope covers the supply, fabrication, assembly and erection of a cable-stayed suspension bridge spanning 470 metres across the 460 metre deep Hegigio Gorge in the Southern Highlands of PNG.

CIKOKOL WATER TREATMENT PLANT INDONESIA

In November 2004, Petrosea took over the management of the public Cikokol water treatment plant in the Tangerang City near Jakarta for a 15 year period. Petrosea is leading a private consortium that will rehabilitate, upgrade, operate and maintain the plant which serves around 350,000 customers and 70,000 homes.



MOUNT PIPER
POWER STATION

Property

Clough Property has continued to expand its portfolio of commercial and residential developments through venture partnerships and the strategic acquisition of land. The Division is focused on minimising risk by sourcing land nationally and diversifying between residential, commercial and industrial ventures.

Clough Property's investment strategy is to identify quality sites, take a controlling position and then enhance their development potential and value. Clough Property can then dispose of the sites to a joint venture entity or property fund but retain management of developments, with the option of also taking up a minority holding.



SALENTINA RIDGE ESTATE

Notable Projects

AIRLIE BEACH
DEVELOPMENT TWO
QUEENSLAND, AUSTRALIA

In early November 2004, Clough Property secured a 108-hectare parcel of prime land in Airlie Beach, which is located in the tourism growth area of the Whitsundays, in northern Queensland. Clough with investment and funds management group James Fielding plan to develop the site into approximately 1,000 residential lots over a 10 year period.



› AIRLIE BEACH DEVELOPMENT TWO

SALENTINA
RIDGE ESTATE
WESTERN AUSTRALIA

Stage One of the Salentina Ridge residential subdivision in the suburb of Beaconsfield, near Fremantle in Western Australia, was sold out at auction. Sales have continued strongly with only five lots remaining in Stage Four. The development is held in joint venture with Moltoni Corporation.

KARRATHA
RESIDENTIAL
SUBDIVISION
WESTERN AUSTRALIA

Now in its fourth year, the Karratha land sales project in Western Australia has sold more than 400 lots. Clough Property has undertaken the 65 hectare residential subdivision in joint venture with Rapley Wilkinson.



KARRATHA
RESIDENTIAL SUBDIVISION

LYNDHURST
INDUSTRIAL PARK
VICTORIA, AUSTRALIA

Clough Property has acquired a 34.4 hectare development site, approximately 30km south east of the Melbourne CBD. The site has access to the new Western Port Highway which connects it to the oil and gas facilities at Hastings in Western Port Bay.

MERENDA
RESIDENTIAL ESTATE
VICTORIA, AUSTRALIA

Clough Property and Elderslie have partnered to develop 1,500 residential lots and approximately 30,000 square metres of commercial land on a 77 hectare greenfields site, located 30 minutes north of the Melbourne CBD.

GEELONG
DEVELOPMENT
VICTORIA, AUSTRALIA

Clough Property, in joint venture with Moltoni Corporation, has purchased a 45 hectare site in the Fyansford area of Geelong, in Victoria. The joint venture plans to work closely with the Geelong Council to assess and create the best development outcomes.

CONSOLIDATED STATEMENT OF FINANCIAL PERFORMANCE
For the Half-Year Ended 31 December 2004

| | 31 Dec 2004 \$'000 | 31 Dec 2003 \$'000 |
|--|--------------------------|--------------------------|
| REVENUE FROM ORDINARY ACTIVITIES | 230,375 | 396,950 |
| Materials, plant and subcontractor costs | (140,142) | (246,697) |
| Labour costs | (81,598) | (103,232) |
| Written down value of assets sold | (15,843) | (8,228) |
| Depreciation and amortisation expense | (7,042) | (11,945) |
| Borrowing costs expense | (1,192) | (710) |
| Other expenses | (26,134) | (24,462) |
| Share of net profits of associates and joint venture entities accounted for using the equity method | 3,003 | 3,420 |
| PROFIT/(LOSS) FROM ORDINARY ACTIVITIES BEFORE INCOME TAX EXPENSE | (38,573) | 5,096 |
| Income tax expense | (2,819) | (1,460) |
| PROFIT/(LOSS) FROM ORDINARY ACTIVITIES AFTER INCOME TAX EXPENSE | (41,392) | 3,636 |
| Net profit attributable to outside equity interest | 647 | 430 |
| NET PROFIT/(LOSS) ATTRIBUTABLE TO MEMBERS OF CLOUGH LIMITED | (42,039) | 3,206 |
| OTHER CHANGES IN EQUITY ATTRIBUTABLE TO MEMBERS OF CLOUGH LIMITED | | |
| Net exchange difference on translation of financial statements of self-sustaining foreign operation | (8,464) | (9,226) |
| TOTAL CHANGES IN EQUITY FROM NON-OWNER TRANSACTIONS ATTRIBUTABLE TO MEMBERS OF CLOUGH LIMITED | \$ (50,503) | \$ (6,020) |
| | Cents | Cents |
| Basic earnings per share | (9.62) | 0.76 |
| Diluted earnings per share | (9.62) | 0.76 |

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2004

| | 31 Dec 2004 \$'000 | 30 June 2004 \$'000 |
|---|--------------------------|---------------------------|
| CURRENT ASSETS | | |
| Cash assets | 56,314 | 82,389 |
| Receivables | 178,531 | 162,815 |
| Work in progress | 46,944 | 36,597 |
| Prepayments and deposits | 14,869 | 14,590 |
| Total Current Assets | 296,658 | 296,391 |
| NON-CURRENT ASSETS | | |
| Receivables | 856 | 1,984 |
| Investments accounted for using the equity method | 21,823 | 29,751 |
| Other financial assets – investments | 17,185 | 8,595 |
| Property, plant and equipment | 61,441 | 70,363 |
| Deferred tax assets | 12,643 | 12,771 |
| Total Non-Current Assets | 113,948 | 123,464 |
| TOTAL ASSETS | 410,606 | 419,855 |
| CURRENT LIABILITIES | | |
| Payables | 90,409 | 110,716 |
| Excess of progress billings over costs incurred | 25,516 | 4,678 |
| Interest bearing liabilities | 55,585 | 37,162 |
| Current tax liabilities | 673 | 760 |
| Deferred revenue | 3,215 | - |
| Provisions | 23,259 | 38,768 |
| Total Current Liabilities | 198,657 | 192,084 |
| NON-CURRENT LIABILITIES | | |
| Interest bearing liabilities | 2,800 | 3,433 |
| Deferred tax liabilities | 1,212 | 1,220 |
| Provisions | 7,898 | 10,345 |
| Total Non-Current Liabilities | 11,910 | 14,998 |
| TOTAL LIABILITIES | 210,567 | 207,082 |
| NET ASSETS | \$ 200,039 | \$ 212,773 |
| EQUITY | | |
| Parent entity interest | | |
| Contributed equity | 115,512 | 75,508 |
| Reserves | (22,591) | (14,128) |
| Retained profits | 91,694 | 133,733 |
| Total parent entity interest | 184,615 | 195,113 |
| Outside equity interests in controlled entities | 15,424 | 17,660 |
| TOTAL EQUITY | \$ 200,039 | \$ 212,773 |

CONSOLIDATED STATEMENT OF CASH FLOWS
For the Half-Year Ended 31 December 2004

| | 31 Dec 2004 \$'000 | 31 Dec 2003 \$'000 |
|---|--------------------------|--------------------------|
| | Inflows (Outflows) | Inflows (Outflows) |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Receipts from customers (inclusive of goods and services tax) | 209,450 | 429,572 |
| Payments to suppliers and employees (inclusive of goods and services tax) | (280,540) | (423,248) |
| Dividends received from associates and joint venture entities | 480 | 7,442 |
| Interest received | 1,070 | 1,241 |
| Borrowing costs paid | (1,192) | (725) |
| Income tax paid | (2,786) | (716) |
| Net cash from/(used in) operating activities | (73,518) | 13,566 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Payments for property, plant and equipment | (4,733) | (3,834) |
| Payment for investments | (3,487) | (626) |
| Payment for minority interest in controlled entity | - | (76) |
| Proceeds from sale of property, plant and equipment | 4,190 | 7,003 |
| Proceeds from sale of investments | 2,291 | 2,235 |
| Proceeds from disposal of controlled entity, net of cash disposed | - | 43 |
| Loans (to)/from other persons | 764 | (100) |
| Loans (to)/from associates and joint venture entities | (1,224) | 1,134 |
| Net cash from/(used in) investing activities | (2,199) | 5,779 |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Proceeds from share issue | 40,800 | - |
| Share issue costs | (796) | - |
| Proceeds from borrowings | 66,385 | 15,300 |
| Repayment of borrowings | (48,595) | (15,920) |
| Dividends paid to outside equity interests | (1,056) | (167) |
| Net cash from/(used in) financing activities | 56,738 | (787) |
| Net increase/(decrease) in cash held | (18,979) | 18,558 |
| Cash at the beginning of the half-year | 82,389 | 114,007 |
| Effects of exchange rate changes on the balances of cash held in foreign currencies at the beginning of the half-year | (7,096) | (6,810) |
| Cash at the end of the half-year | \$ 56,314 | \$125,755 |

SUPPLEMENTARY INFORMATION

For the Half-Year Ended 31 December 2004

GROUP TURNOVER

A significant proportion of the Clough Group's operations are performed through joint ventures.

The Clough Group operates through two types of joint ventures:

JOINT VENTURE OPERATIONS

- these are unincorporated arrangements such as partnerships where Clough and its partners have joint and several liability
- the proportionate interests in the assets, liabilities, expenses and revenues are consolidated in the financial statements under the appropriate headings

JOINT VENTURE ENTITIES

- these are incorporated arrangements such as jointly held companies and associate companies where Clough and its partners may have limited liability
- the share of profits or losses are equity accounted in the statement of financial performance

The Clough Group's turnover is made up of revenue from ordinary activities and its share of revenue from joint venture entities and associated companies.

| | 31 Dec 2004 \$'000 | 31 Dec 2003 \$'000 |
|--|--------------------------|--------------------------|
| CONSOLIDATED GROUP TURNOVER | | |
| Construction projects | 180,512 | 316,280 |
| Share of revenue from joint venture operations | 20,536 | 55,715 |
| Sale of goods | - | 5,513 |
| Other revenue | 29,327 | 19,442 |
| Revenue from ordinary activities | 230,375 | 396,950 |
| Share of revenue from joint venture entities and associates | 42,595 | 38,836 |
| | \$ 272,970 | \$ 435,786 |



Clough Limited

ABN 59 008 678 813

Level 6, 251 St Georges Terrace

Perth, Western Australia 6000

T +618 9281 9281

F +618 9481 6699

E clough@clough.com.au

www.clough.com.au

Share Registry

Computershare Investor

Services Pty Ltd

Level 2, 45 St Georges Terrace

Perth, Western Australia 6000

T +618 9323 2000

F +618 9323 2033

