



MEDIA RELEASE
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CLOUGH REPORTS ORDER BOOK TURNAROUND BUT BASSGAS PROVISIONS IMPACT ON PROFIT

Clough Limited (**ASX:CLO**) today reported a net loss of \$42 million for the six months to December 31, 2004, which includes provisions totalling \$45.3 million in connection with the BassGas contract.

Orders won during the period totalled \$827 million, generating work in hand at December 31 of \$925 million. The resulting work in hand was up 81% from \$510.9 million for the previous corresponding period and more than double the \$407.6 million figure at June 30, 2004.

“The strong recovery in our order book in the first half highlights the significant progress being made in rebuilding the Company, with major oil and gas contract awards in India from both Oil and Natural Gas Corporation and BG Exploration and Production India Limited being notable highlights,” Mr David Singleton, CEO and Managing Director of Clough Limited, said.

“The current work in hand figures are before any contribution from the recently announced Saudi Aramco and Gorgon awards - contracts which open the way to new earnings growth in the next few years. I believe that these two contracts are amongst the most important to have been booked over the last few years, and should provide a major step in delivering our risk reduction strategy.

“However, the BassGas dispute has overshadowed our progress in a range of areas. The resulting reported loss is clearly disappointing,” Mr Singleton said.

The loss principally reflects a \$19.3 million provision for the bond called by Origin in November 2004, plus provisions of \$20 million reported at last year’s AGM.

“Our claims against Origin and its BassGas joint venture partners will be tested through arbitration. However, the arbitration process will not deliver a speedy solution and we have therefore chosen to reflect the cash flow impacts from BassGas in the operating results,” Mr Singleton said.

The six-month reporting period again saw strong profit contributions from Clough’s Indonesian subsidiary PT Petrosea Tbk (\$5.6 million consolidated result) and Clough Property (\$4.7 million). The outlook for new opportunities and further growth in the performance of both Petrosea and Clough Property remains positive.

Fixed price contract activity generated a loss of \$15.7 million, excluding BassGas, mostly due to the low opening order book and late award of contracts in the half-year, resulting in lower volumes and a consequent under recovery of overheads. Increased volumes in the second half of the year are expected to fully recover ongoing overhead costs.

Pre-tax profits from lower risk Engineering, Procurement and Construction Management (EPCM), engineering support and operations and maintenance contracts totalled \$2.8 million. This result was achieved notwithstanding that it included substantially higher costs associated with tendering and winning the Gorgon and Saudi contracts, and other opportunities in this key growth sector for Clough.

The results also include profits of \$11 million from the sale of two non-core assets, being shares in Shark Bay Salt and CBH Resources.

Cash balances in the half-year, which were substantially impacted by BassGas, reduced at an operating level by \$73.5 million. This reduction was in part offset by the share placement to Murray & Roberts, giving net cash movement of \$44 million in the six months.

“Cash management continues to be an important focus for the Company. Total borrowings at balance date were \$58.4 million, offset by cash at bank of \$56.3 million, giving a Company net debt of \$2.1 million. Since the half year, we have received proceeds of \$20.7 million from the Shark Bay Salt sale and down payments of approximately \$20 million on recently awarded contracts, and consequently expect to see a recovery in the net cash position in the second half,” Mr Singleton said.

Murray & Roberts Strategic Alliance

The approval late in 2004 of the strategic alliance with South African engineering, construction and manufacturing group Murray & Roberts included the establishment of a joint venture to reinvigorate Clough’s capability in the mining and minerals processing sectors.

Clough Murray & Roberts has now been established in Perth to pursue this goal. The new entity has completed its market analysis, identified its target clients, has a business plan in place and is now bidding for new work. It is primarily targeting EPCM contracts in Australia and South East Asia.

Services Success

Significant progress has been made in the first half in developing the Services Division. The award of the Saudi Aramco Project Management Services contract and the Gorgon pre-FEED (Front End Engineering and Design) contract for ChevronTexaco has seen the Group well on the way to achieving the strategic goal of deriving 50% of the Group’s revenues from lower risk, non-EPC contracts.

Both of these contracts will add directly to the Group's bottom line over the next five years and form the backbone of additional sales contribution approaching an estimated \$100 million per annum.

Saudi Aramco, the world largest oil company, has an expansion program to increase production over the next five years. A prime requirement of Clough's contract is to support Saudi Aramco's current production capacity along with its expansion plans within the Kingdom.

Clough is pleased to be part of the Gorgon project as it is a landmark LNG development in our backyard. Success on Woodside Energy's LNG train four stands Clough in good stead to meet the engineering challenges involved in Gorgon and also to participate in future LNG developments.

Dividend

Given both the Company's loss and the working capital issues relating to BassGas, the Board of Clough Limited has elected not to pay a dividend at the half year.

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Clough is one of Australia's largest multi-disciplinary engineering and construction groups. Clough operates globally in industry sectors such as onshore and offshore oil and gas, petrochemicals, minerals, infrastructure and property and has a significant capability in project management and engineering.

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