FY17

Cardno®

2017 FULL YEAR RESULTS PRESENTATION

August 2017

PRESENTERS:
Michael Alscher, Chairman
Peter Barker, CFO

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COVER IMAGE PROJECT: *Cardno is proud to have contributed to the success of Parklands, a unique revitalisation project, which will first serve as the athletes' village, accommodating 6,600 people, for the Gold Coast 2018 Commonwealth Games.*

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2017 FULL YEAR RESULTS PRESENTATION

> **Performance overview**

> Detailed financial review

> Commentary and outlook

2017 Performance Overview

2017 has been a watershed year. We have completed the organisational restructure, reset our balance sheet, closed down loss making businesses and sold non core assets. We exit FY17 in a much stronger position than we entered.

NOTABLE ACHIEVEMENTS:

> The business achieved net fee revenue growth of 0.8% to $788.2m. Although this growth is modest, it represents the first positive revenue growth since 2015.

> EBITDA growth of 4.8% to $44.0m. In the second half, the business achieved EBITDA of $20.8m, which was more than 3x the EBITDA in the second half of FY16.

> Cardno has systematically worked through its balance sheet to address legacy issues.

> The Australian engineering division has continued to perform strongly with fully allocated EBITDA margins of 10.9%.

> Backlog grew 5.3% to $846.1m on a like for like basis.

> Cardno expensed business review and restructure costs of $56.0m in the year. The company does not believe there is any further restructure or impairment costs to take up of a material nature.

AREAS FOR CONTINUED FOCUS:

> The America's is the largest division within Cardno with 36% of net revenue, achieving a fully allocated EBITDA margin of 1.6% in FY17. Significant progress has been made in the Americas in FY17 and it remains a significant opportunity for Cardno over the next three years.

> Cardno's oil and gas operations continue to be challenged. Over the past 12 months, this portfolio company has exited its operations in Nigeria, significantly refocused its workforce onto quality assurance work and restructured its staff composition to reflect the operating environment. Although momentum is being rebuilt, this business remains tied to the oil price and will not materially improve until the oil price rebounds.

> The South American operations continue to be scaled back consistent with the roll off of projects and debtor management remains a key focus.

2017 Performance Overview

The focus has been across all parts of the business.

Strategy and Structure	> Slimmed down corporate head office to true head office roles and eliminated the regional management layer in the USA and Asia Pacific > Completed divisional restructure > Divested software business, O&G related business (Nigeria), a construction and a coal consulting business > Closed a number of sub economic or loss making offices and businesses > Completed two synergistic bolt on acquisitions
People and Leadership	> Implemented consistent employee contracts for senior managers > Put in place realistic and achievable short term and long term incentive goals > Improvement in staff engagement and turnover ▪ Positive momentum in employee engagement survey ▪ In the top 200 managers across the company, turnover was less than 5% in past 12 months > Put in place a global health and safety and human resources policy and governance structure and decentralised all health and safety and human resources functions into divisions
Transparency and Governance	> Established consistent reporting and benchmarking across all divisions and geographies > Recruited a Chief Risk Officer and re-established the Internal Audit function
Financial Stability and Health	> Reduced leverage to \$15.3m, down from \$49.6m at 30 June 2016 and \$311.3M at June 2015 > Finalised balance sheet review

The focus on stability, transparency and organic growth is starting to deliver across the organisation.

2017 Performance Overview

Cardno

The organisation has been restructured to focus on divisional decision making units. Each divisional leader reports into the Group CEO and is empowered to make decisions via a clear delegated operating authority and oversite framework.

Key milestones at a divisional level are:

ASIA PACIFIC	> Removed Australian regional office and established two divisions: North and South > Established central business development group focused on winning major projects > Completed small bolt-on acquisition in Perth
AMERICAS	> Removed Americas regional office and established three divisions: Government, Infrastructure, Science and Environment > Expanded presence in Canada, taking 100% ownership in T2 subsidiary (previously 50/50 joint venture) > Divested two small consulting businesses, closed loss making drone business
INTERNATIONAL DEVELOPMENT	> Restructured as a single global division with three units: Asia Pacific, Americas, Europe & Africa > Increase in business development activities and backlog
CONSTRUCTION SCIENCES	> Focused on rationalisation of Enterprise Agreements (EAs) and awards to ensure increased workforce flexibility > Trialing new technologies to increase safety and efficiency
PPI	> Hired additional QA/QC and BD-focused staff to drive organic growth > Divested Nigeria operations to reflect the challenging conditions in this country. Released personnel in Singapore, Australia and Louisiana offices to remove a management layer and streamline operations
LATAM	> Consolidated management of Ecuador businesses > Resized business to reflect current backlog > Returned business to profitability
XP SOLUTIONS	> Sold XP Solutions for US$49m in September 2016

2017 Performance Overview

Cardno

Based on our previous presentation at the 2016 AGM we have made considerable progress on our simple schematic.

With management, set the strategy and values for the company

- Revise strategy as to “what is Cardno” going forward
- Set clear parameters as to growth expectations (organic plus acquisition)
- Refocus on organic over acquisition led growth

Ensure the right organisational structure is in place to execute on that strategy

- Revised structure to enable effective execution

Ensure the right executives are in place to achieve the goals of the company

- Reset leadership team and make sure it is capable of execution

Put in place appropriate financial reporting and measurement tools

- New reporting systems being implemented which includes new Board and company reporting including KPI measurement

Review performance and hold management to account and reward for performance

- New STI and LTI plans introduced across the company with clear financial goals in place
- Bottom up budgets in place

2017 FULL YEAR
RESULTS
PRESENTATION

> Performance overview

> **Detailed financial review**

> Commentary and outlook

2017 Full Year Performance Highlights

Cardno

Full Year underlying EBITDA of $44.0m in line with market guidance.

> Modest growth in Fee Revenue(2), up 0.8% from FY16

> EBITDA from continuing operations of $44.0m, consistent with guidance and up 4.8% from $42.0m EBITDA in FY16

> Net Operating Profit after Tax of $19.9m, up from $6.2m in FY16. This result excludes $11.4m of abnormal items (see following slide)

> Backlog remains solid

2017 Results A$ million (2)

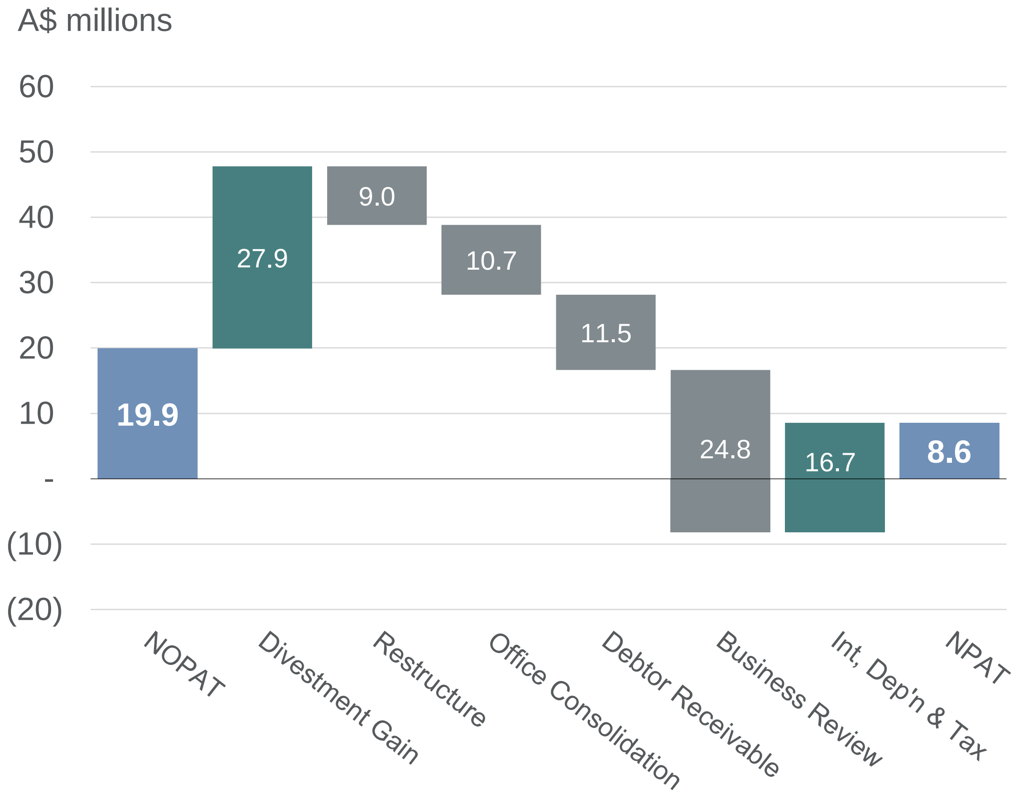
	Reported		
			Percent change year on year
Gross Revenue	$1,182.0m	▲	1.5%
Fee Revenue	$788.2m	▲	0.8%
EBITDA	$44.0m	▲	4.8%
Net Operating Profit after Tax	$19.9m[1]	▲	221.0%
Abnormal items	$11.4m	▼	94.4%
Net Profit after Tax	$8.6m	▲	104.4%
Backlog	$846.1m	▲	5.3%
Net Cash Flow from Operations	($3.8)m	▼	106.7%

(1) Net Operating Profit after Tax, is a non-IFRS term which reflects the operating position of the business prior to one off and impairment adjustments. A reconciliation of NPAT to NOPAT has been prepared and is shown on slide 9.

(2) Underlying results – businesses divested in FY17 are excluded from results for both FY17 and the FY16 comparative.

2017 Full Year Performance Highlights

The Net Profit after Tax of $8.6m includes a gain on sale of $27.9m and $39.3m of abnormal charges related to divestments, restructuring and balance sheet review costs.



- Net gain on disposal of discontinued operations: $27.9m (primarily related to sale of XP Solutions)
- Restructure costs of $9.0m:
  - $3.6m related to redundancy and legal costs in Ecuador as business scaled down with project maturity
  - $5.4m of group head office restructure and redundancy costs as head office restructured to be fit for purpose
- Business review costs of $47.0m:
  - $10.7m provision related to lease costs associated with closures and rationalisation of office infrastructure
  - $11.5m provision for historical receivables deemed materially at risk of collection due to changed business conditions
  - $24.8m provisions/accruals/writeoffs associated with business reviews;
    - $1.5m closure of developmental drones business
    - $9.7m provision associated with the closure of Nigeria business
    - $2.6m provision associated with the Petroleum and Gas business
    - $4.2m provision related to multi-year project review
    - $2.2m provision relating to prior year overhead rate audits
    - $2.6m provision relating to litigation disputes
    - $1.5m indirect tax provision in dispute
    - $0.5m prior period payroll tax related disputes
- Interest, depreciation and tax benefit of ($16.7)m:
  - $7.1m acceleration of depreciation of externally purchased software
  - $3.7m income tax provisioning for taxes under dispute (including penalties and interest)
  - ($27.5)m tax effect of underlying adjustments

2017 Full Year Performance Highlights

Cardno

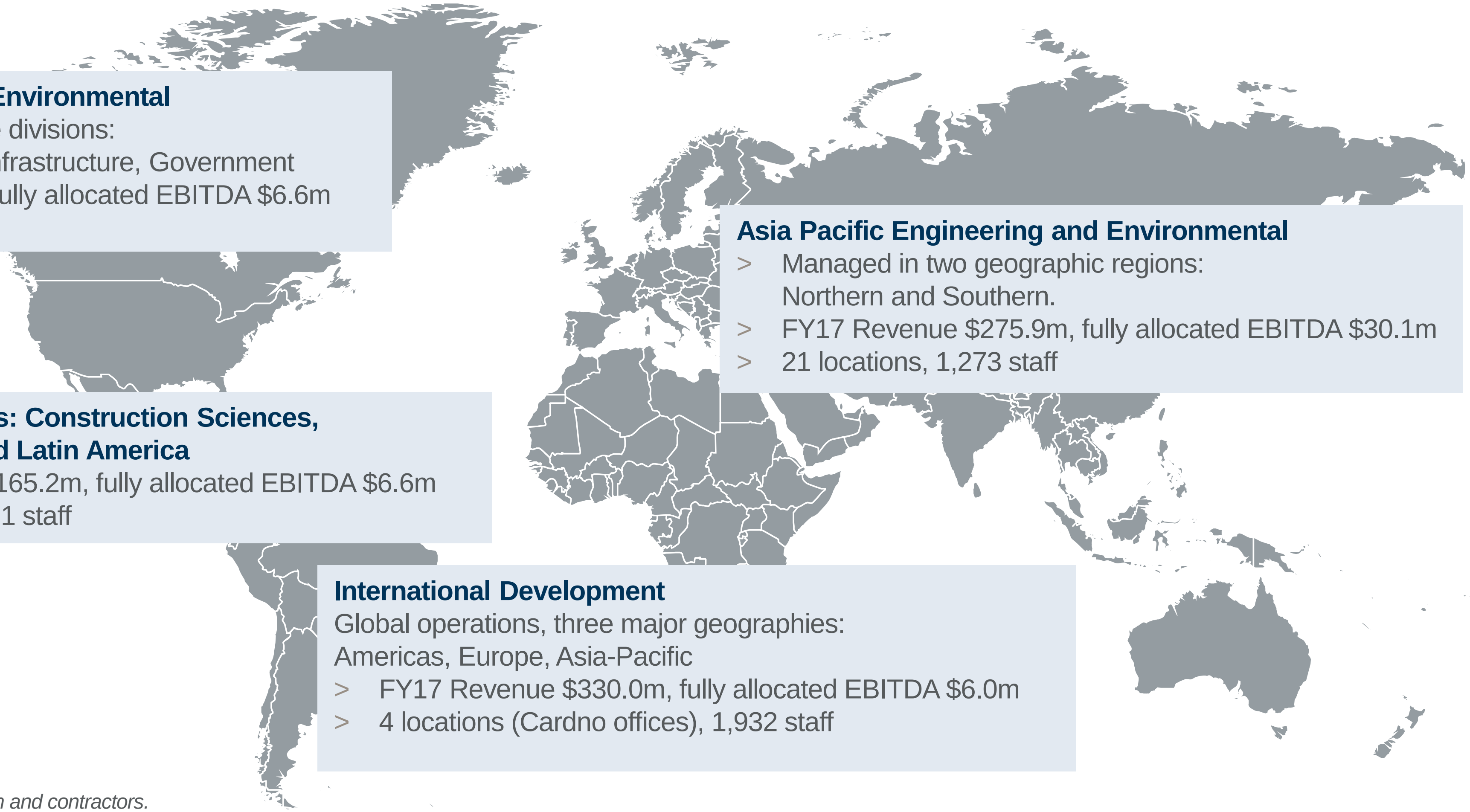
(A$ Millions)	2016 1H16	2016 2H16	2016 FY[1]	2017 1H17	2017 2H17	2017 FY[1]	% Change FY%
Total revenue from continuing operations	572.2	592.4	1,164.6	575.7	606.3	1,182.0	1.5%
Fee revenue from continuing operations	396.4	385.4	781.8	391.4	396.8	788.2	0.8%
EBITDA[1] from continuing operations	35.4	6.6	42.0	23.2	20.8	44.0	4.8%
EBITDA margin	8.9%	1.7%	5.4%	5.9%	5.2%	5.6%	
Operating profit / (loss) before tax from continuing operations	16.0	(12.3)	3.7	9.8	11.7	21.5	481.1%
Net operating profit / (loss) after tax[2] from continuing operations	**11.3**	**(5.1)**	**6.2**	**10.2**	**9.7**	**19.9**	**221.0%**
Effective tax rate	29.4%	58.5%	(67.6%)	(4.1%)	17.1%	7.4%	
Net operating profit / (loss) after tax and abnormals from continuing operations	**4.8**	**1.0**	**5.8**	**(21.1)**	**1.8**	**(19.3)**	**(432.8)%**
Impairment of goodwill	-	(178.2)	(178.2)	-	-	-	
Tax impact of impairment losses	-	22.4	22.4	-	-	-	
Discontinued operations	(35.0)	(9.9)	(44.9)	27.6	0.3	27.9	162.1%
Net profit / (loss) after tax	**(30.2)**	**(164.7)**	**(194.9)**	**6.5**	**2.1**	**8.6**	**104.4%**
Net operating cash flow	26.1	30.3	56.4	(9.9)	6.1	(3.8)	
Net operating cash flow / NOPAT	230.9%	(594.1%)	909.7%	(97.1%)	62.9%	(19.1%)	
Basic earnings per share (cents)	(15.04)	(64.15)	(79.19)	1.37	0.42	1.79	
NOPAT basic earnings per share (cents)	5.65	(3.13)	2.52	2.13	2.03	4.16	

(1) Excludes Discontinued Operations of XP, Mining, ATC and ECS.

(2) Net Operating Profit after Tax, is a non-IFRS term which reflects the operating position of the business prior to impairment adjustments. A reconciliation of NPAT to NOPAT has been prepared and is shown above.

2017 Full Year Segments

Cardno segment reporting is now presented in four segments: Americas Engineering and Environmental, Asia Pacific Engineering and Environmental, Portfolio Companies and International Development



Americas Engineering and Environmental
- Region structured as three divisions: Science & Environment, Infrastructure, Government
- FY17 Revenue $411.0m, fully allocated EBITDA $6.6m
- 79 locations, 1,595 staff

Asia Pacific Engineering and Environmental
- Managed in two geographic regions: Northern and Southern.
- FY17 Revenue $275.9m, fully allocated EBITDA $30.1m
- 21 locations, 1,273 staff

Portfolio Companies: Construction Sciences, PPI Oil and Gas, and Latin America
- FY17 Revenue $165.2m, fully allocated EBITDA $6.6m
- 23 locations, 1,021 staff

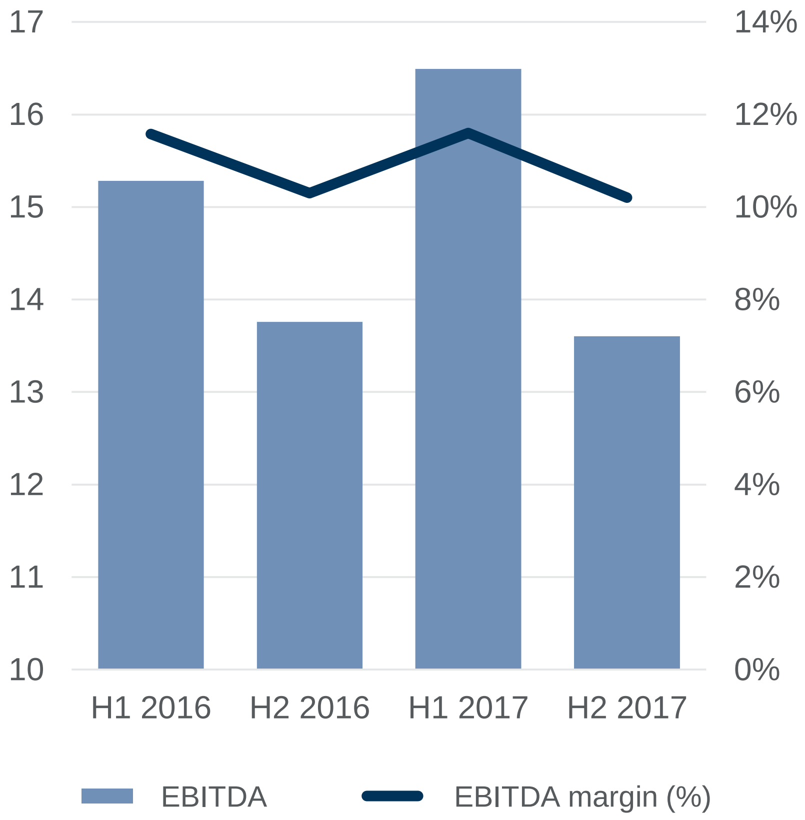
International Development
Global operations, three major geographies: Americas, Europe, Asia-Pacific
- FY17 Revenue $330.0m, fully allocated EBITDA $6.0m
- 4 locations (Cardno offices), 1,932 staff

NB: Staff numbers are FTE including permanent, fixed term and contractors.

2017 Full Year Segments: Asia Pacific

ASIA PACIFIC EBITDA AND % MARGIN

A$ million



Asia Pacific continues to perform strongly.

- > Gross Revenue in FY17 of $275.9m. This was 3.9% higher than FY16
- > Fully allocated EBITDA margin was 10.9%, which is broadly in line with FY16
  - EBITDA margin includes all allocations for corporate and group costs
- > A number of restructure actions that have been completed in FY17 will generate benefits from FY18 (for example material rent reduction in several offices)
- > Business is investing significantly in major projects expertise with a new dedicated business development team to focus on longer lead time material contracts

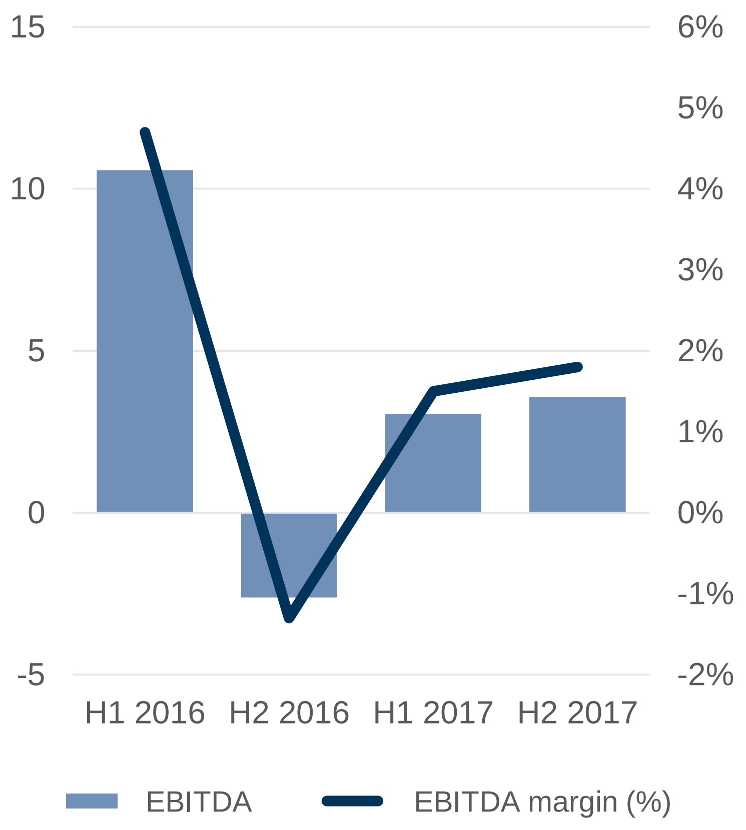
KEY WINS DURING THE YEAR INCLUDE:

- > Survey works for Parramatta Light Rail
- > Civil design & associated works for significant urban release projects in Western Sydney (Leppington) and the Illawarra (Calderwood)
- > Ipswich Motorway Upgrade
- > Range of engineering and environmental work for HMAS Coonawarra and Larrakeyah Barracks
- > Environmental technical support for WestConnex M4

2017 Full Year Segments: Americas

AMERICAS EBITDA AND % MARGIN

A$ million



The performance in the Americas is beginning to improve. The 1H17 focus on structure, leadership, staff and empowerment is beginning to bear fruit.

> Gross Revenue in FY17 of $411.0m. This was 4.7% down on FY16

> There remains significant potential in the Americas. Focus has turned to growing revenue to improve margin (fixed cost utilisation) rather than additional cost reductions at a local level

> Americas Head Office structure removed and devolved into operating units as appropriate

KEY WINS DURING THE YEAR INCLUDE:

> Arizona Department of Transportation, Subsurface Utility Engineering & Survey on call

> Florida Department of Transportation, construction engineering and inspection services

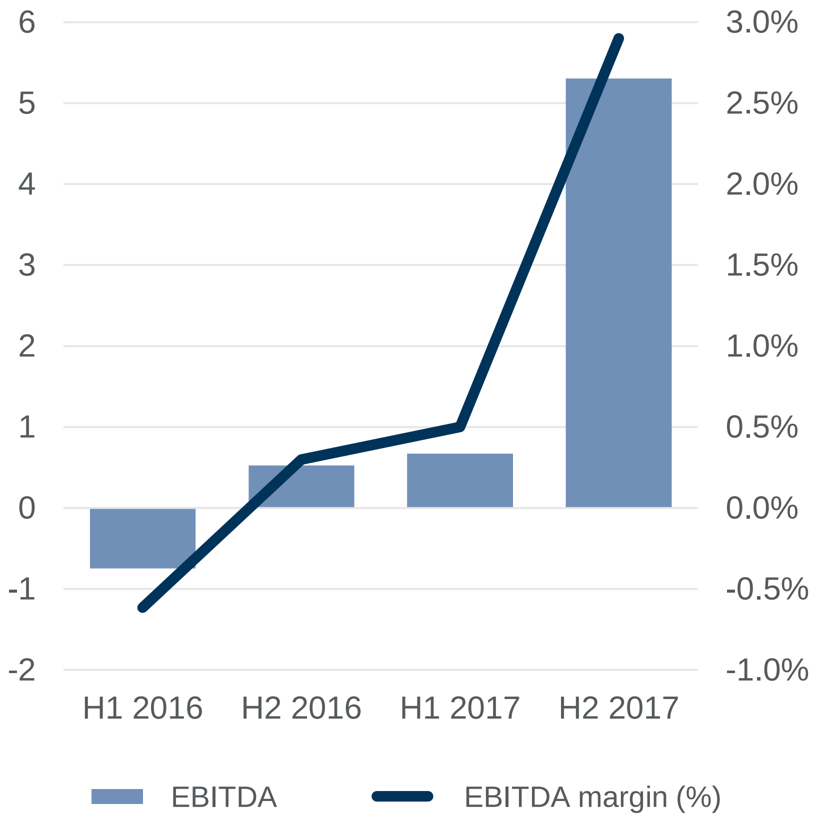
> U.S. Army Corps of Engineers, Mobile District, BUILDER SMS Assessments Worldwide for U.S. Army Installation Command

> US Navy, Encroachment Management Services in Western United States

2017 Full Year Segments: International Development (ID)

ID EBITDA AND % MARGIN

A$ million



International Development returns to profit.

KEY WINS DURING THE YEAR INCLUDE MULTI YEAR CONTRACTS FOR:

- USAID, Serbia Competitiveness Systems Strengthening Activity
- MCC, Liberia Fiscal Agent and Liberia Procurement Agent
- EU, Technical Assistance to the Bangladesh Small and Cottage Industries Corp.
- DFID, Supporting Sustainable Artisanal Mining in Rwanda Program
- DFAT, Australia Indonesia Partnership for Justice II

2017 Full Year Segments: Portfolio Companies

PORTFOLIO EBITDA AND % MARGIN

A$ million

Increased accountability has led to stronger financial performance.

> Fully allocated EBITDA margin for the year of 4.0%, up from 2.3% achieved in FY16

> Although some sectors (Oil & Gas) remain challenged others (eg. Construction Sciences) are starting to see revenue and EBITDA pick up

> Reflecting the challenging economic environment, the Oil & Gas business exited its Nigeria operations effective 30th June 2017

> Stabilising the business and completing engineering projects in Ecuador

KEY WINS DURING THE YEAR INCLUDE:

> Package C and Package D of Woolgoolga to Ballina Pacific Highway Project

> NorthConnex Project, Sydney

> Toowoomba Second Range Crossing earthworks and aggregates testing

> Lundin Gold environmental services in Ecuador

2017 Full Year Balance Sheet

Cardno

	FY2015 '$000's	FY2016 '$000's	FY2017 '000's	
Cash and cash equivalents	84,750	105,613	80,028	
Trade and other receivables	266,513	191,053	218,749	
Inventories	154,611	115,305	96,882	4
Other current assets	41,334	26,328	13,696	
Total current assets	**547,208**	**438,299**	**409,355**	
PPE	64,851	47,310	35,593	2
Intangible assets	548,084	322,604	295,873	3
Deferred tax assets	65,448	118,580	142,127	
Other financial assets	7,625	3,770	1,323	
Total non-current assets	**686,008**	**492,264**	**474,916**	
Total assets	**1,233,216**	**930,563**	**884,271**	
Trade and other payables	150,566	125,115	144,327	
Loans and borrowings	2,982	2,795	615	
Other current liabilities	103,982	87,279	87,117	
Total current liabilities	**257,530**	**215,189**	**232,059**	
Loans and borrowings	393,108	152,425	94,708	
Other non-current liabilities	12,970	5,852	12,227	5
Non-current liabilities	**406,078**	**158,277**	**106,935**	
Total liabilities	**663,608**	**373,466**	**338,994**	
Net assets	**569,608**	**557,097**	**545,277**	
Net debt	**311,340**	**49,607**	**15,294**	1
Net Debt/EBITDA *(lending covenant <= 3.0x)*	**2.6x**	**1.5x**	**0.4x**	6
Interest Cover Ratio *(lending covenant >= 3.3x)*	**13.9x**	**3.5x**	**5.6x**	
Net Asset Value *(lending covenant >= $445.0M)*	**569,608**	**557,097**	**545,277**	

* *Interest Cover Ratio is the ratio of EBITDA to Net Interest Expense for the prior 12 months.*

1. Net debt now $15.3m, down from $49.6m (June 2016) and $311.3M (June 2015). Improvement in net debt in FY17 primarily due to the sale of XP Solutions
2. Decrease in PPE includes impact of the write off of onerous software contract
3. Decrease in intangibles reflects sale of XP Solutions
4. Decrease in WIP reflects increased in speed of billing cycle
5. Increase in non-current liabilities Includes onerous lease provisions relating to office closures and consolidations
6. Significant head room on covenants. Net Debt/EBITDA of 0.4x, versus 1.5x (FY16) and 2.6x (FY15)

Financial discipline over the past 18 months has created a strong balance sheet

2017 Full Year Balance Sheet Strength

	FY2015 '$000's	FY2016 '$000's	FY2017 '000's	
Net debt	311,340	49,607	15,294	1
Total debt facilities	US$480m	US$210m	US$86.6m	2
Intangible assets	548,084	322,604	295,873	3
Trade + Other Receivables – trade payables	115,947	65,938	74,422	
Net tangible assets	21,524	234,493	249,404	4
Current assets/Current liabilities	2.1x	2.0x	1.8x	
(Cash + Debtors + WIP) / (payables + debt)	0.9x	1.5x	1.7x	5
(Cash + Debtors + WIP) / Debt	1.3x	2.7x	4.2x	5
Net Debt/EBITDA *(lending covenant <= 3.0x)*	**2.6x**	**1.5x**	**0.4x**	6
Interest Cover Ratio *(lending covenant >= 3.3x)*	**13.9x**	**3.5x**	**5.6x**	6
Net Asset Value *(lending covenant >= $445.0M)*	**569,608**	**557,097**	**545,277**	6

* *Interest Cover Ratio is the ratio of EBITDA to Net Interest Expense for the prior 12 months.*

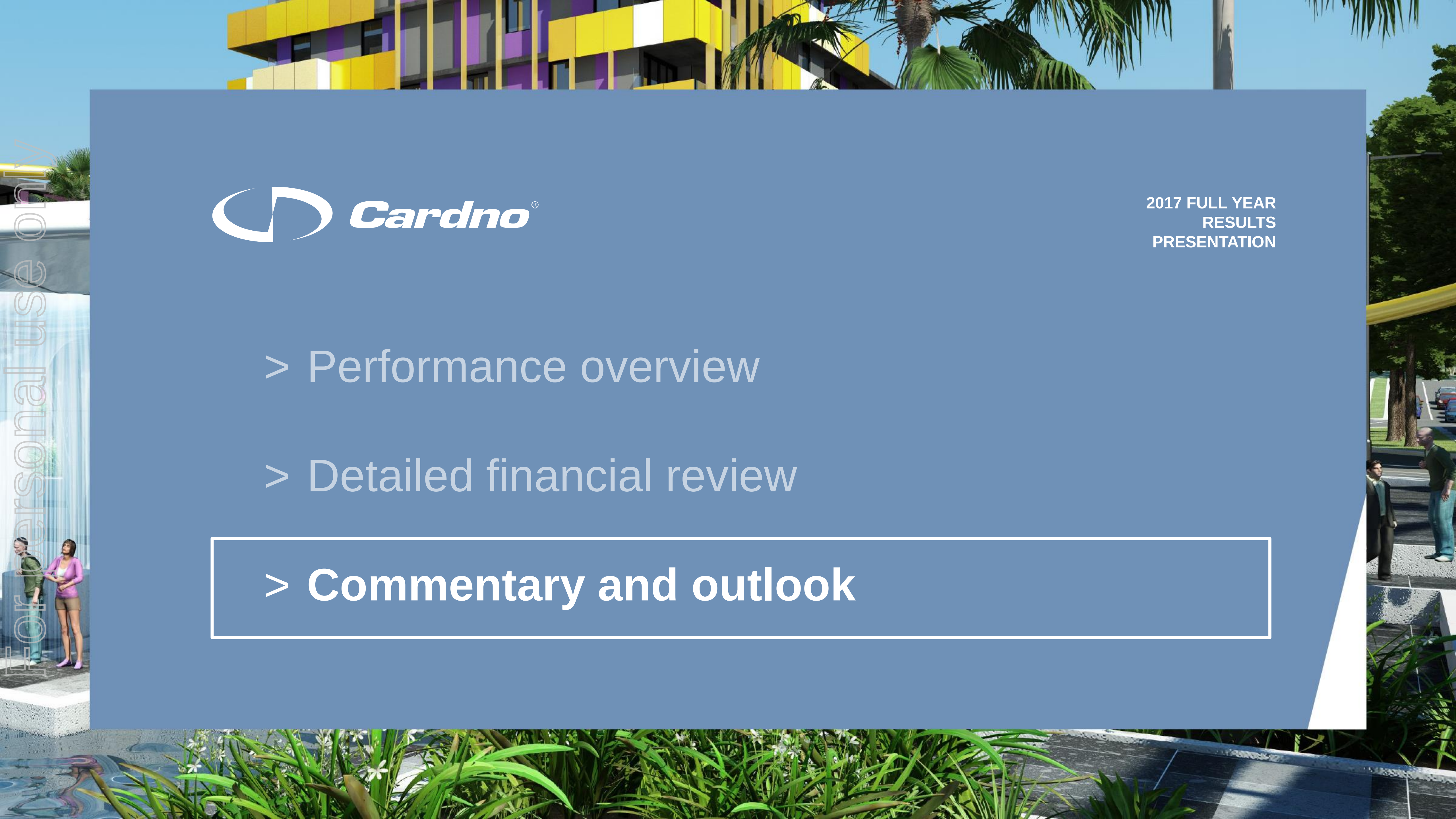
1. Reduced net debt from $49.6m June 2016 to $15.3m post XP sale
2. Permanently reduced debt facilities from US$210m at June 2016 to US$86.6m post the sale of XP Solutions
3. Intangible assets reduced following sale of XP solutions
4. Net tangible assets increased $14.9m due to the pay down of debt
5. Liquidity ratios significantly improved
6. Covenant ratios improved

Strong balance sheet enables the company to focus on long term sustainable growth options to build value for shareholders.

2017 Cash Flow

	FY2015 '$000's	FY2016 '$000's	FY2017 '000's	
Underlying EBITDA	111,920	43,559	44,005	
Other non cash	(5,822)	-	-	
Working capital movement	(27,169)	17,517	(41,730)	5
Net interest paid	(6,950)	(10,387)	(4,720)	3
Income tax paid	(23,856)	5,698	(1,388)	
Net cash provided by operating activities	**48,123**	**56,387**	**(3,833)**	
Proceeds on disposal of subsidiaries	-	85,943	57,977	1
Acquisition of subsidiaries, deferred consideration	(11,187)	(23,857)	(6,180)	
Payments for PPE	(24,273)	(19,312)	(12,280)	
Other investing activities	283	8,704	932	
Net cash used in investing activities	**(35,177)**	**51,478**	**40,449**	
Proceeds from issue of shares	6,135	177,038	-	
Share buy back	-	-	(5,670)	4
Net change in borrowings	18,379	(262,151)	(55,225)	2
Dividends	(42,055)	(7,693)	-	
Other	(885)	4,808	(2,303)	
Net cash used in financing activities	**(18,426)**	**(87,998)**	**(63,198)**	
Net increase in cash	**(5,480)**	**19,867**	**(26,582)**	
Cash and cash 1 July	85,885	84,750	105,613	
Other	4,345	996	997	
Cash and cash equivalents at period end	**84,750**	**105,613**	**80,028**	
Net cash from operating activities / EBITDA	**43.0%**	**129.4%**	**(8.7%)**	

1. The sale of XP Solutions for US$49m (prior to transaction related costs) was the primary driver of cash flow from investing activities
2. There was a significant repayment of debt, primarily from the funds from the sale of XP Solutions
3. There has been a reduction in net interest paid reflecting the lower net debt position of the business
4. A share buy back program was introduced in 2H17
5. Movement in working capital due to timing issues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Outlook for FY18

Cardno is entering the second year of a multi year business improvement plan. Cardno will continue to invest in business infrastructure, broadening its service lines and building long term shareholder value.

> Cardno will continue to build out the breadth of its service offerings, particularly in the Americas. This will involve bolt on acquisitions and investment in key hires. This is part of a multi year program to ensure we are best placed to mirror the scale and profitability of our Australian operations in the America's

> Cardno is committed to building long term organic growth capabilities and investment in business development teams will continue to act as a drag on earnings over the next 12 to 24 months

> The board will continue its share buy back program while the board considers this an appropriate allocation of shareholder capital

> The Board has commenced the process to recruit a CEO. The focus is on finding a CEO with strong capability and cultural alignment with the direction that Cardno is now travelling

Based on our performance exiting FY17, we believe that Cardno's performance over FY18 should be a material increase over FY17 and Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA) and should be in the order of **$55 to $60 million**. This guidance is predicated on the current momentum continuing throughout the FY18 year.

THANK YOU

We are an ASX-listed professional infrastructure and environmental services company, with expertise in the development and improvement of physical and social infrastructure for communities around the world.

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