

Chairman's Address by John Marlay

Annual General Meeting – 23 October 2014

The 2014 financial year was one of difficult global market conditions, particularly for the engineering and construction sectors. These conditions had a significant impact on the demand for Cardno's professional services.

Cardno achieved a net profit after tax of \$78.1 million, a marginal increase over the 2013 financial year. This result reflects the challenging conditions across a number of Cardno's markets in the Americas, Australia and New Zealand.

Cardno's businesses in the United States delivered strong fee revenue growth due to the contribution of recent acquisitions, Cardno Haynes Whaley and Cardno PPI, as well as the expansion of our Latin American business. However, severe winter weather conditions reduced real US GDP by 2.1% per cent in the first quarter of 2014, which had a material impact on our field service activities.

Market conditions in the Australia and New Zealand Region remained subdued. Governments committed less spending to infrastructure, urban and environmental projects, resulting in reduced earnings from key sectors and competitive pressure on margins. This is continuing in FY15.

The Board declared a final dividend of 17 cents per share (100% franked) paid to shareholders on the 10th October. With the interim dividend of 19 cents per share paid in April 2014, this resulted in a full year dividend of 36 cents, matching the total dividend paid in the previous financial year.

Cardno's balance sheet remains strong with low net debt. We had a robust forward project pipeline of over \$855 million at financial year end, up from \$710 million last year, and has grown further to \$935 million in the past 3 months.

Despite the impact of the difficult operating environment in several of Cardno's key markets, we are not satisfied with the FY2014 financial results. We have already commenced work to improve performance, focusing on reducing overheads costs, merging office locations, implementing our shared services model and developing priorities to grow organic revenue. These efforts are already producing tangible results, such as increasing levels of organic growth in some of our operating divisions in the US. The Board experienced this first hand during a recent visit to the US where it was obvious the outlook from senior management is having a very positive impact. These improvements will lay the foundations for Cardno's strategic aim of positioning the company as a top 20 global engineering firm by 2020.

Safety:

Cardno has a fundamental commitment to Zero Harm in all of our operations. We have developed a new global safety reporting tool to provide employees with an application to report hazards or near misses by a computer or mobile phone. A new safety and quality module was also added to our "Management Essentials" training program to better equip managers with the skills to engage directly with our workforce.

These initiatives have undoubtedly contributed to the improvement this year in our Lost Time Injury Frequency Rate and Total Recordable Injury Frequency Rate. Cardno's Lost Time Injury Frequency Rate at June 2014 was 0.15 per million man-hours, 80% reduction from 0.69 per million man-hours in 2013, which is an excellent achievement and a credit to all Cardno managers and staff. We are working to achieve an even better safety performance in 2015.

Growth and mergers:

Our growth strategy is designed to deliver both new professional services and accelerate our organic growth. Chief Executive Officer, Michael Renshaw, will provide further detail shortly.

Our principal focus in financial year 2015 is to reverse the decline in organic revenue growth we experienced in 2014. We are doing this in a manner which will generate sustainable growth going forward. We will also continue our assiduous pursuit of suitable merger partners to acquire and generate further revenue and profit growth for Cardno.

I wish to assure all shareholders that the Board will be very selective, as we have always been, in committing Cardno funding for new merger acquisitions. We have high standards for the quality of professional services in any new merger business, its fit with other Cardno services and confidence in expected returns that will exceed our hurdle rates.

I wish to highlight three important acquisitions during the financial year that will augment and enhance Cardno's capabilities and contribute to growth within our existing operations.

In 2014 we welcomed new merger partners Cardno Haynes Whaley, Cardno PPI and Cardno IT Transport. These new partners add to our capabilities in structural design services, engineering services to the oil and gas sector and engineering consultancy in transport policy formulation, planning and program implementation.

As a result, Cardno provides more integrated social, environmental and engineering project solutions and will deliver exceptional value for our clients across the globe.

Board:

Cardno's Board of Directors will continue our commitment to a sound governance structure, financial due diligence, providing relevant business expertise, and ensure prudent risk management policies and processes are in place, all targeted at enhancing and sustaining our performance for shareholders.

I wish to express the Board's appreciation to all of Cardno's employees for their contributions over the past year. Andrew Buckley retired from the position of Managing Director after almost 17 years of exemplary leadership. He created a strong and successful legacy for which we thank him. In March 2014, Michael Renshaw was appointed Chief Executive officer. He and his executive team have ensured a smooth transition process and are now creating a new vision for Cardno's future.

I welcome new Non-Executive Director, Ms Elizabeth Fessenden, who joined the Cardno Board on 1 June 2014. Ms Fessenden is Cardno's second female Non-Executive Director and first US based board member. Ms Fessenden brings to Cardno a wealth of experience gained during a 20+ year senior executive career in the manufacturing and private equity industries, as well as the knowledge and skills gained from a recently completed term served as a director at O'Brien & Gere, an 800 employee American engineering consulting firm. I welcome Ms Fessenden to the Board.

I would like to also acknowledge the excellent contributions of General Sir Peter Cosgrove, who stepped down as a Non-Executive Director in January this year concluding 7 years of service, following his appointment as Governor-General of Australia.

I also want to highlight the Board's planning for succession of directors is an actively managed process. Shareholders should expect the appointment of at least one new director over the next 12-24 months, with the objective of bringing relevant experience and international expertise to the Board's oversight of the Company and for its growth.

Closing:

Thank you to our extremely valued clients for their support, and for continuing to select Cardno for the expertise and professional services we offer.

I also acknowledge Cardno's global workforce, ably led by Michael Renshaw, who have made a significant contribution to achieve steady results in a difficult market. The company has grown considerably in the past few years to 8,200 staff operating from 270 offices in 100 countries. The Board appreciates our employees' dedication and commitment to Cardno's core values and ongoing success.

Thank you to our shareholders for your continuing investment, interest and support – we will work hard to ensure we have a strong, diverse and dynamic Cardno in the future.

John Marlay
Chairman, Cardno Limited
23 October 2014