

20 May, 2015

CARDNO FY15 GUIDANCE AND MARKET UPDATE

ASX200 professional infrastructure and environmental services consultancy Cardno Limited (ASX: CDD) today announced it expects to report operating Net Profit After Tax (NPAT) of between \$48 million and \$51 million for the year ending 30 June 2015.

The forecast operating NPAT of \$16.5 million to \$19.5 million for the second half reflects under performance of our businesses in the Americas and continued challenges in the Australian market.

Cardno Acting CEO and Group CFO, Mr Graham Yerbury noted that the forecast result reflects:

- Under performance of our US business attributed to the harsh winter weather in the north-eastern states, a slowdown in the demand for oil and gas services globally, slower than anticipated conversion of backlog into project starts, and increased competition in our testing services business
- Continued revenue challenges associated with the ongoing slowdown in the Australian mining and oil and gas sectors and a lower than expected recovery in infrastructure investment
- Restructure costs particularly in Australia in the order of \$3.0 million post-tax as we continue to match our resources to client and market demand
- Slower than anticipated realisation of cost savings from the creation of the Cardno Business Services centre in Denver, however we confirm our expectation to deliver annual pre-tax savings of \$10 million per annum
- Recent volatility in the AUD/USD FX Rate.

The under performance of our Americas Region has prompted a reassessment of the carrying value of our investment in the US and Ecuadorian operations. As a result Cardno will take a non-cash impairment charge expected to be in the order of \$200 million in recognition of the diminution in the value of this business. This non-cash impairment charge has no impact on our existing debt covenants. Comprehensive details of this impairment charge will be provided in our full year accounts for 2015, to be released in mid-August.

Commenting on these matters, Graham Yerbury said:

“The past twelve months have been very challenging with the difficult market conditions requiring significant action to improve overall business performance and outlook. We are evaluating all components of our business in the Americas Region with a view to improving overall profitability and positioning the business for a return to organic growth. Despite these near term challenges, we continue to grow our backlog in the Americas and remain optimistic about the performance of the business in the coming year.

While it is difficult to pick the bottom of the market we believe that the outlook for our Australian business in the coming financial year is broadly positive and that we are well positioned to take advantage of any improvement in the economy”.

Cardno will release its financial statements for the year ended 30 June 2015 on 18 August, 2015.

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About Cardno: Cardno is an ASX200 professional infrastructure and environmental services company, with specialist expertise in the development and improvement of physical and social infrastructure for communities around the world. Cardno's team includes leading professionals who plan, design, manage and deliver sustainable projects and community programs. Cardno is an international company, listed on the Australian Securities Exchange [ASX: CDD]. www.cardno.com.