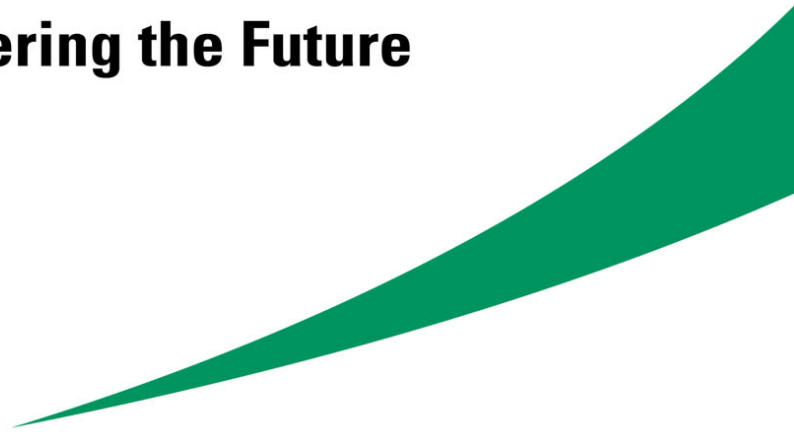




**Engineering the Future**



**CARDNO LIMITED**

**ANNUAL GENERAL MEETING**

1 November 2004

**Managing Director's Presentation**

# Introduction

**One of Australia's leading consulting engineering companies.**

## **The Company – A Momentous Year**

- Operating track record extending back over 60 years.
- Strong historical revenue and earnings growth forecast to continue into the future.
- Three mergers completed in 2004FY.
- Two recent mergers added 100 staff and 5 new offices.
- Over 650 employees in 22 offices both in Australia and Overseas.
- A diversity of earnings across a number of business sectors, clients, and geographical locations.
- Strong results for June 2004 Financial Year – beat Prospectus.
- Net profit before tax increased by 41% from \$4.6 million in 2003 to \$6.5 million in 2004.
- Shares listed @ \$1.00 now trading @ \$2.55 (25/10/04).
- On track to meet the 2005FY Prospectus targets.



Bolte Bridge, Melbourne

Sporting field design,  
Athens & Sydney  
Olympics



## Canberra Airport Design

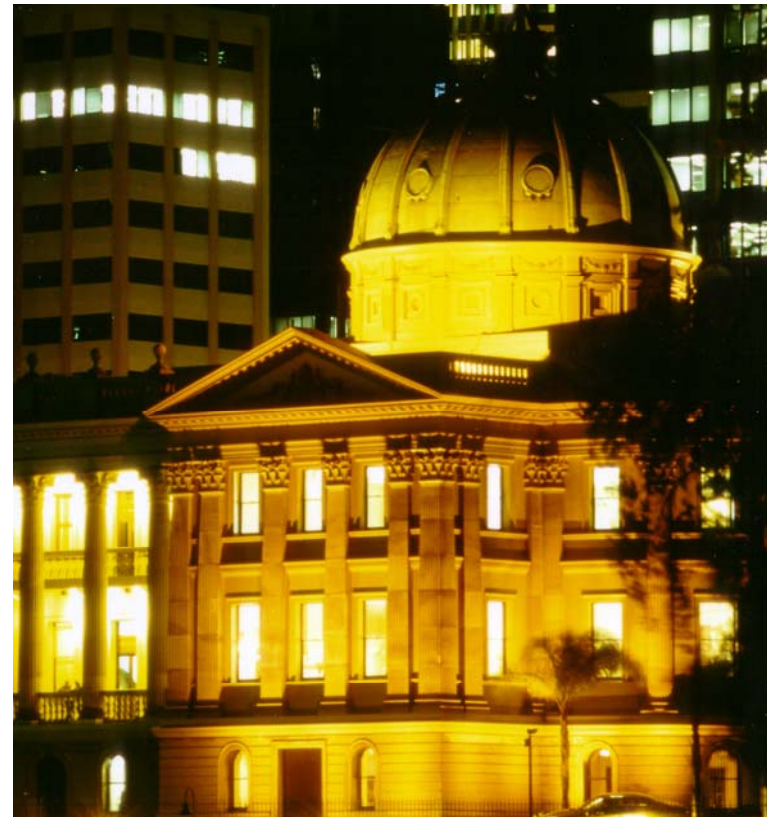


Greg Norman designed Golf Course,  
Pelican Waters Qld



Coomera Waters, Qld

Custom House restoration,  
Brisbane



# Engineering Consulting Industry\*

- Industry size in Australia about \$9 billion in professional fees
- Size of industry in Cardno disciplines is around \$3.8 billion
- Fragmented market
- Large number of firms
- Market share of largest competitor is less than 5% of the market
- Cardno turnover of \$65 million (FY2004) is less than 2% of our part of the market
- Growth of industry fees has been strong and will remain stable.
- Opportunities for continuing growth via increasing market share and acquisition

\* Note: Information and figures from the “Outlook for Engineering Consulting” report by Geoffrey Bills prepared for the Association of Consulting Engineers Australia (ACEA) in April 2004.

# Core Business

Cardno has developed a diverse range of engineering expertise:

- Civil engineering
- Structural engineering
- Urban waterway projects
- Bridge and hydraulic structure design
- Railway engineering
- Transportation engineering
- Asset management
- Environmental engineering
- Water and wastewater engineering
- Marine engineering
- Project management
- Sporting facilities
- Airport engineering
- Coastal engineering
- Urban Planning
- XP Software

# Business Units

- Fundamental element of our structure
- Market focussed
- Business Unit Manager responsibility
- Assists with mergers
- Competitive advantage

## Focus on People

- Focus on low staff turnover.
- Focus on carefully integrating our merger partners.
- Cardno offers a dynamic, exciting workplace.
- Involvement of staff in ownership.
- Incentivising high performers.
- Planning career development.
- Planning Succession.

## Loyal Staff

Over 650 employees currently work for Cardno. Their services are delivered through the 35 Business Units, located in 22 offices. A hallmark of Cardno is the long serving and loyal Company Staff.

Staff loyalty is clearly demonstrated by the numbers of long serving staff as illustrated below:

No. of employees	Years of service to Company
2	over 40
6	between 31 and 40
9	between 26 and 30
13	between 21 and 25
21	between 15 and 20

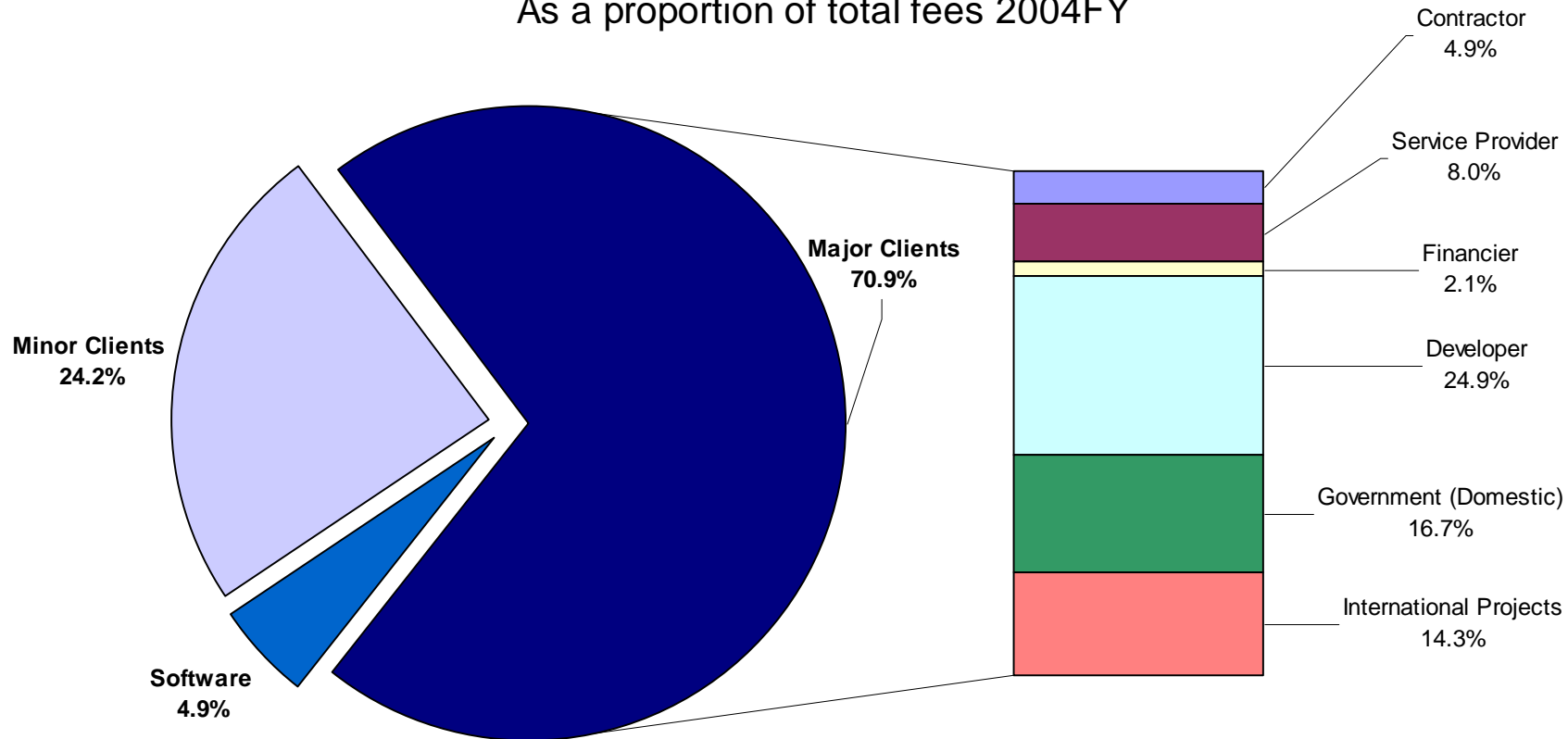
## Clients

- Major listed ASX companies
- Property developers and construction companies
- Australian Federal, State and Local Governments
- Professional firms including accountants, lawyers, architects and other consulting engineers
- Private schools, clubs, sporting bodies, charities and other private organisations
- Governments and government agencies of countries throughout Asia, the Pacific and North America
- International aid organisations including AusAID, United Nations, World Bank, Asian Development Bank, European Union and Kuwait Fund.

In addition the XP Software range of information technology products is licensed to more than 4,000 engineers, city and regional authorities, federal government agencies and universities throughout the world.

## Source of Revenue

As a proportion of total fees 2004FY



**Note:**

A major client is a client that generated \$100,000 or more in fees during 2004FY.

A minor client is a client that generated less than \$100,000 in fees during 2004FY.

Software represents the revenue generated by XP Software related income during 2004FY.

## Review of Operations/Markets – 2004FY

- **Development**
  - Queensland was strong and with Western Australia, remains so.
  - Victorian market was softening but more so in high density development.
  - NSW market was flattening and may recover somewhat.
  - Commercial and Industrial was quite active and continues to strengthen in most regions.
- **Infrastructure**
  - Local and State Government infrastructure spending was strong and continues so.
  - Victoria was flat but is improving.
  - NSW was at strong levels and remains so.
  - Queensland spending was flat but is now improving.
- **Other Service Providers**
  - This group of clients delivered a strong workload due to general level of economic activity.
  - Architects are a key part of this group and the buildings market was active in all sectors.
- **Contractors**
  - This group relies on the infrastructure market which is strong as noted above.
- **International**
  - The aid/development project market was slowed by terrorism concerns and SARS.
  - The market is now strengthening.

## June 2004 Results - Highlights

- Year-on-year total revenue increased by 43.8% from \$45.1 million in 2003 to \$64.8 million in 2004
- Net profit before tax increased by 41% from \$4.6 million in 2003 to \$6.5 million in 2004
- Net profit after tax increased by 27.4% from \$3.5 million in 2003 to \$4.5 million in 2004 and beat Prospectus forecast of \$4.3 million
- Three mergers completed during the financial year with annualised revenues exceeding \$12.2 million
- Company shares commenced ASX trading on 20 May, 2004
- \$4.5 million raised in the float to target further mergers and acquisitions which are now being implemented.

## June 2004 Results - Comparison

Consolidated for the 30 June Years				
	2002 \$'000	2003 \$'000	2004 \$'000	2005 (forecast) \$'000
Total Revenue	40,165	45,113	64,869	71,116
Expenses	37,828	40,079	57,769	63,139
Earnings before interest expense, tax and amortisation (EBITA)	2,337	5,034	7,100	7,977
Amortisation of goodwill	69	183	231	615
Earnings before interest expense and tax (EBIT)	2,268	4,851	6,869	7,362
Interest expense	201	268	418	408
Net profit before tax	2,067	4,583	6,451	6,954
Income tax expense	456	1,080	1,987	1,947
Net profit after tax	1,611	3,503	4,464	5,007
Earnings per Share – basic	N/A	N/A	14.44	14.00
Earnings per Share – diluted	N/A	N/A	14.44	14.00
Dividend per Share	N/A	N/A	10.5	11.0
<b>Financial Strength</b>				
Current Ratio (note 1)	1.44	1.42	1.64	
Gearing Ratio (note 2)	0.27	0.25	0.12	
Debt to Equity Ratio (note 3)	2.26	2.31	1.22	

Note 1: The Current Ratio is Current Assets ÷ Current Liabilities

Note 2: The Gearing Ratio is Long Term Liabilities ÷ (Shareholders Equity + Long Term Liabilities)

Note 3: The Debt to Equity Ratio is Total Liabilities ÷ Shareholders Equity

## Balance Sheet

	As at 30 June 2003 \$'000	As at 30 June 2004 \$'000
TOTAL CURRENT ASSETS	17,748	27,797
TOTAL NON-CURRENT ASSETS	9,187	15,215
<b>TOTAL ASSETS</b>	<b>26,935</b>	<b>43,012</b>
TOTAL CURRENT LIABILITIES	12,517	16,948
TOTAL NON-CURRENT LIABILITIES	6,280	6,665
<b>TOTAL LIABILITIES</b>	<b>18,797</b>	<b>23,613</b>
<b>NET ASSETS</b>	<b>8,138</b>	<b>19,399</b>
<b>TOTAL EQUITY</b>	<b>8,138</b>	<b>19,399</b>

## Shareholder Outlook

- Share price growth
  - \$1.00 listing price to over \$2.50 in October
- Dividend payable
  - 1 November record date
  - 4.5 cent franked dividend payable 15 November 2004
- Dividend Policy – 70% to 85% payout ratio

## Recent Mergers

- **Cardno BSD**

- No. of people 60
- Turnover \$6M
- Key skills Waste Management  
Urban Development
- Future opportunities → Water, Wastewater, Structural  
← Planning, Solid Waste

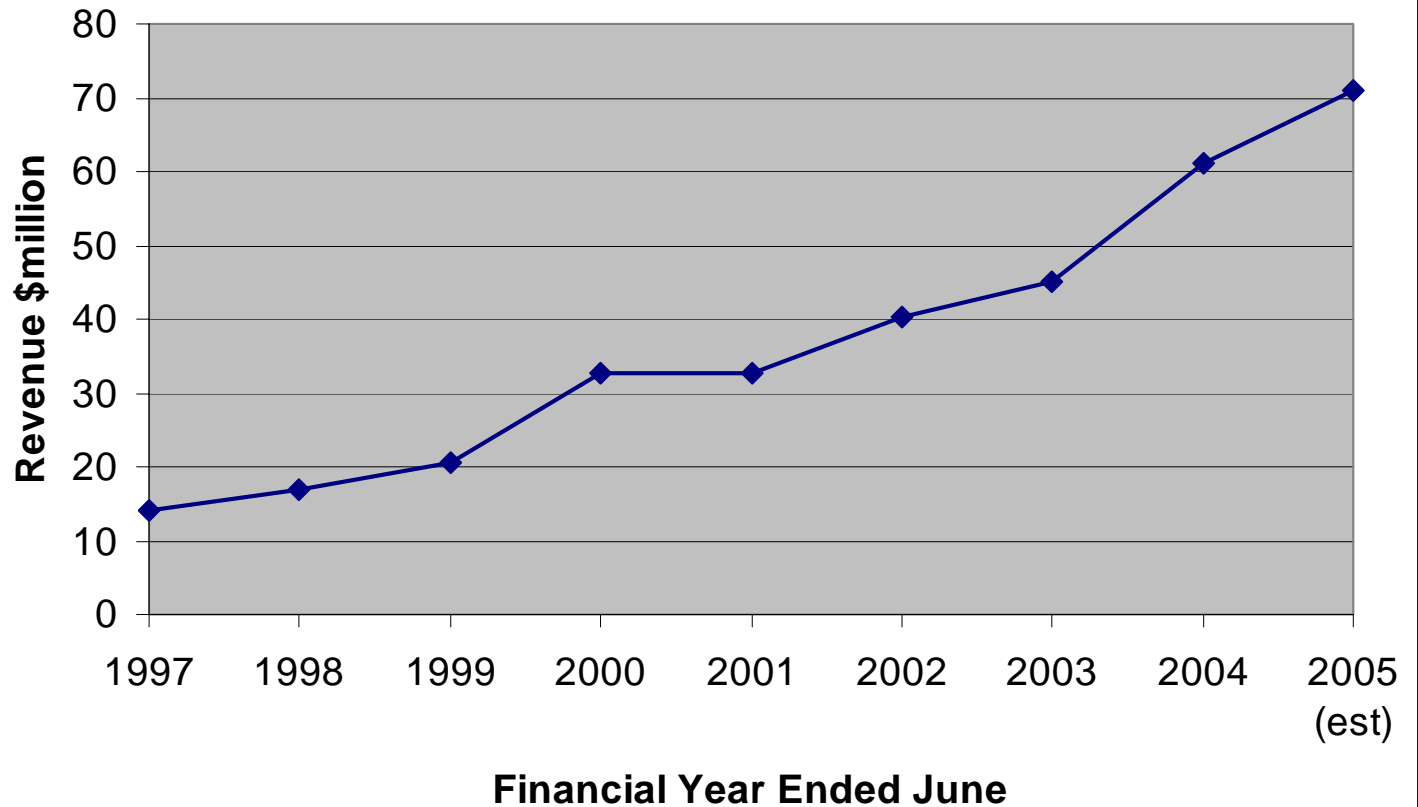
- **Cardno Lawson Treloar**

- No. of people 50
- Turnover \$5.9M
- Key skills Water Resources  
Coastal & Ocean Studies
- Future opportunities → Marine Structures, General Civil  
← Coastal, Data Acquisition

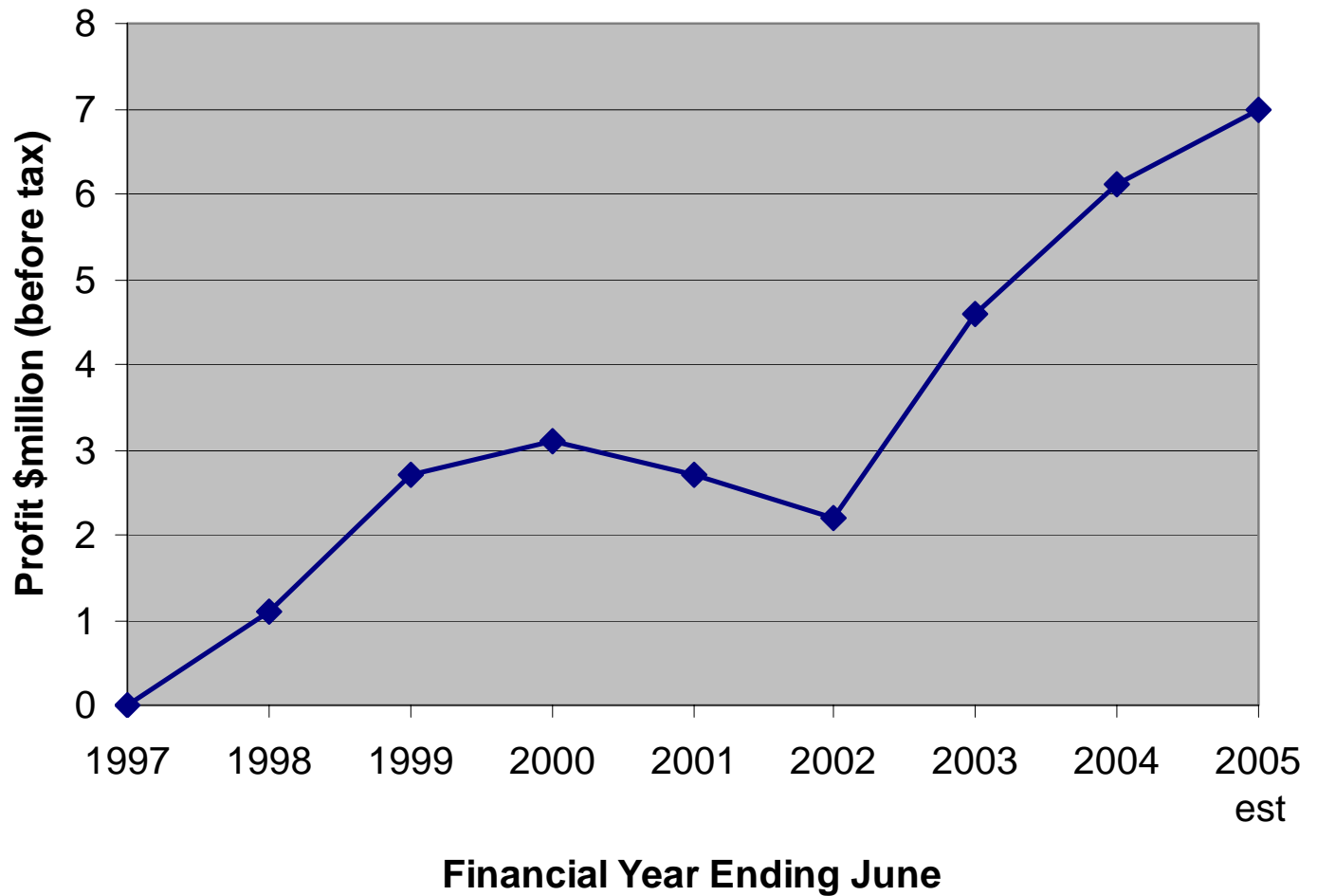
## Overview for 2005

- On track to meet Prospectus forecast
- Management team is striving to beat Prospectus forecast
- Conditions remain strong in Queensland and Western Australia
- NSW and Victoria flatter but soft landing
- International aid/development scene is improving

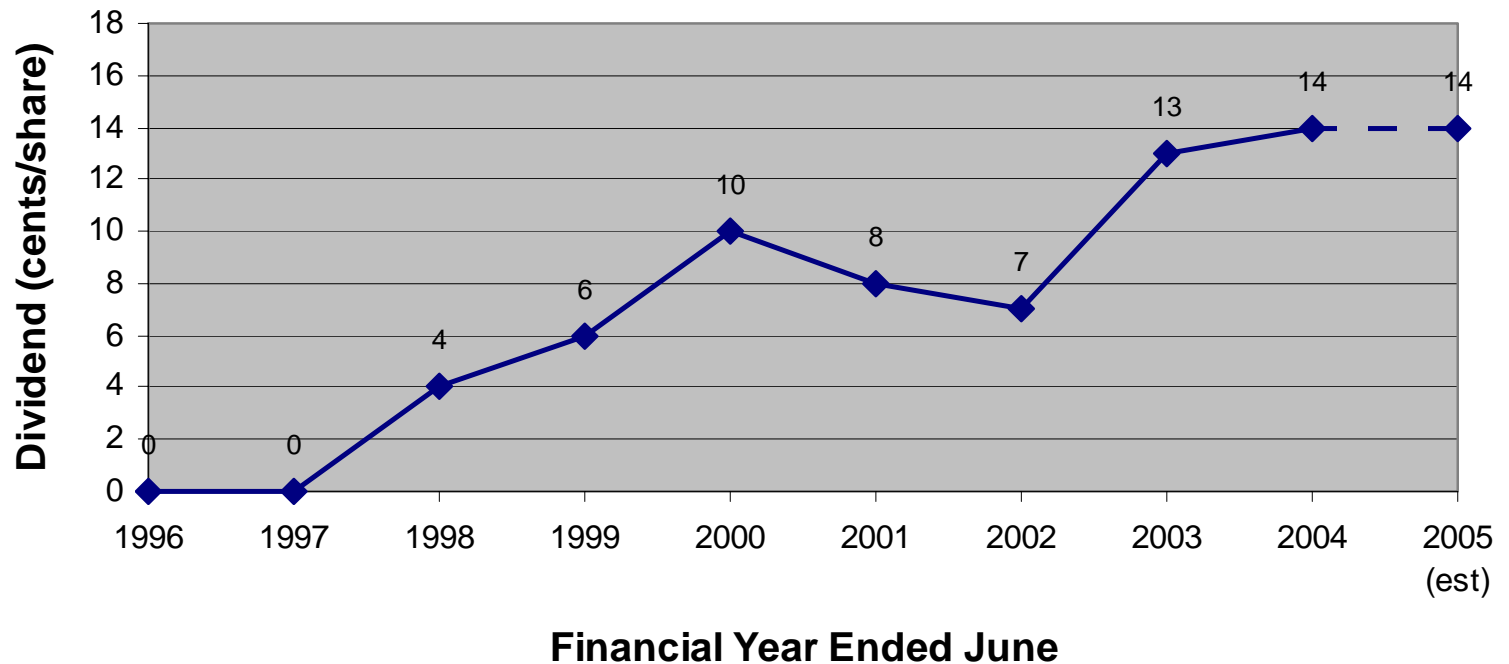
### Cardno Group Review of Performance Revenue Growth 1997 to 2005 (est)



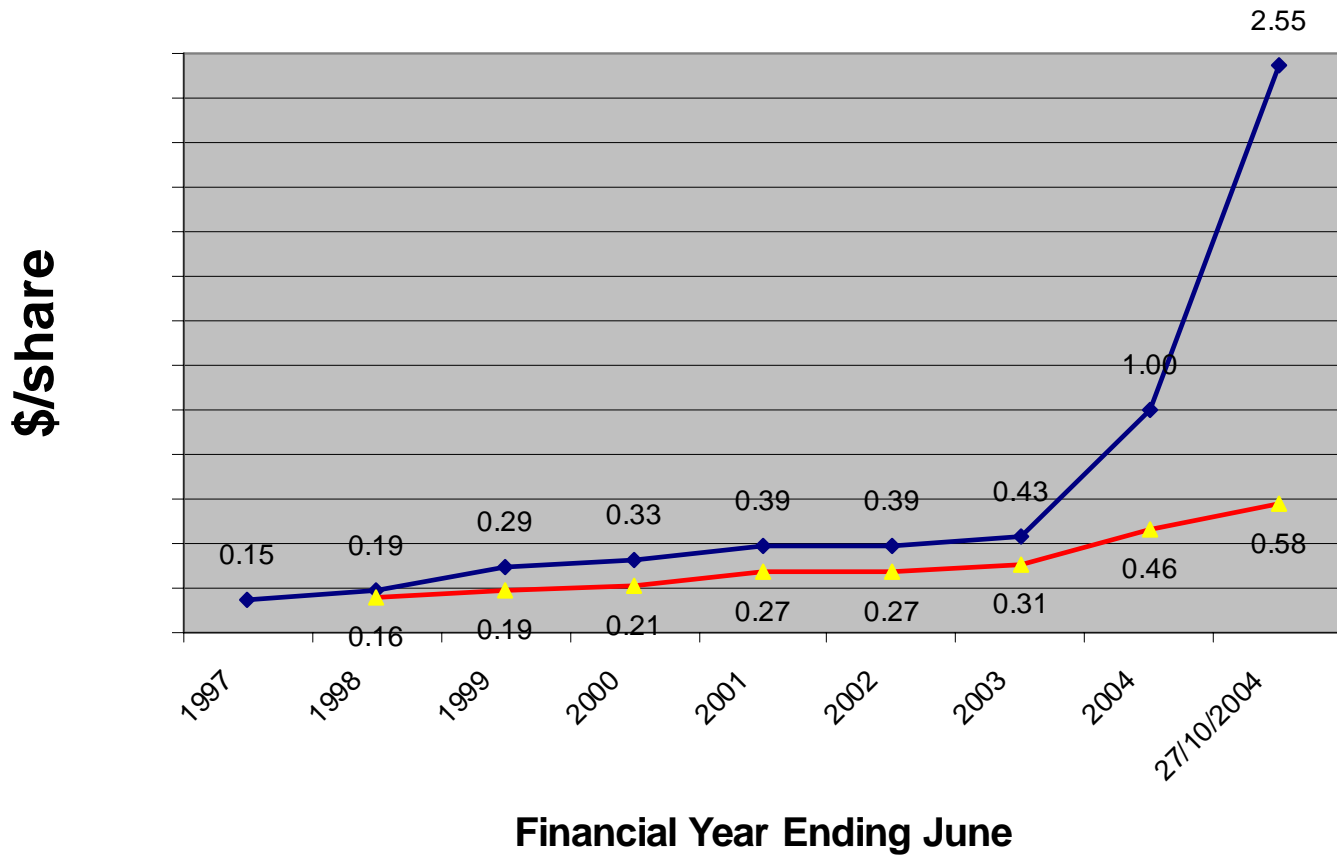
## Cardno Group Review of Performance Profit Growth 1997 to 2005 (est)



## Cardno Group Review of Performance Earnings/Share Growth - 1996 to 2005 (est)



## Cardno Group Review of Performance - 2004 Share Price Growth



## Key Highlights

- **2004 FY**
  - June 2004 results beat Prospectus forecast
  - 40% increase in revenue and profit (before tax)
  - Three mergers completed
- **2005 FY**
  - On track to meet Prospectus forecast
  - Conditions remain good
  - Two more mergers completed

## Key Highlights (cont'd)

- A leading Australian consulting engineering company operating over 60 years
- Strong growth profile coupled with an attractive dividend yield
- Diversity of earnings across a number of business sectors and geographic locations
- Experienced Management team
- Striving to meet and beat the 2005FY Prospectus forecast