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ASX ANNOUNCEMENT **25 May 2016**

Clarius Group Ltd (ASX:CND) Business Update

- **The Group continues to deliver on its strategic change agenda to build a sustainable business that provides an outstanding experience for clients and candidates**
- **Strong growth in China and ACT supported by solid performance in NSW and QLD has been offset by performance issues in New Zealand and Victoria**
- **Excluding these two markets, the underlying trading performance for the Group will be close to breakeven for FY16**
- **On the back of sustained losses, local business operations in New Zealand will be closed**

General business performance and trading conditions

Driven by strong performance in China and ACT, the Group delivered ahead of expectations in the first half of the year.

The success story in China is evidenced by significant individual productivity improvements and profitable trading following the significant FY15 operational restructure exercise. We are starting to attract the industry's best talent to our China platform. Client, candidate and internal acquisition metrics have all improved following the relocation of the Beijing and Shanghai offices to new centrally located CBD offices.

Strong growth in ACT and a business resurgence in NSW have been driven by increased levels of business development and improvements in fee earner productivity. The capacity of the Canberra office has been increased by 25% to facilitate future growth opportunities. These activities, combined with our workforce acquisition strategy and cost savings initiatives, will positively impact our first half of FY17.

Closure of local New Zealand operations

The Group has invested in a number of initiatives over a prolonged period in an attempt to deliver a profitable business in New Zealand. A significant investment strategy was put in place during FY15 but failed to deliver the anticipated returns. The Group is not prepared to continue to sustain these losses being incurred and has decided that further investment would be better directed to markets where we are experiencing strong and sustainable growth.

The Board has decided to close local business operations in New Zealand and will fulfil all ongoing commitments from our Head Office. The exit strategy will be implemented with immediate effect and the transition of business operations is expected to be complete by the end of June 2016.

The Board and Management remain confident that long-term shareholder value will be delivered via its strategic change agenda, with the focus on building a sustainable platform to provide an exceptional experience for clients and candidates.

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