

Appendix 4D

Half-year report

Half-year ended 31 December 2015

Introduced 01/01/03. Amended 17/12/10, 01/01/12

CARDNO LIMITED

ABN 70 108 112 303

1. The information contained in this report is for the half-year ended 31 December 2015 and the previous corresponding period 31 December 2014.

2. **Results for announcement to the market**

				\$'000
2.1	Revenue from ordinary activities	up/down	2.6% to	596,981
2.2	Profit (loss) from ordinary activities after tax attributable to members	up/down	270.0% to	(53,568)
2.3	Net profit (loss) for the period attributable to members	up/down	270.0% to	(53,568)
2.4	Dividends (distributions)	Amount per security	Franked amount per security	
	Interim dividend	0.0 cents	0.0 cents	
	Previous corresponding period	13.0 cents	13.0 cents	
2.5	Record date for determining entitlements to the dividend		Not applicable	

- 2.6 Cardno reported a net profit after tax from continuing operations of \$5.5 million for the half-year to December 2015. This was an 82.8 per cent decrease from the \$32.3 million recorded over the previous corresponding period. EBITDA from continuing operations was down 53.1 per cent to \$29.3 million, compared to \$62.5 million for the half year ended 31 December 2014. EBITDA from continuing and discontinued operations for the half-year was \$23.6 million and consistent with the guidance given in November of \$23 to \$25 million. This decline reflects the continued weakness in the Americas Region, particularly in the markets of oil and gas, mining and Latin America, which have faced increasingly difficult conditions. The half-year results for the Asia Pacific stabilised, despite the impact of a continued slowdown in the mining and resources sector, and a decline in commodity prices. Cardno reported a net loss after tax (including discontinued operations) of \$53.6 million. This included a post-tax, non-cash impairment charge associated with the sale of Cardno ATC. Cardno ATC was a lower margin business than the rest of the Group's US operations and operated in areas that were not targeted for growth. As a result, a strategic decision was made to divest this business.

Gross revenue from continuing operations was \$597.0 million, which was 2.6 per cent higher than the same period in the prior year of \$582.1 million. Fee revenue from continuing operations was up 0.1 per cent on the pcp to \$424.8 million. The revenue was in line with the prior year mainly as a result of the favourable exchange rates on translation of the US earnings, with the Australian dollar

+ See chapter 19 for defined terms.

2.6 significantly weakened compared to the 6 months to December 2014. Excluding
cont'd the impact of exchange rates, both the Americas and Asia Pacific Regions reported declines in net fee revenue of 19.6% and 6.6% respectively.

The larger percentage decline in EBITDA versus fee revenue reflects the continued challenging trading conditions. These conditions resulted in a review of the Group's current operating and overhead structure. This led to a rationalisation of activities with the business experiencing higher restructuring and redundancy costs in the six months to December 2015. The Group has also incurred a number of one-off costs associated with the defence of the ultimately successful proportional takeover offer by Crescent.

As a result of the impairment charge from the Cardno ATC sale, basic earnings per share was negative 30.51 cents. Excluding this impact the basic earnings per share from continuing operations was 3.16 cents. This normalised result was 84.0 per cent lower than the prior year.

Since 30 June 2015, the Group successfully managed to reduce its Net Debt, with Net Debt to equity ratio decreasing to 23.3 per cent (46.5 per cent at June 2015). The Net Debt to EBITDA ratio (from continuing operations) also declined to 2.2 times, compared to 2.9 times at 30 June 2015. The reduction in the Group Net Debt position is a combination of the following:

- The strategic divestment of the non-core Cardno ATC business, with the net proceeds of approximately US\$54.0 million used to repay a portion of the Group's existing bank debt;
- The successful \$78 million capital raising from a fully-underwritten entitlement 1 for 2.175 pro-rata accelerated, non-renounceable entitlement offer. The proceeds, net of transaction costs, from the offer have been retained as cash on the balance sheet to reduce Cardno's Net Debt and improve financial flexibility; and
- Improved working capital performance which has enhanced the Group's operating cash flow.

Americas

In November 2015, the Americas region completed the divestiture of Cardno ATC, which was a low margin and non-strategic to our ongoing business. Excluding the favourable impact of the exchange rate on translation of US earnings and the results of this discontinued operation, Revenue and EBITDA was down 18 per cent and 70.2 per cent respectively on the same period in the prior year.

Continued pressure on oil prices has resulted in a sharp reduction in upstream oil field services activity, which has had a significant negative impact to the results of our Cardno PPI division. In addition, the decrease in oil and gas projects has resulted in increased competition across many of our divisions, as our competitors seek to expand service offerings.

Economic conditions in Latin America and the resulting reduction in project work, increased restructuring and redundancy costs have also contributed to the decline in EBITDA year on year.

XP Solutions has experienced positive results as compared to the first half of FY2015.

Due to the continued decline in performance, the region initiated a strategic review. While the implementation of actions associated with this review is ongoing, to date the following significant actions have been taken:

⁺ See chapter 19 for defined terms.

- 2.6 *cont'd*
- Divestment of Cardno ATC, which was a 1,350 employee business that provided environmental and testing services, building sciences, geotechnical engineering and construction materials testing throughout a network of 70 offices across the United States.
 - An ongoing rationalisation of overhead costs associated with the shared services organisation as well as those divisional costs that are not directly benefiting our client's businesses.

While the outlook particularly as it relates to oil and gas and the resource sector remains challenging, the Americas region remains focused on deepening our service offerings and securing new work with key clients. As of December 2015, the Americas region had a backlog of \$497 million.

Asia Pacific

Revenue and EBITDA for the Region were down 2.3 per cent and 4.5 per cent respectively on the first half of FY2015. Volatile commodity prices, especially for coal and iron ore, and a continued lack of investment in mining and resources, is still having an impact on operations in Queensland and Western Australia, as well as construction materials testing work. These adverse conditions have been partially offset by an increase in public infrastructure projects, particularly in New South Wales.

Additionally, the construction materials testing operation successfully expanded its geographical footprint into the testing of concrete and aggregates. The International Development Assistance business has secured a number of large projects in the half-year to replace work throughout Asia that is coming to an end. Increased competition, a change in project mix, and a high level of redundancy costs associated with certain restructuring activities, resulted in a decline in EBITDA margins to 13.5 per cent compared to 13.8 per cent on the same period in the prior year.

The outlook for the Asia Pacific Region remains subdued with increased infrastructure and urban development activity in New South Wales offsetting the lack of revenue generated from the mining and resources sector. At the end of December 2015, the Region had a backlog of \$348.0 million, which is 13.0 per cent higher than that at 31 December 2014.

Dividends & Capital Management

Consistent with the guidance provided in November 2015, there was no interim dividend declared for the half-year ended 31 December 2015. Based on current forecast trading for the second half, it is unlikely that the company will pay a full year dividend for the period ending 30 June 2016, as the company's focus over the next 12 months will be capital and balance sheet management.

Subsequent Events

There has not arisen in the interval between the end of the half-year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group, in future years.

3. Net tangible assets per security with the comparative figure for the previous corresponding period.

Current period	33.19 cents
Previous corresponding period	4.52 cents

+ See chapter 19 for defined terms.

4. Control gained over entities having material effect

Entity	Completion Date	Effective Control Date
N/A	N/A	N/A

Loss of control of entities having material effect

Entity	Completion Date
Cardno ATC, Inc	13 November 2015

5. Interim Dividends (distributions)

Date the dividend (distribution) is payable Not applicable

Amount per security

	Amount per security	Franked amount per security at 30% tax	Amount per security of foreign source dividend
Interim dividend			
- Current year	0.0 cents	N/A	N/A
- Previous year	13.0 cents	100%	N/A

No interim dividend has been declared for the half-year ended 31 December 2015.

6. Dividends or distribution reinvestment plans


The Dividend Reinvestment Plan (DRP) enables shareholders to reinvest all or part of their dividends into Cardno shares at a price determined by the volume weighted average price for the five days immediately preceding and including the dividend record date. Shares issued through the DRP are fully paid and rank equally with existing fully paid ordinary shares.

7. Details of aggregate share of profits (losses) of associates and joint venture entities

Not applicable.

8. Australian Accounting Standards are utilised when compiling the report.

9. The accounts have been subjected to independent review and are not subject to qualification.


 Signed: Date: 23/02/2016
 Michael Pearson
 Company Secretary

⁺ See chapter 19 for defined terms.