Rule 4.2A.3

Appendix 4D

Half-year report
Half-year ended 31 December 2014

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 2014 and the previous corresponding period 31 December 2013.

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

				$'000
2.1	Revenue from ordinary activities	up/~~down~~	8.4% to	686,120
2.2	Profit (loss) from ordinary activities after tax attributable to members	~~up~~/down	27.0% to	31,503
2.3	Net profit (loss) for the period attributable to members	~~up~~/down	27.0% to	31,503

2.4	**Dividends (distributions)**	**Amount per security**	**Franked amount per security**
	Interim dividend	13 cents	13.0 cents
	Previous corresponding period	19 cents	19.0 cents

2.5	Record date for determining entitlements to the dividend	20 March 2015

2.6 Cardno Limited (the Company) recorded a net profit after tax (NPAT) of $31.5 million for the half-year to December 2014, a decrease of 27.0 per cent over the previous corresponding period (pcp) of $43.1 million. EBITDA reduced 15.2 per cent to $63.2 million compared to $74.5 million for the pcp. The profit result for the half-year reflects the difficult market conditions in Australia and slower than anticipated start on new projects in America.

Gross revenue was $686.1 million, which was 8.4 per cent higher than the pcp figure of $633.0 million and fee revenue was $502.4 million which was up 7.8 per cent on the pcp. The increase was due in part to new merger partner contributions from Cardno PPI and Cardno Haynes Whaley, and favourable exchange rates on translation of US earnings. Revenue gains were, however, partially offset by tightening market conditions putting pressure on margins as well as a reduction in investment activity in the mining sectors across Australia.

During the December 2014 half-year, Cardno made no acquisitions and the current half-year result includes the full impact of the acquisitions made in FY2014.

In the prior half-year the Group recognised gains of $6.2 million (EBIT) which reflected the reversal of contingent consideration for Cardno MM&A ($3.2 million) as required results were not achieved, and the reduction of the legal provision raised on the acquisition of ATC ($3.0 million), reflecting changes in the indemnity

+ See chapter 19 for defined terms.

2.6 *cont'd* arrangements. There are no adjustments of the same nature in the current half year results for December 2014.

Basic earnings per share were 19.24 cents which is down 35.5 per cent on the pcp of 29.82 cents.

The Company's balance sheet remains solid with a gross debt to equity ratio of 44.1 per cent and cash of $60.2 million at December 2014. The Company's net debt to equity ratio at December 2014 was 36.9 per cent.

During the half-year, the Group closed its first long term note of US$150.0 million in the US Private Placement debt market. The tranches issued include US$50.0 million with a seven year term maturing on 15 August 2021 and US$100.0 million with a ten year term maturing on 21 August 2024. Simultaneously, the Group issued fixed to floating USD interest rate swaps matching the tranches and elected to fair value hedge the interest rate risk in accordance with AASB139. The proceeds from the long term note were used to repay a portion of the Group's existing bank debt.

On the 15 December 2014, the Group also completed a one year extension of its existing five-year revolving bank debt facilities of US$330 million. This extension increases the maturity of existing facilities until December 2019.

Americas

Revenue was up on prior year by 22.6 per cent mainly due to contributions from FY2014 merger partners Cardno PPI and Cardno Haynes Whaley. Results were further assisted by more favourable exchange rates compared to the pcp. The conclusion of significant, higher margin projects in Latin America, reductions in US Federal Government spending and continued right-sizing of the Natural Resources Division, resulted in an overall EBIT decline in the Americas of 20 per cent. EBIT margin on fee revenue declined to 7.6 per cent from 12 per cent in the pcp. This reflects the reduction in higher margin work associated with the GoM Oil Spill, increased allocations of group costs, increased overhead costs associated with standardisation of medical plans, and the establishment of shared services which will provide future benefits in FY2016.

The outlook in the Americas is improving. At the end of December 2014, Cardno Americas had the strongest backlog the region has ever had of A$646.5 million (US$530.1). The US Federal budget process is underway with optimism of increased spending activity. Continued oil price volatility may impact our Americas business however only 4.7 per cent of Group revenue is exposed to the upstream drilling and production in the oil and gas sector. There is sufficient diversity in our service offering to mitigate this impact in the near to medium term.

Australia and New Zealand

Revenue and EBIT were down 16.2 per cent and 44.1 per cent respectively on the pcp. This can largely be attributed to revenue downturn associated with the Region's construction material testing and electrical engineering operations, which experienced a decline of 20.5 per cent on the pcp. This was a result of the completion or wind down of major projects, such as LNG works on both Curtis Island in Queensland and in Western Australia, while other projects were delayed or cancelled due to a decreased investment in the mining and resources sectors. This lack of investment had a particularly strong impact on the regions of North and Central Queensland, and Western Australia. Competition in these areas has increased, resulting in pricing pressures and a decline in the ANZ's EBIT margins, which decreased from 16.7 per cent to 11.4 per cent on the pcp.

2.6 *cont'd* While the outlook remains challenging for the ANZ Region, there is increased activity in the transport and urban sectors, as well as an improved economy in New Zealand. However, these continue to be overshadowed by the continued expected spending slowdown in the mining and resources sectors and a potential decrease in infrastructure spending following government changes in Victoria and Queensland.

Rest of World
The rest of the world is comprised of the Emerging Markets and XP Solutions segments. For these segments fee revenue was up 16.7 per cent on the pcp and EBIT was up 80.5 per cent on the pcp. EBIT margin has increased from 3.8 per cent to 6.0 per cent in the pcp.

Backlog has increased by 12.8 per cent on the pcp. The segment continues to support cross-selling across the Group, especially in Papua New Guinea, Indonesia, Philippines and Mozambique. The outlook for this segment is good but we are projecting limited growth in FY16 due to a number of key government donor clients reducing their budgets.

Dividends
The Board has declared an interim dividend of 13 cents per share (19.0 cents pcp) franked to 100 per cent to be paid on 7 April 2015 to all shareholders registered on 20 March 2015.

Subsequent Events
Other than the declaration of the interim dividend, 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	4.52 cents
Previous corresponding period	9.34 cents

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

Not applicable.

+ See chapter 19 for defined terms.

5. Interim Dividends (distributions)

Date the dividend (distribution) is payable 7 April 2015

Amount per security

	Amount per security	Franked amount per security at 30% tax	Amount per security of foreign source dividend
Interim dividend			
- Current year	13 cents	100%	N/A
- Previous year	19 cents	100%	N/A

The Board has declared an interim dividend which is 100% franked and will continue to prudently distribute as many Franking Credits as possible.

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.

The last date for election under the Dividend Reinvestment Plan will be 24 March 2015.

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: 17/02/2015
Michae
Company Secretary

+ See chapter 19 for defined terms.