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20 October 2015

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Dear Sir/Madam

Takeover offer by Crescent Capital Investments Pty Limited for Cardno Limited

We act for Crescent Capital Investments Pty Limited (ACN 604 704 298) (**Crescent**).

Pursuant to section 647(3)(a) of the *Corporations Act 2001* (Cth), we enclose the first supplementary bidder's statement in relation to Crescent's off-market bid for 1 out of every 2 ordinary shares in Cardno Limited ACN 108 112 303 (**Cardno**) that Crescent does not already own.

The first supplementary bidder's statement has today been lodged with the Australian Securities and Investments Commission and sent to Cardno.

Yours faithfully

A handwritten signature in blue ink, appearing to be 'TG'.

Tim Gordon
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THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

You should read this document in its entirety. If you are in any doubt as to how to deal with it, you should consult your Broker, legal, financial or other professional adviser as soon as possible.

CrescentCapitalPartners

FIRST SUPPLEMENTARY BIDDER'S STATEMENT

**Accept the Increased Cash
Offer of \$3.45 per share**

by

Crescent Capital Investments Pty Limited

ACN 604 704 298

**TO ACQUIRE 1 OUT OF EVERY 2 OF YOUR
ORDINARY SHARES IN**

Cardno Limited

ACN 108 112 303

The date of the Offer is 28 September 2015 and the Offer will close on 2 November 2015.

Please call 1300 363 136 (or +61 1300 363 136 for overseas domiciled holders) if you require assistance with your acceptance.

Financial Advisers

Credit Suisse | Emerging Companies
Australia

Deutsche Bank 

Legal Adviser

GILBERT
TOBIN 

LAWYERS

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DISCLAIMER, IMPORTANT INFORMATION AND NOTICES

(a) First Supplementary Bidder's Statement

This document is a supplementary bidder's statement under section 643 of the *Corporations Act 2001* (Cth) issued by Crescent Capital Investments Pty Limited ACN 604 704 298 (**Crescent**) and relates to the Offer. It is the first supplementary bidder's statement (**First Supplementary Bidder's Statement**) to the Bidder's Statement dated 14 September 2015, given to Cardno Limited and lodged with ASIC and ASX, in respect of Crescent's proportional off-market takeover bid for every 1 out of 2 Cardno Shares (excluding Cardno Shares held by Crescent).

This First Supplementary Bidder's Statement is dated 20 October 2015. It supplements, and should be read together with, the Bidder's Statement. This document will prevail to the extent of any inconsistency with the Bidder's Statement. Unless the context requires otherwise, terms defined in the Bidder's Statement have the same meaning where used in this document, except as amended below.

(b) Australian Securities and Investments Commission

A copy of this First Supplementary Bidder's Statement was lodged with ASIC on 20 October 2015. Neither ASIC nor any of its officers take any responsibility for the contents of this First Supplementary Bidder's Statement.

(c) Defined terms and interpretation

Unless otherwise noted in this document or the context requires otherwise, capitalised terms and certain abbreviations used in this First Supplementary Bidder's Statement are defined in the Glossary in section 9 of the Bidder's Statement (as supplemented by section 5 of this First Supplementary Bidder's Statement). That section also sets out certain rules of interpretation that apply to this First Supplementary Bidder's Statement, with the necessary amendments.

(d) Disclaimer

The information in this First Supplementary Bidder's Statement concerning Cardno has been prepared by Crescent using publicly available information. Neither Crescent nor any of its directors or advisers has independently verified that information and do not make any representation or warranty, express or implied, as to the accuracy, relevance or completeness of such information, other than as required by the Corporations Act.

The information on Cardno in this First Supplementary Bidder's Statement should not be considered comprehensive.

KEY DATES

| | |
|---|--------------------------------------|
| Date of announcement of Offer | 14 September 2015 |
| Bidder's Statement lodged with Cardno, ASIC and ASX | 14 September 2015 |
| Date of Offer | 28 September 2015 |
| Date of this First Supplementary Bidder's Statement | 20 October 2015 |
| Offer closes | 7:00pm (Sydney time) 2 November 2015 |

These dates may vary as required under the Corporations Act.

Chairman's letter

Dear Cardno Shareholder,

CRESCENT INCREASES ITS OFFER PRICE TO \$3.45 CASH PER CARDNO SHARE, WAIVES ALL CONDITIONS AND DECLARES THE OFFER FINAL SUBJECT TO NO COMPETING PROPOSAL EMERGING

IN RESPONSE TO THE INCREASED PRICE, THE CARDNO BOARD CHANGES ITS RECOMMENDATION

I am pleased to be writing to you again in relation to our unconditional Offer to acquire 50.0% of your shareholding in Cardno (i.e. 1 out of every 2 of your Cardno Shares), as detailed in the Bidder's Statement and Offer we sent to you dated 28 September 2015.

Yesterday, Crescent announced that it had increased its Offer by \$0.30 per Cardno Share to \$3.45 per Cardno Share for 1 out of every 2 of your Cardno Shares, and waived all Offer conditions. The increased Offer Price has been declared final, subject to no competing proposal emerging. The closing date of the Offer is now 2 November 2015 and will not be extended, subject to no competing offer emerging and any statutory extensions.

On the basis of this increased Offer, the Cardno board has changed its recommendation to shareholders from a rejection of Crescent's Offer to commenting that *"[t]he Board therefore considers that shareholders with a short to medium term investment time horizon and lower risk tolerance might consider accepting the [i]ncreased Offer in the absence of a superior proposal. However, shareholders seeking to realise the full underlying value of Cardno over time, who have the expectation of a longer term recovery in earnings, should equally consider rejecting Crescent's [i]ncreased Offer, recognising that this approach has higher risk, and requires a longer term investment horizon given Cardno's current circumstances."*

Subject to Crescent achieving voting power of 30% or more in Cardno, the Cardno board has agreed with Crescent to facilitate an orderly transition to a renewed board by February 2016, at which time there will be three Crescent nominee directors, four new independent directors and the CEO.

Crescent considers its increased Offer is highly compelling for Cardno Shareholders and represents the best way for shareholders to realise compelling value for their shares while also maintaining an ongoing shareholding in the company, if they wish. In particular:

- **the increased, unconditional Offer represents a significant premium over Cardno's pre-Offer share price levels, and:**
 - represents a **40% premium over the average analyst 12 month price target of \$2.47 per Cardno Share**¹ immediately prior to the announcement of the Offer; and
 - is **above the typical 30% to 35% premium for successful takeovers** as referenced in the Independent Expert's Report, despite the fact that control of Cardno may not pass to Crescent as its Offer is proportional and has no minimum acceptance condition;
- **the increased Offer is substantially higher than the valuation of \$2.66 to \$2.88 per Cardno Share implied by the Independent Expert's methodology** when average analyst forecast earnings (which are consistent with the Cardno board expectations) are used rather than the Independent Expert's estimate of "normalised EBITDA";

¹ Average analyst price target on the day prior to announcement of the Offer of \$2.47 has been calculated from 9 analyst forecasts (dated between 25-May-15 and 3-Sep-15 and being all publicly available valuations known to Crescent for that period and consistent with the number of analysts used by the Independent Expert) ranging from \$1.80 to \$3.20.

- **the increased Offer is not opportunistic and takes into account Cardno’s forecast earnings and trading conditions, and:**
 - **represents a multiple of 9.1x average analyst FY16 EBITDA², which is well above the top end of the Independent Expert’s multiple valuation range (8.0x to 8.5x) and 30% above the average valuation multiple (EV/EBITDA) that Cardno Shares have traded at over the past five years (7.0x forward EBITDA);³**
 - **there is also no short or medium term forecast bounce back in Cardno’s earnings with the average analyst forecast earnings for both FY16 and FY17 being below FY15 levels.** Cardno and the Independent Expert also commented that the *“business outlook remains challenging”* and that the *“performance of the Americas business in early FY16 has been below expectations”*; and
- **Cardno’s Share price may fall materially once Crescent’s increased Offer closes:**
 - if Cardno Shares were to return to their five year average valuation multiple (of around 7.0x forward EBITDA) following the close of the Offer, the Cardno Share price would fall to below \$2.50 per Cardno Share.

For the reasons stated above, Crescent believes its offer is compelling and encourages you to accept the increased Offer. Crescent and its Associates already have invested in more than 19.6% of Cardno Shares and are seeking to invest a further approximately \$235 million via the increased Offer. Crescent, as a fellow shareholder, is fully committed to, and aligned with, the longer term interests of Cardno and intends to work collaboratively with a renewed Cardno board, its management and employees to drive value for all Cardno stakeholders.

As noted earlier in my letter, the Offer Period has been extended and the Offer is open for your acceptance until 7:00pm Sydney time on 2 November 2015. To accept the increased Offer, please follow the instructions in the Bidder’s Statement which enclosed the Acceptance Form. Attached to this First Supplementary Bidder’s Statement is the formal notice that gives effect to the increase in the Offer Price and the extension of the Offer Period.

If you have any questions about the Offer, please contact your Broker, legal, financial, tax or other professional adviser, or call the Offer Information Line on 1300 363 136 (within Australia) or +61 1300 363 136 (international).

I ask you to read this First Supplementary Bidder’s Statement carefully so that you are able to make a fully informed decision.

Yours sincerely



Michael Alscher
Chairman
Crescent Capital Investments Pty Limited



² Represents the enterprise value based on 173.7 million fully diluted shares on issue per IER paragraph 177 divided by FY16 EBITDA per the IER of \$100 million.

³ Represents the enterprise value divided by the next twelve months EBITDA as sourced from Bloomberg.

REASONS WHY YOU SHOULD ACCEPT THE OFFER

Reasons for accepting Crescent's Offer

Crescent's comment

| | |
|---|--|
| <p>The increased, unconditional Offer is at a substantial control style premium over Cardno's pre-Offer share price</p>  | <ul style="list-style-type: none"> • Crescent's increased, unconditional Offer provides a substantial premium for your Cardno Shares relative to trading levels prior to the Offer. The increased Offer Price of \$3.45 per Cardno Share represents: <ul style="list-style-type: none"> - a 38% premium over the closing price of \$2.50 per Cardno Share on 11 September 2015, the last Trading Day prior to the announcement of the Offer; - a 44% premium over the 5 day volume weighted average price of \$2.40 per Cardno Share up to and including 11 September 2015; - a 36% premium over the volume weighted average price of \$2.54 per Cardno Share post FY15 results, being the period from and including 19 August 2015 up to and including 11 September 2015; and - a 40% premium to the average analyst price target of \$2.47 per Cardno Share immediately before the announcement of the Offer⁴ • These substantial premiums are higher than control premiums for successful takeovers that "generally range between 30% and 35% above the listed market price of the target company's shares prior to the announcement of the bid" (IER, paragraph 162), despite the fact that the Offer is proportional, does not have any minimum acceptance condition and control of Cardno may not pass |
| <p>The increased Offer is substantially higher than the valuation implied by the Independent Expert once expected earnings rather than the Independent Expert's estimate of "normalised" earnings are used</p>  | <ul style="list-style-type: none"> • The Independent Expert's valuation is based on "normalised EBITDA" of \$124.5 million that is significantly higher than the average analyst forecast of Cardno earnings for FY16 or FY17 • The Cardno board has affirmed the reasonableness of average analyst forecasts for FY16 while making no comment on the achievability of the normalised earnings used by the Independent Expert <ul style="list-style-type: none"> - The earnings guidance (NPAT) provided by the Cardno board for FY16 is 29% below the "normalised" earnings used in the Independent Expert's valuation • Average analyst forecasts of EBITDA and NPAT do not forecast Cardno earnings to approach the Independent Expert's valuation earnings in FY16 or FY17. In fact, they suggest that earnings will remain below FY15 levels: <ul style="list-style-type: none"> - The average analyst EBITDA for FY16 per the Independent Expert is \$100 million⁵ and FY17 is \$104.8 million⁶; and - The average analyst NPAT for FY16 is \$43.3 million⁷ and FY17 is \$47.3 million⁸ • Comments from the Cardno board and the Independent Expert suggest that the "business outlook remains challenging" and that the "performance of the Americas business in early FY16 has been below expectations" • If the Independent Expert's valuation methodology were applied to the FY16 EBITDA of \$100 million noted at paragraph 154 of the IER (rather than the Independent Expert's estimate of "normalised EBITDA") then the implied valuation range would be \$2.66 to \$2.88 per Cardno Share. This is materially lower than Crescent's increased Offer Price of \$3.45 per Cardno Share |

⁴ Average analyst price target on the day prior to announcement of the Offer of \$2.47 has been calculated from 9 analyst forecasts (dated between 25-May-15 and 3-Sep-15) ranging from \$1.80 to \$3.20.

⁵ FY16 average analyst EBITDA is \$99.3 million, calculated from 9 analyst forecasts (dated between 25-May-15 and 16-Sep-15) ranging from \$80.6 million to \$118.4 million.




⁶ FY17 average analyst EBITDA is \$104.8 million, calculated from 9 analyst forecasts (dated between 25-May-15 and 16-Sep-15) ranging from \$82.2 million to \$125.9 million.

⁷ FY16 average analyst NPAT is \$43.3 million, calculated from 9 analyst forecasts (dated between 25-May-15 and 16-Sep-15) ranging from \$34.2 million to \$56.5 million.

⁸ FY17 average analyst NPAT is \$47.3 million, calculated from 9 analyst forecasts (dated between 25-May-15 and 16-Sep-15) ranging from \$34.4 million to \$57.9 million.

Reasons for accepting Crescent's Offer

Crescent's comment

| | |
|--|--|
| <p><i>The increased Offer is not opportunistic and takes into account Cardno's forecast earnings and trading conditions</i></p> |  <ul style="list-style-type: none"> • Crescent's Offer is not opportunistic as there is no short or medium term forecast bounce back in earnings, and Cardno Shares were trading above historical valuation levels (EV/EBITDA) prior to the Offer <ul style="list-style-type: none"> - The Cardno board has stated that they expect that NPAT in FY16 will fall to \$44 million, down 12% from the normalised FY15 NPAT of \$50.3 million (pre-impairment charges of \$195.5 million) - Average analyst earnings forecasts for both EBITDA and NPAT for FY16 and FY17 are below FY15 levels, which suggest that the current Cardno earnings are not abnormally depressed, but reflective of current and forecast trading conditions • Crescent's increased Offer Price represents a multiple of 9.1x average analyst FY16 EBITDA⁹, which is well above the top end of the Independent Expert's multiple valuation range of 8.0x to 8.5x |
| <p><i>The increased Offer provides for a review of the board in an orderly manner over the next three months</i></p> |  <ul style="list-style-type: none"> • The performance of Cardno over the past three years has been materially worse than "peers with similar business models"¹⁰, with Cardno's EPS down 50%¹¹ and shareholder returns at negative 52%¹² • On the basis of the increased Offer Price, the current Cardno board has agreed to an orderly board transition over the next three months, subject to Crescent obtaining voting power of 30% or more in Cardno • Crescent believes a renewed board can create a positive environment for change in the business, with a high focus on innovation, quality and growth |
| <p><i>Cardno's share price may fall materially once Crescent's Offer closes</i></p> |  <ul style="list-style-type: none"> • The increase in the Cardno Share price since the announcement of the Offer indicates that the Cardno Share price is being supported by the Offer • At pre-Offer share price levels of around \$2.50 per Cardno Share, Cardno was trading at around 7.3x forecast EBITDA¹³, which is above its longer term valuation multiples of around 7.0x forward EBITDA¹⁴ • Once Crescent's Offer closes, the market price of Cardno Shares may fall materially to around pre-Offer levels (around \$2.50 per Cardno Share or lower), if the shares return to historic valuation multiples |

Refer to Section 1 for further detail

Cardno's board has changed its recommendation and stated that "[t]he Board therefore considers that shareholders with a short to medium term investment time horizon and lower risk tolerance might consider accepting the [i]ncreased Offer in the absence of a superior proposal. However, shareholders seeking to realise the full underlying value of Cardno over time, who have the expectation of a longer term recovery in earnings, should equally consider rejecting Crescent's [i]ncreased Offer, recognising that this approach has higher risk, and requires a longer term investment horizon given Cardno's current circumstances."

⁹ Represents the enterprise value based on 173.7 million fully diluted shares on issue per IER paragraph 177 divided by FY16 EBITDA per the IER of \$100 million.

¹⁰ Per Cardno Business Presentation, Morgans Breakfast June 2014 (page 19).

¹¹ Represents decline from Cardno's Basic EPS of 61.73 cents per Cardno Share in FY12 to Cardno's NOPAT Basic EPS of 30.59 cents per Cardno Share in FY15.

¹² Three year performance is calculated per the methodology in Cardno's Target's Statement, which is based on the share prices as at close of trade on 11 September 2012 to 11 September 2015 and dividends received (excluding any franking) over this period assuming that dividends are not re-invested.

¹³ Represents the enterprise value based on share outstanding on 11 September 2015 of 165.6 million divided by the average analyst FY16 EBITDA prior to Crescent's Offer of \$99.0 million, calculated from 9 analyst forecasts (dated between 25-May-15 and 19-Aug-15) ranging from \$80.6 million to \$118.4 million.

¹⁴ Represents the enterprise value divided by the next twelve months EBITDA as sourced from Bloomberg.

1. There are compelling reasons for Cardno Shareholders to accept Crescent's increased, unconditional Offer

Crescent believes that there are compelling reasons why Cardno Shareholders should accept Crescent's increased Offer and, as a result of Crescent increasing its Offer Price, the Cardno board has now changed its "reject" recommendation and stated that "[t]he Board therefore considers that shareholders with a short to medium term investment time horizon and lower risk tolerance might consider accepting the [i]ncreased Offer in the absence of a superior proposal. However, shareholders seeking to realise the full underlying value of Cardno over time, who have the expectation of a longer term recovery in earnings, should equally consider rejecting Crescent's [i]ncreased Offer, recognising that this approach has higher risk, and requires a longer term investment horizon given Cardno's current circumstances."

Crescent also has a number of comments in respect of matters included in Cardno's Target's Statement dated 13 October 2015, which are set out below. Crescent encourages Cardno Shareholders to consider these carefully when evaluating Crescent's increased Offer.

There are a number of important reasons why you should accept Crescent's increased Offer. These include:

1. The increased, unconditional Offer is at a substantial control style premium of 36% to 44% over Cardno's pre-Offer share price

You should be aware that:

- Crescent's increased Offer Price of \$3.45 per Cardno Share provides a substantial premium of 36% to 44% for your Cardno Shares relative to trading levels prior to the Offer, and is 40% above the average analyst price targets of \$2.47 per Cardno Share¹⁵ immediately prior to the Offer.
- These substantial bid premiums are higher than typical control premiums for successful takeovers noted by the Independent Expert. The Independent Expert stated that bid premiums for successful takeovers "generally range between 30% and 35% above the listed market price of the target company's shares prior to the announcement of the bid" (IER, paragraph 162).
 - This suggests that Crescent's increased Offer is providing a control premium for Cardno, despite the fact that its Offer does not have any minimum acceptance condition and control of Cardno may not pass.

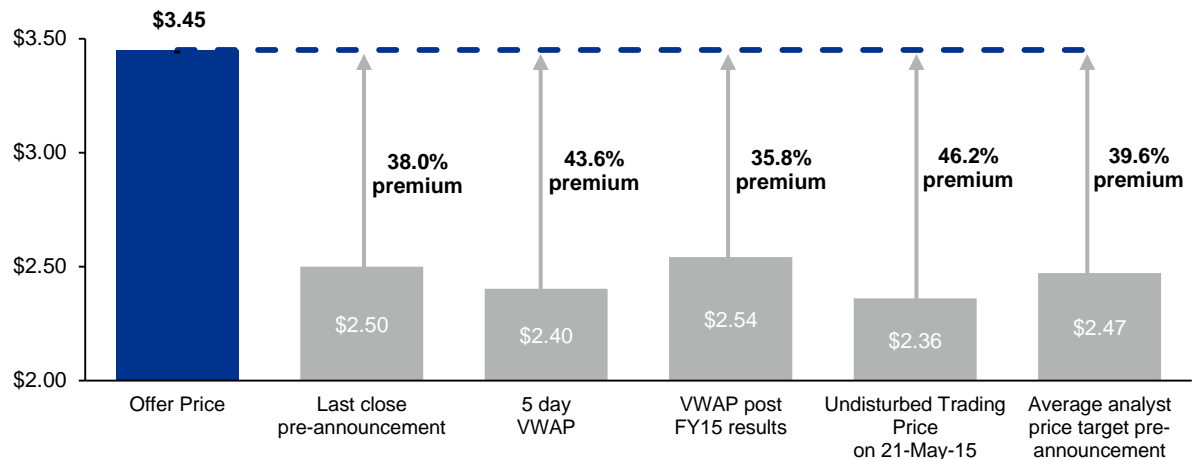
Crescent's increased Offer Price of \$3.45 per Cardno Share represents a substantial premium to Cardno's trading levels prior to the Offer:

- a 38.0% premium over the closing price of \$2.50 per Cardno Share on 11 September 2015, the last trading day prior to the announcement of the Offer;
- a 43.6% premium over the 5 day volume weighted average price of \$2.40 per Cardno Share up to and including 11 September 2015;
- a 35.8% premium over the volume weighted average price of \$2.54 per Cardno Share post FY15 results, being the period from and including 19 August 2015, the day after Cardno's 2015 full year results announcement, up to and including 11 September 2015;

¹⁵ Average analyst price target on the day prior to announcement of the Offer of \$2.47 has been calculated from 9 analyst forecasts (dated between 25-May-15 and 3-Sep-15) ranging from \$1.80 to \$3.20.

- a 46.2% premium over the closing price of \$2.36 per Cardno Share on 21 May 2015, the last trading day prior to Cardno's Response to Press Speculation related to Crescent's acquisition of its initial interest of approximately 10% in Cardno; and
- a 39.6% premium over the average analyst price target of \$2.47 per Cardno Share¹⁶ on 11 September 2015.

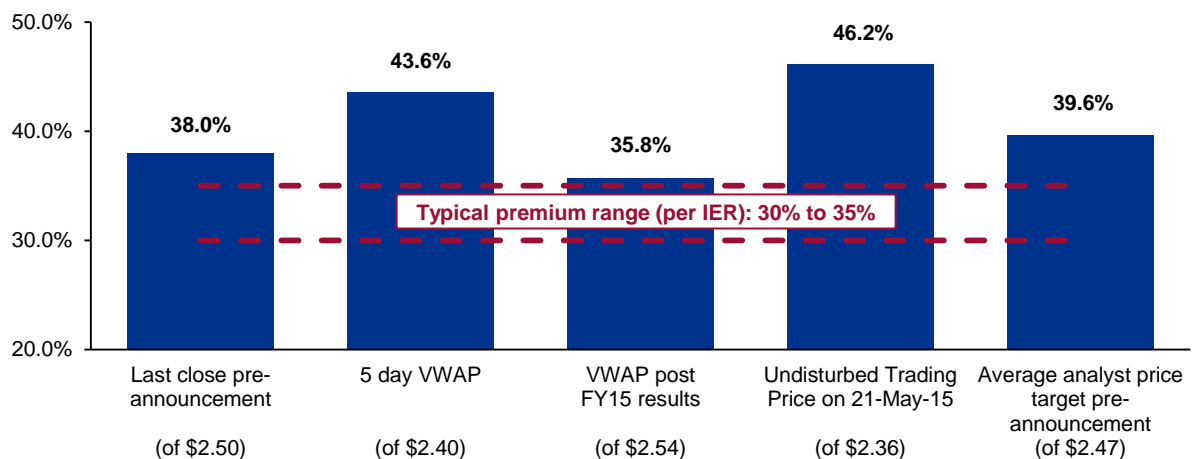
Increased Offer Price premium



Source: Cardno's Target's Statement, IRESS, Bloomberg. Average analyst price target on the day prior to announcement of the Offer of \$2.47 has been calculated from 9 analyst forecasts (dated between 25-May-15 and 3-Sep-15) ranging from \$1.80 to \$3.20.

The Independent Expert notes that premiums of 30% to 35% are typically applied in respect of successful takeovers. The premiums associated with Crescent's increased Offer of 36% to 44% suggest that Crescent is paying a full premium for control of Cardno, despite the fact that there is no minimum acceptance condition in its Offer and control may not pass.

Increased Offer Price premium relative to typical takeover premiums cited in the IER



Source: Cardno's Target's Statement, IRESS, Bloomberg. Average analyst price target on the day prior to announcement of the Offer of \$2.47 has been calculated from 9 analyst forecasts (dated between 25-May-15 and 3-Sep-15) ranging from \$1.80 to \$3.20.

¹⁶ Average analyst price target on the day prior to announcement of the Offer of \$2.47 has been calculated from 9 analyst forecasts (dated between 25-May-15 and 3-Sep-15) ranging from \$1.80 to \$3.20.

2. The increased Offer Price is substantially higher than the valuation implied by the Independent Expert once expected earnings are used

You should be aware that:

- The Independent Expert bases its valuation of Cardno on a “normalised EBITDA” of \$124.5 million, with a cross-check based on an assumed NPAT of \$62.4 million (IER, paragraph 179).
- As stated in IER, “the Cardno Board has indicated that it expects FY16 earnings to be broadly in line with consensus analyst forecasts (which were for EBITDA of around A\$100 million as at 8 October 2015)” (IER, paragraph 154). Per the Target’s Statement in Section 2.1, the Cardno board expects FY16 NPAT to be broadly in line with average analyst forecasts of around \$44 million.
- The average analyst forecasts for Cardno EBITDA and NPAT do not forecast Cardno earnings approaching the “normalised” earnings used in the IER in the short to medium term. In fact, the average analyst forecasts for earnings for FY16 and FY17 are below the FY15 earnings levels:
 - The average analyst EBITDA for FY16 per the IER is \$100 million¹⁷ and FY17 is \$104.8 million¹⁸
 - The average analyst NPAT for FY16 is \$43.3 million¹⁹ and FY17 is \$47.3 million²⁰These expected earnings numbers are close to 20% and 30% lower than the “normalised” earnings used by the Independent Expert for its valuation of Cardno Shares.
- If the Independent Expert’s valuation methodology were applied to the FY16 average analyst earnings forecasts (rather than the Independent Expert’s estimate of “normalised EBITDA”) then the implied valuation range would be \$2.66 to \$2.88 per Cardno Share. This is materially lower than Crescent’s increased Offer Price of \$3.45 per Cardno Share.
- Crescent’s increased Offer Price represents a multiple of 9.1x average analyst FY16 EBITDA²¹, which is well above the top end of the Independent Expert’s multiple valuation range of 8.0x to 8.5x for Cardno in a control transaction.

At no point in the Target’s Statement does the Cardno board provide affirmation or comment on the reasonableness of the “normalised EBITDA” used by the Independent Expert for valuation purposes. The only direct guidance provided in the Target’s Statement in relation to forward earnings is that the board “expects 2016 financial year earnings to be broadly in line with current average analyst estimates”, which in the footnote are referenced to have “a median NPAT of \$44 million” (Target’s Statement, Section 2.1).

The achievement of the FY16 earnings involves an element of restructure and integration risk. As noted in paragraphs 153 and 154 of the IER, the forecast of around \$100 million of EBITDA assumes that Cardno successfully reduces its cost base by an annualised \$20 million by December 2015 and achieves a net \$10 million of cost savings in FY16. It is not certain that Cardno’s restructure will achieve the targeted restructure savings in FY16 and the Cardno board itself noted this in the Target’s

¹⁷ FY16 average analyst EBITDA is \$99.3 million, calculated from 9 analyst forecasts (dated between 25-May-15 and 16-Sep-15) ranging from \$80.6 million to \$118.4 million.

¹⁸ FY17 average analyst EBITDA is \$104.8 million, calculated from 9 analyst forecasts (dated between 25-May-15 and 16-Sep-15) ranging from \$82.2 million to \$125.9 million.

¹⁹ FY16 average analyst NPAT is \$43.3 million, calculated from 9 analyst forecasts (dated between 25-May-15 and 16-Sep-15) ranging from \$34.2 million to \$56.5 million.

²⁰ FY17 average analyst NPAT is \$47.3 million, calculated from 9 analyst forecasts (dated between 25-May-15 and 16-Sep-15) ranging from \$34.4 million to \$57.9 million.

²¹ Represents the enterprise value based on 173.7 million fully diluted shares on issue per IER paragraph 177 divided by FY16 EBITDA per the IER of \$100 million.

Statement by saying there is “no guarantee that” the performance improvement measures “will result in improved shareholder returns in the near term or at all” (Target’s Statement, Section 2.2).

If the valuation methodology utilised by the Independent Expert is applied to FY16 EBITDA of \$100 million (IER, paragraph 154), the implied valuation of a Cardno Share is between \$2.66 and \$2.88 per Cardno Share. If the same methodology is applied to the FY17 average analyst forecast earnings, the implied valuation is between \$2.88 and \$3.11 per Cardno Share.

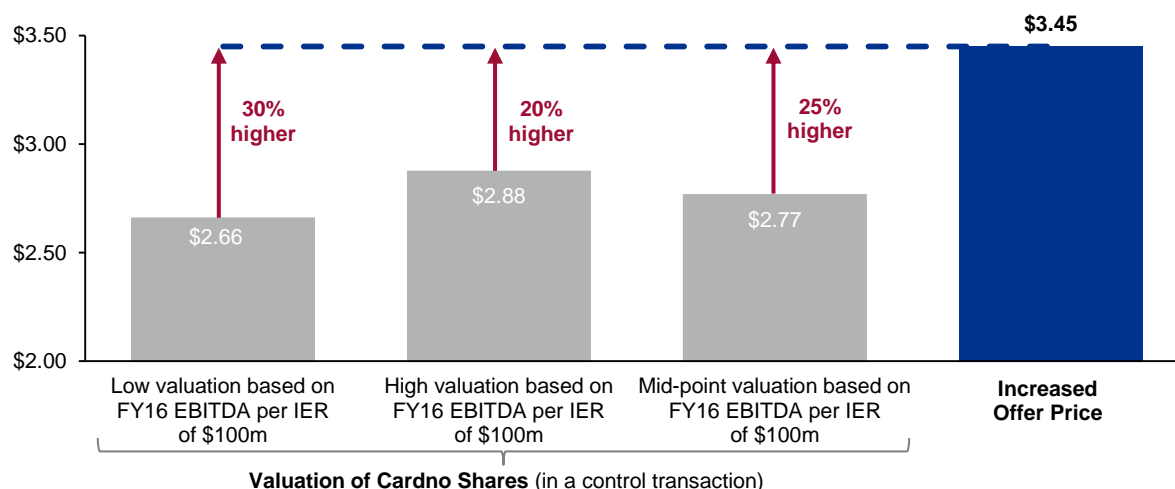
Valuation of Cardno Shares using the IER valuation methodology based on average analyst forecast FY16 EBITDA disclosed in the IER paragraph 154 and FY17 average analyst forecast EBITDA (rather than the “normalised EBITDA”)

| | FY16 | | FY17 | | Comments |
|------------------------------|---------------|---------------|---------------|---------------|---|
| | Low | High | Low | High | |
| Forecast EBITDA (\$m) | \$100.0 | \$100.0 | \$104.8 | \$104.8 | FY16 per IER, paragraph 154, FY17 average analyst forecast |
| EBITDA multiple (x) | 8.0x | 8.5x | 8.0x | 8.5x | Per IER, paragraph 170 |
| Total enterprise value (\$m) | \$800 | \$850 | \$838 | \$890 | |
| Net debt (\$m) | (\$338) | (\$350) | (\$338) | (\$350) | Per IER, paragraph 178, incl. forecast working capital improvements |
| Equity value (\$m) | \$462 | \$500 | \$500 | \$540 | |
| Value per share (\$) | \$2.66 | \$2.88 | \$2.88 | \$3.11 | Per IER, paragraph 179, number of diluted shares of 173.7m |

Source: Cardno’s Target’s Statement, FY16 average analyst EBITDA is \$99.3 million, calculated from 9 analyst forecasts (dated between 25-May-15 and 16-Sep-15) ranging from \$80.6 million to \$118.4 million. FY17 average analyst EBITDA is \$104.8 million, calculated from 9 analyst forecasts (dated between 25-May-15 and 16-Sep-15) ranging from \$82.2 million to \$125.9 million.

Crescent’s increased Offer Price of \$3.45 per Cardno Share is well above both of these valuation ranges for Cardno Shares in a control transaction.

Increased Offer Price relative to valuation of Cardno Shares using the IER valuation methodology based on average analyst forecast FY16 EBITDA disclosed in the IER, paragraph 154 (rather than the “normalised EBITDA”)



Source: Cardno’s Target’s Statement, FY16 average analyst EBITDA is \$99.3 million, calculated from 9 analyst forecasts (dated between 25-May-15 and 16-Sep-15) ranging from \$80.6 million to \$118.4 million.

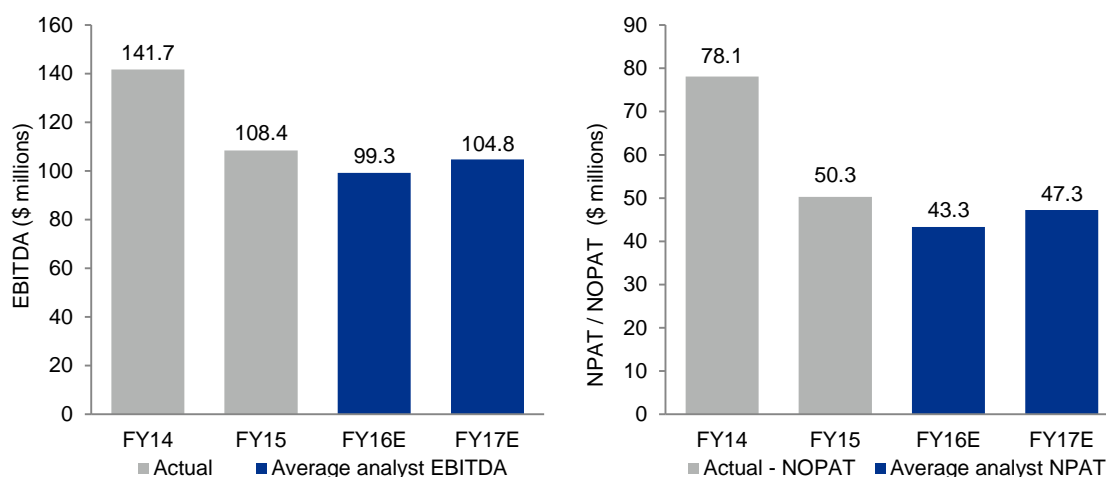
3. The increased Offer is not opportunistic and takes into account Cardno's forecast earnings and trading conditions

You should be aware that:

- The board is expecting that NPAT in FY16 will fall to \$44 million, down by around 12% from the normalised FY15 NPAT of \$50.3 million (pre-impairment charges of \$195.5 million)
- Average analyst earnings forecasts do not suggest that the current Cardno earnings levels are abnormally depressed or that there will be a short or medium term bounce in earnings with forecast average earnings for FY16 and FY17 below FY15 levels.
- Comments from the Cardno board and the Independent Expert suggest that the “*business outlook remains challenging*”.
- Crescent's increased Offer Price of \$3.45 per Cardno Share represents a 9.1x EBITDA multiple²² based on FY16 EBITDA of \$100 million (as disclosed in the IER, paragraph 154). This is a more than a 30% premium to the average trading multiple of Cardno of 7.0x forward EBITDA²³ over the past 5 years.
- Crescent's increased Offer is not opportunistic, but reflects the current and forecast earning and trading conditions of Cardno.

The average of 9 analysts, which to Crescent's knowledge includes all the analysts that cover Cardno and is the same number of analysts used in the IER, is that FY16 EBITDA will decline 8% from FY15 to around \$100 million²⁴ and FY17 EBITDA will remain below FY15 levels. The average forecast of those analysts is that FY16 NPAT will decline 14% from FY15 to \$43.3 million and FY17 NPAT will remain below FY15 levels.

Cardno reported and forecast EBITDA and NOPAT (pre impairment charges)



Source: FY14 and FY15 EBITDA and NOPAT figures extracted from Cardno annual reports. FY16 average analyst EBITDA is \$99.3 million, calculated from 9 analyst forecasts (dated between 25-May-15 and 16-Sep-15) ranging from \$80.6 million to \$118.4 million. FY17 average analyst EBITDA is \$104.8 million, calculated from 9 analyst forecasts (dated between 25-May-15 and 16-Sep-15) ranging from \$82.2 million to \$125.9 million. FY16 average analyst NPAT is \$43.3 million, calculated from 9 analyst forecasts (dated between 25-May-15 and 16-Sep-15) ranging from \$34.2 million to \$56.5 million. FY17 average analyst NPAT is \$47.3 million, calculated from 9 analyst forecasts (dated between 25-May-15 and 16-Sep-15) ranging from \$34.4 million to \$57.9 million.

²² Represents the enterprise value based on 173.7 million fully diluted shares on issue per IER paragraph 177 divided by FY16 EBITDA per the IER of \$100 million.

²³ Represents the enterprise value divided by the next twelve months EBITDA as sourced from Bloomberg.

²⁴ FY16 average analyst EBITDA is \$99.3 million, calculated from 9 analyst forecasts (dated between 25-May-15 and 16-Sep-15) ranging from \$80.6 million to \$118.4 million.

Comments from Cardno do not highlight market conditions supporting a material rebound in earnings in the short term, stating:

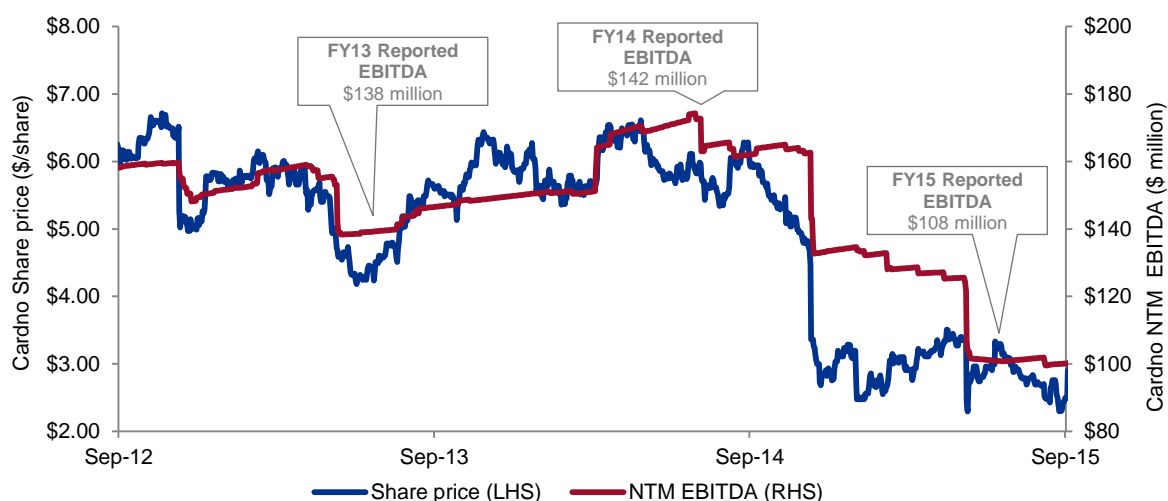
- in the FY15 full year results presentation, that the *“business outlook remains challenging. In Australia we continue to face headwinds as the economy resets from a resources led investment boom to a public infrastructure led recovery. In the Americas the recent completion of long term major projects, market driven margin pressures and volatility in the oil and gas sector will continue to temper our performance”*; and
- at the 2015 AGM on 23 September 2015, that *“[p]roject margins across our markets will continue to be constrained, therefore cost reductions and business process efficiencies are imperative”*.

Comments from the Independent Expert in the IER suggest that the market outlook remains challenging, stating:

- US outlook: *“Residential Demand is relatively strong at present, however could slow in response to any interest rate increases by the Federal Reserve”* and the US Architecture Index indicates *“relatively little growth over the short term”* for non-residential construction (IER, paragraph 132); and
- Australian outlook: the *“industry performance is forecast to deteriorate over the short to medium term as projects complete”* (IER, paragraph 134).

The following chart shows Cardno’s share price and the forward average analyst estimate of the next twelve months EBITDA (**NTM EBITDA**). As is apparent, the fall in the share price has been consistent with the fall in the forecast NTM EBITDA of the business. This suggests that the recent decline in Cardno’s share price is a function of the decline in earnings, which, as already noted, are not forecast to rebound in FY16 or FY17.

Cardno Share price vs. average analyst Next Twelve Months EBITDA since 11 September 2012



Source: FY13 to FY15 reported EBITDA figures extracted from Cardno annual reports. Cardno Share price and Next Twelve Months (NTM) EBITDA sourced from Bloomberg.

Over the past five years, the average valuation multiple for Cardno (being the enterprise value of Cardno divided by the NTM EBITDA: EV/NTM EBITDA) has been 7.0x.²⁵ Crescent's increased Offer Price of \$3.45 per Cardno Share represents an EV/EBITDA multiple of 9.1x FY16 EBITDA.²⁶ This illustrates that the valuation multiple that Crescent is offering is more than 30% above the five year valuation average for Cardno. This again supports the view that Crescent's increased Offer is not opportunistic.

Cardno EV/Next Twelve Months EBITDA (NTM EBITDA) since 11 September 2010



Source: Cardno EV/NTM EBITDA sourced from Bloomberg.

4. The increased Offer provides for a review of the board in an orderly manner over the next three months

You should be aware that:

- Historically, Cardno has identified WSP, Stantec, ARCADIS and RPS as “peers with similar business models”.²⁷ Cardno has underperformed this peer set in terms of shareholder returns by more than 100% over the last three years.
- On the basis of the increased Offer, the current Cardno board has agreed to an orderly board transition over the next three months, subject to Crescent obtaining voting power of 30% or more in Cardno.
- Crescent believes a renewed board can create an environment for change in the business, with a high focus on accountability, operating metrics and growth.

Cardno has historically identified WSP, Stantec, ARCADIS and RPS as comparable peers (“peers with similar business models”). On a relative basis, Cardno has underperformed this peer set in terms of shareholder returns by more than 100% over the last 3 years. Over a five year period, this difference is also material at close to 80%.²⁸

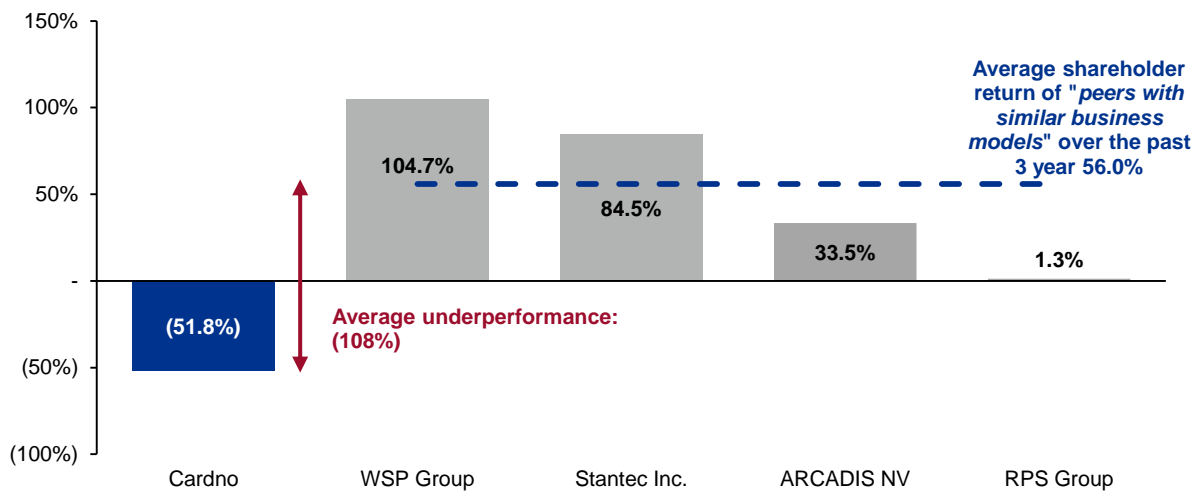
²⁵ Represents the enterprise value divided by the next twelve months EBITDA as sourced from Bloomberg.

²⁶ Represents the enterprise value based on 173.7 million fully diluted shares on issue per IER paragraph 177 divided by FY16 EBITDA per the IER of \$100 million.

²⁷ Per Cardno Business Presentation, Morgans Breakfast June 2014 (page 19).

²⁸ Five year performance is calculated per the methodology in Cardno's Target's Statement, which is based on the share prices as at close of trade on 10 September 2010 to 11 September 2015 and dividends received (excluding any franking) over this period assuming that dividends are not re-invested.

Cardno shareholder return performance versus “peers with similar business models” over the past 3 years



Source: IRESS, Bloomberg. Cardno referred to WSP, Stantec, ARCADIS and RPS as “Peers with similar business models” in the Morgans Business Presentation in June 2014 (page 19). Three year performance is calculated per the methodology in Cardno’s Target’s Statement, which is based on the share prices as at close of trade on 11 September 2012 to 11 September 2015 and dividends received (excluding any franking) over this period assuming that dividends are not re-invested.

In light of this relative performance, Crescent is supportive of a process of board renewal for Cardno. On the basis of the increased Offer, the current Cardno board has agreed to an orderly board transition over the next three months, subject to Crescent obtaining voting power of 30% or more in Cardno. This transition will involve:

- 2 of the 6 current Cardno directors resigning from the Cardno board within 3 business days of Crescent obtaining voting power of 30% or more in Cardno and being replaced with 4 new directors, being 3 Crescent nominee directors and one new independent director nominated by Crescent; and
- following a 3 month board transition period, and subject to a request by Crescent, the resignation of John Marlay, the current Chairman and the 2 remaining existing non-executive board members. These 3 non-executive directors will be replaced with 3 additional non-executive directors nominated by Crescent.

Crescent believes that an orderly transition of the board over a three month period provides a strong basis for successful change and rejuvenation of Cardno.

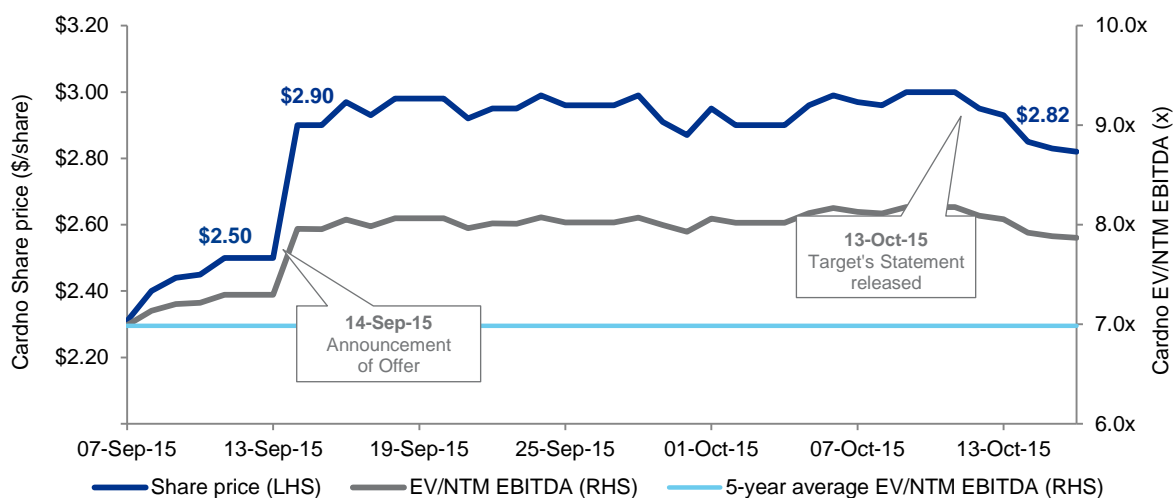
5. Cardno's share price may fall materially once Crescent's Offer closes

You should be aware that:

- The increase in the Cardno Share price since the announcement of the Offer indicates that the Cardno Share price is being supported by the Offer.
- At pre-Offer share price levels of around \$2.50 per Cardno Share, Cardno was trading at 7.3x forecast EBITDA²⁹, which is above its longer term valuation multiples of 7.0x forward EBITDA.³⁰
- There is no competing offer from a third party as at the date of this First Supplementary Bidder's Statement. Furthermore, given Crescent and its Associates currently hold an interest of more than 19.6% in Cardno, another bidder is unlikely to be able to acquire 100% of the business without Crescent's support.
- If the Cardno Share price returns to its historical trading levels of 7.0x forward EBITDA once the increased Offer closes, the Cardno Share price could fall back to below the pre-Offer share price of \$2.50 per Cardno Share.

The following graph highlights that Cardno Share price is being supported by the announcement of the Crescent Offer for Cardno. On the day of announcement, Cardno's share price rerated from \$2.50 per Cardno Share to around \$2.90 per Cardno Share. Subsequent to the release of Cardno's Strategic Review and Target's Statement, the share price has fallen to \$2.82 per Cardno Share (close on 16 October 2015, being the last trading day before the announcement of the increased Offer).

Cardno Share trading price and EV/Next Twelve Months EBITDA since 7 September 2015



Source: IRESS, Bloomberg. Cardno EV/NTM EBITDA sourced from Bloomberg.

²⁹ Represents the enterprise value based on share outstanding on 11 September 2015 of 165.6 million divided by the average analyst FY16 EBITDA prior to Crescent's Offer of \$99.0 million, calculated from 9 analyst forecasts (dated between 25-May-15 and 19-Aug-15) ranging from \$80.6 million to \$118.4 million.

³⁰ Represents the enterprise value divided by the Next Twelve Months (NTM) EBITDA as sourced from Bloomberg.

The valuation of Cardno prior to Crescent's Offer was around 7.3x FY16 EBITDA.³¹ This was above the 5 year average valuation multiple that Cardno has traded at of 7.0x forward EBITDA³², and above the last 12 month average valuation multiple prior to the Offer of 6.9x forward EBITDA. Since the announcement of Crescent's Offer, the share price of Cardno has been trading at a valuation multiple of approximately 8.0x FY16 EBITDA.³³ The increased Offer Price is equivalent to a valuation multiple of 9.1x FY16 EBITDA.³⁴ Once this increased Offer closes on 2 November 2015, there is the potential that Cardno's valuation multiple and share price will return to pre-Offer levels.

For any Cardno Shareholder that does not accept Crescent's increased Offer, there is the potential that the value of their entire shareholding in Cardno will decline from its current level to a level associated with Cardno's pre-Offer share price levels.

³¹ Represents the enterprise value based on share outstanding on 11 September 2015 of 165.6 million divided by the average analyst FY16 EBITDA prior to Crescent's Offer of \$99.0 million, calculated from 9 analyst forecasts (dated between 25-May-15 and 19-Aug-15) ranging from \$80.6 million to \$118.4 million.

³² Represents the enterprise value divided by the next twelve months EBITDA as sourced from Bloomberg.

³³ Represents the enterprise value based on 173.7 million fully diluted shares on issue per IER paragraph 177 divided by FY16 EBITDA per the IER of \$100 million.

³⁴ Represents the enterprise value based on 173.7 million fully diluted shares on issue per IER paragraph 177 divided by FY16 EBITDA per the IER of \$100 million.

2. Variations to the Offer

On 19 October 2015, Crescent lodged the relevant notices with ASIC, ASX and Cardno (as required) such that:

- the Offer was varied to increase the consideration offered to \$3.45 per Cardno Share; and
- the Offer Period was extended until 7.00pm (Sydney time) on 2 November 2015 to allow you more time to accept if you haven't already done so.

Attached to this First Supplementary Bidder's Statement is the formal notice that gives effect to these variations.

The Offer has also been freed of all bid conditions and has become unconditional.

All of the additional cash required to fund the increased Offer Price will be obtained by Crescent drawing down on the equity commitments of the Crescent Advised Funds.

3. How to ACCEPT Crescent's increased Offer

You may accept the increased Offer only in respect of 50.0% of your Cardno Shares (no more or less).

To accept the increased Offer in respect of Cardno Shares which, at the time of acceptance, are registered in your name in the issuer sponsored subregister operated by Cardno (in which case your Cardno Shares are not in a CHESS Holding and your Securityholder Reference Number will commence with "I"), you must complete and sign the Issuer Sponsored Subregister Acceptance Form (which forms part of this Offer) in accordance with the instructions on it and return it together with all other documents required by those instructions (if any) to:

By mail:

Link Market Services Limited
Cardno Limited Takeover
Locked Bag A14
SYDNEY SOUTH NSW 1235
Australia

By hand delivery:

Link Market Services Limited
Cardno Limited Takeover
1A Homebush Bay Drive
Rhodes NSW 2138
Australia (please do not use this address for mailing purposes)

so that it is received at an address specified above by no later than the end of the Offer Period. A reply paid envelope, which is valid if sent from within Australia, was enclosed with the Bidder's Statement for your use.

To accept this Offer in respect of Cardno Shares which, at the time of acceptance, are held by you in a CHESS Holding (in which case your Holder Identification Number will commence with "X"), you must comply with the ASX Settlement Operating Rules. To accept this Offer in accordance with the ASX Settlement Operating Rules:

- i. if you are the Controlling Participant, you must initiate acceptance of this Offer in accordance with Rule 14.14 of the ASX Settlement Operating Rules before the end of the Offer Period; or
- ii. if you are not the Controlling Participant, you may either:
 - a. instruct your Controlling Participant (normally your Broker), in accordance with the sponsorship agreement between you and the Controlling Participant, to initiate acceptance of this Offer in accordance with Rule 14.14 of the ASX Settlement Operating Rules, such initiation to occur before the end of the Offer Period. If you choose to accept this Offer in this way, your Controlling Participant will be obliged by Rule 14.14.1 of the ASX Settlement Operating Rules to initiate the acceptance in accordance with your instructions (if specified) or otherwise by End of Day (as defined in the ASX Settlement Operating Rules) on the date that you instruct the Controlling Participant to accept this Offer or, if the Offer Period ends on the day you provide those instructions, before the end of the Offer Period; or
 - b. otherwise, complete and sign the enclosed CHESS Acceptance Form in accordance with the instructions on the CHESS Acceptance Form and return it (using the enclosed reply paid envelope, which is valid if sent from within Australia) together with all other documents required by those instructions to the address indicated on the CHESS Acceptance Form, and as such authorise Crescent to instruct your Controlling

Participant to initiate acceptance of this Offer on your behalf in accordance with Rule 14.14 of the ASX Settlement Operating Rules. For return of the CHES Acceptance Form to be an effective acceptance of the Offer, it must be received by Crescent in time for Crescent to give instructions to your Controlling Participant, and your Controlling Participant to carry out those instructions, before the end of the Offer Period.

An acceptance of this Offer shall not be complete until the Acceptance Form, completed and signed in accordance with the instructions on it and all other documents required by those instructions, have been received at the address set out in this section. Notwithstanding the foregoing provisions of this section, Crescent may, in its absolute discretion, waive at any time prior to the end of the Offer Period all or any of the requirements specified in the Acceptance Form but payment of the consideration in accordance with this Offer will not be made until any irregularity has been resolved and such other documents as may be necessary to procure registration of the Cardno Shares have been lodged with Crescent.

The transmission of the Acceptance Form and other documents is at your own risk.

4. Additional information

Consents

In addition to those persons set out in section 7.4 of the Bidder's Statement, the following person has given, and has not withdrawn before the date of this First Supplementary Bidder's Statement, its consent to be named in this First Supplementary Bidder's Statement in the form and context in which they are so named:

- Deutsche Bank AG, Sydney branch (**Deutsche**) as financial adviser.

Deutsche:

- has not authorised or caused the issue of the First Supplementary Bidder's Statement;
- does not make, or purport to make, any statement in the First Supplementary Bidder's Statement or any statement on which a statement in the First Supplementary Bidder's Statement is based, other than as specified in this consent; and
- to the maximum extent permitted by law, expressly disclaims all liability in respect of, makes no representations regarding, and takes no responsibility for, any part of the First Supplementary Bidder's Statement other than a reference to its name and the statements included in the First Supplementary Bidder's Statement with the consent of Deutsche, as specified in this consent.

5. Glossary

Independent Expert has the meaning given in the Target's Statement.

Independent Expert's Report or **IER** has the meaning given to the term Independent Expert's Report in the Target's Statement.

The definition of 'Marketable Parcel' in the Bidder's Statement is to be replaced with - **Marketable Parcel** means a holding of Cardno with a value of not less than \$500 based on the "cum-Offer" ASX closing price of Cardno Shares on the date that is the most recent trading day before the relevant acceptance of the Offer is received.

Strategic Review means Cardno's Strategic Review as presented in its media release and presentation on 12 October 2015.

Target's Statement means the Target's Statement dated 13 October 2015 and issued by Cardno.

Approval of First Supplementary Bidder's Statement

This First Supplementary Bidder's Statement has been approved by a resolution of the directors of Crescent.

Dated 20 October 2015

Signed for and on behalf of Crescent by:

A handwritten signature in black ink, appearing to read 'M Alscher', with a long horizontal flourish extending to the right.

Michael Alscher

Attachment A – notice of variation

Crescent Capital Investments Pty Limited

ACN 604 704 298

Notice of variation of takeover offer

To: Cardno Limited ACN 108 112 303 (Cardno)
Australian Securities and Investments Commission
Australian Securities Exchange

In accordance with ASIC Class Order [CO 13/521], each person shown on the Cardno share register dated 19 October 2015

Crescent Capital Investments Pty Limited (**Crescent**) gives notice that, for the purposes of section 650D of the *Corporations Act 2001*, the offers dated 28 September 2015 contained in the bidder's statement dated 14 September 2015 (the **bidder's statement**) are varied by:

- increasing the offer price from \$3.15 per Cardno share to \$3.45 per Cardno share; and
- extending the offer period so that it closes at 7:00pm (Sydney time) on 2 November 2015.

The bidder's statement is amended in the following respects:

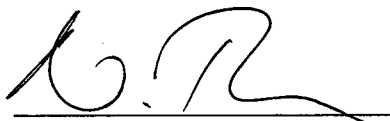
- each instance where the amount "\$3.15" appears is substituted with "\$3.45". However, various calculations and statements in the bidder's statement are based on the original offer price of \$3.15 per Cardno share and remain correct on this basis; and
- each instance where the date "28 October 2015" appears is substituted with "2 November 2015" and substituting "20 October 2015" in section 8.10 of the bidder's statement with "23 October 2015". The new date for giving notice under section 630 of the *Corporations Act 2001* is 23 October 2015.

A copy of this notice was lodged with ASIC on 19 October 2015. Neither ASIC nor any of its officers takes any responsibility for the contents of the notice.

This notice has been approved by a resolution passed by the directors of Crescent.

Date: 19 October 2015

Signed for and on behalf of **Crescent Capital Investments Pty Limited** by



Nathaniel Thomson
Director

CORPORATE DIRECTORY

Crescent

Level 29
Governor Phillip Tower
1 Farrer Place
Sydney NSW 2000
Australia

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Deutsche Bank AG, Sydney branch
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Sydney NSW 2000
Australia

Legal Adviser

Gilbert + Tobin
Level 37
2 Park Street
Sydney NSW 2000
Australia

Share Registry

Link Market Services Limited
Level 12
680 George Street
Sydney NSW 2000
Australia

OFFER INFORMATION LINE:

**1300 363 136 (for calls made within Australia) or
+61 1300 363 136 (for calls made from outside Australia)
Monday to Friday between 8:30am and 5:30pm (Sydney time)**