

SUPPLEMENTARY TARGET'S STATEMENT

This document is a Supplementary Target's Statement under section 644 of the Corporations Act 2001 (Cth) (**Corporations Act**) in relation to the proportional takeover bid by Crescent Capital Investments Pty Limited ACN 108 112 303 (**Crescent**) to acquire one out of every two shares that you hold in Cardno Limited ACN 108 112 303 (**Cardno**) (**Supplementary Target's Statement**). This document supplements, and is to be read together with, the Target's Statement dated 13 October 2015 (**Original Target's Statement**).

A copy of this Supplementary Target's Statement was lodged with ASIC on 20 October 2015. None of ASIC, ASX nor any of their officers take any responsibility for the contents of this Supplementary Target's Statement.

Defined terms

Unless otherwise defined in this Supplementary Target's Statement or the context requires otherwise, the defined terms in the Original Target's Statement have the same meaning in this Supplementary Target's Statement.

Shareholder information

If you have any questions, please call the Shareholder Information Line on 1300 362 398 (within Australia) or +61 2 8355 1004 (outside Australia) on weekdays between 9.00am and 5.00pm (Sydney time).

1. Variation to the Crescent Offer

On 19 October 2015, Cardno announced that it had entered into an implementation agreement with Crescent (**Implementation Agreement**), pursuant to which the parties have agreed that:

- a. Crescent will increase its Offer Price to \$3.45 per share in Cardno to which the Offer relates (**Increased Offer**), which represents a 9.5% increase on Crescent's initial Offer Price;
- b. Crescent will declare the Increased Offer free from all Conditions; and
- c. the Offer Period will be extended to 7.00pm (Sydney time) on Monday, 2 November 2015, with no further extension other than if a competing offer emerges or if such extension is required under the Corporations Act.

Under the terms of the Implementation Agreement, Cardno has also agreed to a Board membership transition plan should Crescent obtain voting power of 30% or more in Cardno.

Further information is provided in the market announcement dated 19 October 2015, which together with a copy of the Implementation Agreement, is annexed to this Supplementary Target's Statement.

2. Directors' recommendation

The Increased Offer represents an increase of 9.5% and a premium of 38% to the closing share price prior to announcement of the Offer but is less than the valuation range contained in the Independent Expert's Report included in the Original Target's Statement.

The Board is aware that the decision for many shareholders whether or not to accept the Increased Offer is finely balanced and depends on the circumstances, investment time horizon and risk tolerance of individual shareholders.

As outlined in the Original Target's Statement, profitability expectations for the 2016 financial year are broadly in line with current consensus analyst forecasts before the costs of responding to the Offer, with the second half performance expected to be stronger than the first. These expectations reflect the uncertainty of the current operating environment, particularly the performance of the Americas region which continues to be below expectations and reliance on the implementation of a number of profitability improvement initiatives and aggressive steps to reduce overheads.

As also outlined in the Original Target's Statement, while Cardno is in the process of implementing a number of clear measures to improve performance, there is no certainty that this will result in improved shareholder returns in the short term.

In the Original Target's Statement dated 13 October 2015, your Directors recommended that you reject the Crescent Offer. Given the variation in Crescent's Offer Price, the recommendation in the Original Target's Statement has changed.

Your Directors therefore consider that shareholders with a short to medium term investment time horizon and lower risk tolerance might consider accepting the Increased 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 the Increased Offer, recognising that this approach has higher risk and requires a longer term investment horizon given Cardno's current circumstances.

All current Directors own Cardno shares and consider themselves longer term shareholders with a longer term investment horizon. None of the Directors currently intend to accept the Increased Offer in respect of their Cardno shareholdings, but may review this position if Crescent obtains control of Cardno.

As at the date of this Supplementary Target's Statement, the Increased Offer closes on 2 November 2015, unless extended in response to a competing offer or pursuant to a requirement under the Corporations Act.

3. Approval of Supplementary Target's Statement

This Supplementary Target's Statement has been approved by a resolution passed by the Directors on 20 October 2015.

Dated 20 October 2015



John Marlay
Chairman
Cardno Limited

19 October 2015

ASX Market Announcements
Australian Securities Exchange Limited
Level 4
20 Bridge Street
SYDNEY NSW 2000

CRESCENT INCREASES PROPORTIONAL OFFER TO \$3.45 PER SHARE AND REMOVES ALL CONDITIONS

- **Cardno agree to a Board membership transition plan**
- **Offer close to be extended to 2 November 2015**
- **The Board has provided an updated recommendation based on shareholders' particular investment time horizons and risk tolerances**

On 12 October 2015, Cardno Limited (**Cardno**) announced the outcomes of its strategic review (**Strategic Review**), and on 13 October 2015 released its Target's Statement in response to the proportional offer (**Offer**) received from Crescent Capital Investments Pty Limited (**Crescent**) on 14 September 2015.

Following the release of the Strategic Review and the Target's Statement, and in recognition of the debilitating impact of continued uncertainty caused by the Offer on the business of Cardno, in the interests of shareholders, the Cardno Board has engaged constructively with Crescent with a view to reaching an agreed position that will enable the Strategic Review, as presented to shareholders, to continue to be implemented and remove the uncertainty of the Offer for Cardno's management, employees and clients.

The engagement with Crescent has resulted in both parties entering into an implementation agreement (**Implementation Agreement**) that will result in an increased unconditional offer (**Increased Offer**). The Implementation Agreement is attached to this announcement. Key aspects of the agreement with Crescent include:

- Crescent improving its cash offer by 9.5% to \$3.45 per share for one out of every two shares it does not own. The Increased Offer is final subject to no competing offer emerging;
- Crescent declaring the Offer free from all conditions;
- The offer period being extended such that it ends at 7:00pm (Sydney Time) on 2 November 2015, with no further extension unless required by the Corporations Act; and
- Outlining a Board membership transition plan, details of which are provided below.

Board membership transition plan

The Board has agreed to a transition plan with Crescent in the event that Crescent and its associates obtain voting power of at least 30%. If this occurs, within 3 business days of that event:

- 2 current Non-executive Directors will resign;
- 1 new independent Non-executive Director nominated by Crescent will be appointed to the Board; and
- 3 Crescent nominees will be appointed to the Board.

At that time a 3 month transition period would also commence during which John Marlay would remain as Chairman. At the end of the 3 month period all remaining elected Non-executive Directors, including the Chairman, will resign if requested to by Crescent and be replaced by an equivalent number of new independent Non-executive Directors nominated by Crescent.

Following the completion of the Board membership transition process the Board will comprise the Managing Director and CEO, Richard Wankmuller, 4 independent Non-executive Directors and 3 Crescent nominees.

Board recommendation

The Increased Offer represents an increase of 9.5% and a premium of 38% to the closing share price prior to announcement of the Offer but is less than the valuation range contained in the Independent Expert's Report included in the Target's Statement.

The Board is aware that the decision for many shareholders whether or not to accept the Increased Offer is finely balanced and depends on the circumstances, investment time horizon and risk tolerance of individual shareholders.

As outlined in the Target's Statement, profitability expectations for the 2016 financial year are broadly in line with current consensus analyst forecasts before the costs of responding to the Crescent Offer, with the second half performance expected to be stronger than the first. These expectations reflect the uncertainty of the current operating environment, particularly the performance of the Americas region which continues to be below expectations and reliance on the implementation of a number of profitability improvement initiatives and aggressive steps to reduce overheads.

As also outlined in the Target's Statement, while Cardno is in the process of implementing a number of clear measures to improve performance, there is no certainty that this will result in improved shareholder returns in the short term.

The Board therefore considers that shareholders with a short to medium term investment time horizon and lower risk tolerance might consider accepting the Increased 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 Increased Offer, recognising that this approach has higher risk, and requires a longer term investment horizon given Cardno's current circumstances.

All current Directors own Cardno shares and consider themselves longer term shareholders with a longer term investment horizon. None of the Directors currently intends to accept the Crescent offer in respect of their shareholdings but may review this position if Crescent obtains control of Cardno.

Mr Marlay said: "Since the announcement of the Offer, Cardno's Directors have been conscious of the uncertainty that a protracted Offer would cause for clients and employees, and the potential risks to the performance and value Cardno's global business. We felt the interests of shareholders were best served by giving our new CEO, Richard Wankmuller, the best opportunity, free from distractions, to implement the Strategic Review we announced last week.

Accordingly, we have negotiated with Crescent over recent days to secure the Increased Offer and agreed a board transition plan should they obtain 30% or more of the equity of the Company. The new Board proposed by the implementation deed will include sufficient independent directors to represent the interests of non-Crescent Shareholders.

We continue to believe that Cardno is a great business with strong prospects of delivering improved performance in the future, and with it, creating value, but we recognize that it is operating in difficult markets and that some shareholders may wish to take the opportunity to accept the Increased Offer and we respect Crescent's right, as a major shareholder, to be represented on the Board in that event."

– ENDS –

Media contact for further information:

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About Cardno: Cardno is an ASX200 professional infrastructure and environmental services company, with specialist expertise in the development and improvement of physical and social infrastructure for communities around the world. Cardno's team includes leading professionals who plan, design, manage and deliver sustainable projects and community programs. Cardno is an international company, listed on the Australian Securities Exchange [ASX: CDD]. www.cardno.com.

18 October 2015

Cardno Limited
Level 11
515 St Paul's Terrace
Fortitude Valley QLD 4006

Dear Directors,

Crescent's proportional takeover offer for Cardno - agreed terms

We refer to the proportional takeover bid by Crescent Capital Investments Pty Limited (**Crescent**) for 1 out of every 2 shares in Cardno Limited (**Cardno**), the terms of which are set out in Crescent's bidder's statement dated 14 September 2015 (**Bidder's Statement**).

Unless otherwise defined, capitalised terms in this letter have the meaning given to them in the Bidder's Statement.

1 ASX Announcements

- (a) Cardno agrees that, immediately following execution of this agreement, it will release an announcement to ASX in a form agreed by Crescent, on terms set out in Attachment A, in relation to the subject matter of this agreement (**Cardno Announcement**).
- (b) Crescent agrees that, immediately following execution of this agreement, it will release an announcement to ASX in a form agreed by Cardno, on terms set out in Attachment B, in relation to the subject matter of this agreement (**Crescent Announcement**).
- (c) Crescent and Cardno each consent to the release of the Cardno Announcement and Crescent Announcement in accordance with clauses 1(a) and 1(b) respectively.

2 Variations to Offer

- (a) Crescent agrees that, subject to Cardno releasing the Cardno Announcement in accordance with clause 1(a), it will:
 - (A) by 6:00pm (Sydney Time) Monday 19th October, increase the Offer Price to A\$3.45 per Cardno Share to which the offer extends (**Increased Offer**), lodge with ASIC and give to Cardno all documents necessary to effect the Increased Offer, and send those documents to Cardno shareholders as soon as practicable;
 - (B) at or before the time it makes the Increased Offer, free the Offers, and any contract resulting from their acceptance, from any conditions under section 8.7 of the Bidder's Statement which at that time have not been satisfied; and
 - (C) at or before the time it makes the Increased Offer, extend the Offer Period to end at 7:00pm (Sydney Time) on 2nd November 2015 (**Closing Date**) and announce that the Increased Offer will not be extended beyond the Closing Date subject to no competing offer emerging, other than as required under the *Corporations Act 2001* (Cth).

- (b) Crescent agrees to take such steps as are required by the Corporations Act to give effect to the things contemplated by clause 2(a) (provided that this shall not derogate from the terms of that clause).

3 Change of board

Cardno agrees that within 3 business days after the date on which Crescent (and its associates) have voting power in 30% or more of Cardno Shares, Cardno will do all things necessary to procure that:

- (a) 2 current Cardno directors resign from the Cardno Board;
- (b) 4 new directors are appointed to the Cardno Board (being 3 Crescent Directors and one independent Director nominated by the Crescent Directors); and
- (c) a 3 month board transition period commences during which John Marlay will remain as Chairman and, immediately after this period, John Marlay and the other remaining current Cardno directors (**Current Directors**) will resign if requested to by Crescent. Crescent will procure that the Crescent Directors will at the time of the resignation of the Current Directors, appoint a further 3 independent non-executive directors such that the Cardno Board is constituted as 3 Crescent Directors, 4 independent non-executive Directors and the Cardno chief executive officer.

4 Conduct of business

- (a) Cardno covenants in favour of Crescent that until the end of the Offer Period and until Crescent becomes entitled to appoint its nominees to the board, the business of Cardno and its subsidiaries (collectively, the "Cardno Group") will be conducted:
 - (A) in the ordinary course;
 - (B) in accordance with applicable laws and regulations;
 - (C) in a manner consistent with the way in which such business has been conducted in the 12 month period up to the date of this agreement; and
 - (D) on the basis that without the agreement of Crescent no disposals will be committed to by Cardno, no staff right-sizing or reorganisation will be undertaken, no new senior personnel will be appointed and no decision will be undertaken, or discretion exercised, on the vesting of Performance Rights or on other discretions related to the change in control by the board or CEO.

Clause 4(a) does not restrict Cardno from paying costs and expenses associated with the response to the Offer (including the Increased Offer), or paying costs and expenses or incurring commitments that are otherwise disclosed in its Target's Statement dated 13 October 2015.

- (b) Without limitation to clause 4(a), Cardno covenants in favour of Crescent that, during the period referred to in that clause, no member of the Cardno Group will cause any of the following things to happen or enter into any agreement, arrangement or understanding in respect of any of the following things without the prior written consent of Crescent:
 - (A) any of the "prescribed occurrences" in section 652C(1) of the Corporations Act, except where such action would not breach a condition of Crescent's Offer as it applies at the date of this agreement;
 - (B) any amendment to the constitution of any member of the Cardno Group; or
 - (C) any acquisition, disposal, indebtedness (other than in respect of ordinary course business) or material contractual commitment.
- (c) Cardno will provide all reasonable assistance required by Crescent (including by providing current share register and beneficial ownership details) to assist Crescent

to send any required documents to Cardno legal and beneficial shareholders in relation to the Increased Offer.

5 Termination

- (a) This agreement may be terminated, by notice in writing, by either party if Crescent withdraws the Offer in accordance with the Corporations Act, or the Offer lapses for any reason.
- (b) If this agreement terminates the parties will not have any further obligations to each other under this agreement.

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Please confirm that the terms of this letter agreement are agreed by Cardno by signing where indicated below and returning a copy to us.

This document is governed by the laws of New South Wales and is legally valid and binding on the parties and is enforceable in accordance with its terms upon execution.

Yours faithfully

Executed as a deed

By

Crescent Capital Investments Pty Limited:



Director

Michael Alscher



Director

Nathaniel Thomson

Cardno Limited:



Director

RICHARD N. WANKMULLER

Name (please print)



Secretary/Director

Michael Paul Pearson
Company Secretary

Name (please print)