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ASX Market Announcements
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CARDNO DIRECTORS RECOMMEND SHAREHOLDERS REJECT CRESCENT PROPORTIONAL OFFER

INDEPENDENT EXPERT CONSIDERS OFFER NEITHER FAIR NOR REASONABLE

Cardno (ASX: CDD) announces the release of its Target's Statement in response to Crescent Capital's (Crescent) unsolicited Proportional Takeover Offer to acquire one out of every two Cardno Shares for $3.15 each (the Offer).

Cardno directors reaffirm their earlier recommendation to shareholders to REJECT the Crescent Offer and to take no action in relation to documentation sent by Crescent.

Summary of Reasons to Reject:

- the Offer significantly undervalues Cardno, does not provide an adequate premium for control of Cardno, and is assessed as neither fair nor reasonable by the Independent Expert
- the Offer is opportunistic – made before Cardno's Strategic Review was completed and in a period of challenging market conditions
- Cardno is taking action to improve its recent performance and increase shareholder value whereas Crescent's intentions are not sufficiently clear
- Crescent is attempting to obtain control without having to make a full takeover for Cardno, with potentially adverse implications for non-Crescent shareholders
- The Offer may impact on Cardno's financing

Offer Undervalues Cardno and premium is insufficient for potential loss of control

An independent valuation has been provided by Independent Expert, Lonergan Edwards & Associates, who concluded that the Crescent Offer is **neither fair nor reasonable**.

The Independent Expert assessed the value of Cardno shares to be **between $3.74 and $4.13** per share and also noted that the Offer does not provide shareholders with a sufficient premium to compensate them for the fact that control may pass to Crescent. Because the Offer is only for 50% of the shares owned by Cardno shareholders (other than Crescent Capital), the Independent Expert has assessed the effective premium for control being offered by Crescent to be between 6% and 22%[1] which is very low in comparison with premiums normally paid for control in Australia of 30-35%.

[1] Taken as the mid-point of the consideration being offered for Cardno shares of $3.06 (as calculated by the Independent Expert) divided by the 3 month volume weighted average price per Cardno share of $2.89 and the closing price of Cardno shares on 11 September 2015, being the last Trading Day prior to the announcement of the Crescent Offer, of $2.50 per share.

Offer is Opportunistic, timed to capture the full benefits of the Strategic Review

"It is no accident that Crescent has launched their Offer at this time," noted Cardno's Chairman, John Marlay. "Cardno's share price was trading at close to five year lows reflecting, amongst other factors, the very challenging market conditions being experienced by many operators in the sector; new CEO Richard Wankmuller had just been appointed and was transitioning into the CEO role; a major strategic review was underway and a process of Board renewal was nearing completion."

"We are concerned that those shareholders who accept this Offer will be doing so just at the time when the full benefits of the implementation of Cardno's Strategic Review, are close to being realised," said Mr Marlay.

The Board's appointment of Mr Wankmuller as CEO, following a comprehensive global search, has significantly strengthened Cardno's management capability to deliver improved performance globally and particularly in the Americas. The recently completed Strategic Review identifies clear strategic priorities designed to significantly improve the focus and profitability of the business and better position Cardno for growth.

"It is critical that this strategy is implemented without delay by the current management team under the guidance of this Board which not only knows the business well but is also independent and has the right mix of skills and experience," said Mr Marlay. "We believe the measures outlined in the Strategic Review will improve performance and importantly, retain and motivate our highly professional Cardno employees. By contrast the uncertainties inherent in the Crescent Offer, including its stated intention to undertake a further strategic review and take control of the Board, will only cause confusion and demotivate a team that is being reinvigorated towards a successful future."

Crescent may gain significant influence with potentially adverse implications

Crescent will secure board control (by virtue of it being able to carry an ordinary resolution) if it owns the majority of shares on issue and will acquire significant influence over Cardno at ownership levels of less than 50%. If this occurs, there is the potential for Crescent to control the composition of the Board and senior management; determine Cardno's dividend policy; and control the strategic direction of Cardno.

The Board believes that the Offer does not provide a clear direction for Cardno's future nor does it explain how further changes to its Board and management will improve performance beyond the initiatives that are already underway. Indeed it is more likely to have adverse consequences for Cardno shareholders including a reduction in the marketability of Cardno Shares which may affect the price at which Cardno shares may be sold in the future. There is also the risk that a change in control may result in Cardno's financiers requiring repayment of its debt.

"The Board believes that, despite the recent decline in performance, Cardno is a good business in terms of the quality of its clients, its professional services capability and the expertise of its people. We are confident that the Company is improving its business model, has an appropriate global footprint with a first-rate leader in Richard Wankmuller to deliver long-term value to all shareholders," said Mr Marlay.

Cardno Directors therefore unanimously recommend that shareholders REJECT the Crescent Offer by taking no action in relation to documents sent by Crescent.

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Media contact for further information:
Ian Brown, FIRST Advisers (D: +61 2 8011 0352, M: +61 418 466 129)