

Media Release and ASX Announcement

21 August 2019

CARDNO ANNOUNCES INTENTION TO DEMERGE

Cardno Limited (ASX: CDD) (“Cardno”) today announced its intention to demerge its quality, testing and measurement business from its consulting business - subject to shareholder and other approvals.

The demerger will result in two independent ASX listed entities:

- > **Cardno Limited (“Cardno Consulting”)**: which will continue to operate Cardno’s existing environmental, infrastructure and development consulting business (“Consulting Business”) and trade as Cardno Limited; and
- > **Intega Group Limited (“Intega”)**: a Quality, Testing and Measurement (QTM) business providing construction materials testing (CMT), subsurface utility engineering services (UES) and quality assurance for energy companies(QA) (“QTM Business”).

Demerger mechanics, timing and execution

The demerger is proposed to occur by way of a scheme of arrangement and capital reduction.

If the demerger is implemented, eligible Cardno shareholders (other than Selling Shareholders)¹ will receive one Intega share for every one Cardno share they hold. No capital is being raised through the proposed demerger and no additional debt is being created or taken on. Cardno’s largest shareholder, Crescent Capital Partners, owns or controls ~50.1 per cent of Cardno issued shares today and thus will own or control ~50.1 per cent of Intega shares post demerger.

The demerger is subject to final Board approval and regulatory, court and shareholder approvals. If approved, the demerger is expected to be completed in the first half of the 2020 financial year.

Further details of the demerger will be included in a Scheme Booklet to be sent to shareholders.

Key indicative dates are:

Early September 2019	Shareholders receive scheme booklet
10 October 2019	Proposed demerger to be voted on by Cardno shareholders / scheme meeting
Early November 2019	Assuming the shareholders vote in favour of the proposed demerger, Intega Group Limited (proposed ASX:ITG) would commence trading on the ASX.

¹ ‘Selling Shareholders’ include (i) ineligible foreign shareholders, being Cardno shareholders whose registered addresses are outside Australia and its external territories, Ecuador, New Zealand, Papua New Guinea, United Kingdom, and United States, or any other jurisdiction which Cardno reasonably believes it is not prohibited or unduly onerous or impractical to implement the demerger and to transfer the Intega Shares to the Cardno shareholder and (ii) Cardno shareholders who individually hold 5,000 or fewer Cardno shares and who lodge a valid sale election form.

Background to Proposed Demerger

In 2017, the Cardno board separated the majority of the QTM Business from the Consulting Business into "Portfolio Companies". Since this time, the QTM Business has performed strongly and grown both organically and through acquisition. In FY19, the QTM Business represented ~44% of the total EBITDA of the Cardno Group (pro-forma basis). The QTM Business today has evolved to a point where it has a distinct operating model, value proposition, staff profile and culture.

Cardno Chairman Michael Alscher said: "After considering alternatives, the Board is unanimous in its view that the proposed demerger is an important step in building long term value for shareholders and for the strategic future of Cardno."

"The Board's view is that both the Consulting Business and the QTM Business are of sufficient scale to operate independently. The separation will enable each business to focus on their competitive position by concentrating on specific growth opportunities and distinct cultural and operating models. By separating, each business will also have increased transparency, greater access to capital and debt markets to pursue strategic objectives and increased performance accountability."

"We also see value in offering shareholders with different investment strategies and preferences the opportunity to choose their level of investment in Cardno and Intega. At point of demerger, eligible Cardno shareholders will receive one Intega share for every one Cardno share they hold," said Mr Alscher.

Cardno post the proposed demerger

Cardno Consulting is an environmental, infrastructure and development consulting business with around 4,482 employees in 124 permanent offices as at 30 June 2019. It is structured into three divisions: Asia Pacific, the Americas, and International Development.

Cardno Consulting will continue to be led by existing Chief Executive Officer and Managing Director, Ian Ball and Chief Financial Officer, Peter Barker and will continue to be known as Cardno.

The services Cardno Consulting focuses on include:

- > **Environmental Consulting:** Services include environmental assessment, permitting, restoration, remediation and environmental management in both Asia Pacific and the Americas. In addition, Cardno has deep expertise in understanding the impact of chemicals on human health and assisting companies in the regulation of toxicology.
- > **Infrastructure Consulting:** Services include civil engineering, asset management, planning, structural engineering and military master planning. This business ensures that the built environment is designed and planned efficiently and in compliance with the required regulations and the needs of end users.
- > **International Development:** Services include developing and managing development solutions for the Australian Department of Foreign Affairs and Trade (DFAT), the United States Agency for International Development (USAID), the United Kingdom Foreign and Commonwealth Office (FCO) and Department for International Development (DFID) and for other governments, non-government aid organisations and private sector clients, to build their social licence and improve the lives of people in developing countries.

Intega post the proposed demerger

Following the demerger, Intega will be a separate legal entity listed on the ASX and will operate the QTM Business. The QTM Business has around 1,957 employees in 101 permanent offices as at 30 June 2019.

The QTM Business operates primarily in Australia, the United States, Canada and New Zealand under four primary operating brands: Construction Sciences, Raba Kistner, T2 Utility Engineers and PPI.

Intega will be led by Chief Executive Officer and Managing Director, Matt Courtney, who has led the business since 2016 and Chief Financial Officer, Shael Munz.

The services the QTM Business provides include:

- > conformance tests on construction materials to help determine whether the construction of a project is meeting the standards specified by the designer/owner and standard regulations;
- > subsurface utility engineering services such as mapping of the location and condition of pipes and cables;
- > owners' representative services and environmental testing services to ensure quality and environmental requirements of a build are met;
- > geotechnical engineering services including design of temporary works, bored pile supervision, and geotechnical investigation; and
- > quality assurance on critical components for energy companies.

Intega Leadership

Intega will be led by Matt Courtney as CEO and Shael Munz as CFO.

Matt Courtney has more than 30 years' experience providing quality control and quality assurance to all sectors of construction for government and private clients, with multiple delivery modes including JV, Alliances, EPCM, and PPP. He has around 11 years' experience across management roles at Cardno and has led the acquisition and integration of a number of businesses in Australia and in the United States. He has a comprehensive knowledge of each business within Intega and a strong understanding what's required to build on their existing success. Matt holds a Masters Degree in Engineering Science from the University of New South Wales, and is a member of the Australian Institute of Company Directors.

Shael Munz has over 20 years of domestic and international experience in the services, media and banking fields. She was appointed Group Financial Controller of Cardno in February 2016 before moving over to the Construction Sciences division as CFO in February 2019. Shael holds a Bachelor of Business (Accounting) from Charles Sturt University, is a Chartered Accountant (CA 2001) and has completed courses in treasury management (University of Melbourne), leadership (Cert 4 Diploma of Management) and project management (Australian Institute of Management).

The following attached presentation “Proposed Demerger of Intega” accompanies this release.

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About Cardno: Cardno is a global provider of integrated professional services which enrich the physical and social environment for the communities in which we live and work. Our team of multidisciplinary specialists around the world has almost 75 years’ experience in designing, developing and delivering sustainable projects and community advancement programs. Cardno is listed on the Australian Securities Exchange (ASX: CDD). www.cardno.com.

Proposed Demerger of Intega

AUGUST 2019



Proposed demerger: Key points



Cardno Board proposes to;

- 1) Consolidate Cardno's Quality/Testing/Measurement businesses, and then
- 2) Demerge the consolidated entity into a separate company, Intega Group Limited, listed on the ASX

- > **Intega Group Limited "Intega" will comprise of:**
 - Australian Construction Sciences (Incl NZ)
 - U.S. Raba Kistner
 - U.S. PPI Oil & Gas
 - U.S. Survey businesses providing subsurface utility engineering services (UES)
- > **At point of demerger, Cardno Limited will comprise of:**
 - Asia Pacific Consulting
 - Americas Consulting
 - International Development

Demerger mechanics & Key Dates

- > Cardno shareholders receive 1 Intega share for every 1 Cardno share
- > No capital is being raised as part of the demerger
- > Cardno's largest shareholder, Crescent Capital Partners (CCP), owns ~50.1% of Cardno shares and thus will own ~50.1% of Intega shares
- > Cardno shareholders are scheduled to receive the scheme implementation booklet in early September 2019
- > The proposed demerger will be voted on by Cardno shareholders at a demerger Scheme Meeting on 10th October, 2019
- > Assuming the proposed demerger is successful, Intega Group Limited (proposed ASX:ITG) would commence trading on the ASX on 1st November 2019.

Demerger rationale

Cardno's Consulting and Quality/Testing/Masurement businesses are now both of sufficient scale to operate separately and will benefit from the transparency and focus of the proposed demerger on each business.



Background to Demerger

Within Cardno, the board recognised that there were differences in activities and operating culture between the (i) the Quality, Testing and Measurement (QTM) businesses; and (ii) the Consulting businesses.

In recognition of these differences, the Cardno board separated the majority of the QTM businesses from the Consulting Businesses into "Portfolio Companies" in 2017.

This separation was done as the Cardno Board recognised that the management focus, KPIs and operational nature of the QTM businesses were fundamentally different from the Consulting Businesses.

Since this time, the QTM business has performed strongly and grown both organically and through acquisition. Testing businesses now represent 39% of the total EBITDA of the Cardno Group.

Cardno believes that each business has considerable growth opportunities and the company's view is that both the Consulting Businesses and the QTM Businesses are of sufficient scale to operate separately and would benefit from the transparency, removal of dis-synergies and the focus that a demerger will establish.

Strategic aspects of each business

	Intega (QTM)	Cardno (Consulting)
Key activities	<ul style="list-style-type: none"> > Construction Material Testing and associated Testing > Subsurface utility work > Quality Assurance for Energy companies 	<ul style="list-style-type: none"> > Environmental consulting > Engineering consulting > Development consulting
Clients	<ul style="list-style-type: none"> > Owners and constructors of infrastructure projects > Energy and mining companies > Concrete and quarrying companies 	<ul style="list-style-type: none"> > Property owners, governments (federal, state, local), corporates and infrastructure building consortia
Types of employees	<ul style="list-style-type: none"> > Predominately field based workforce 	<ul style="list-style-type: none"> > Predominately consulting services workforce
Key success drivers	<ul style="list-style-type: none"> > Software to ensure systemised and verifiable testing and processes > Logistics management and material testing > Time management and low error rates 	<ul style="list-style-type: none"> > Key account management > Project design > Practice area expertise > IT platforms and client delivery > Staff attraction and retention
Management focus	<ul style="list-style-type: none"> > IT and operational logistics > Occupational Health & Safety and compliance 	<ul style="list-style-type: none"> > Knowledge systems > Solutions sales > Staff utilisation and attrition > Project costings / delivery
Short term growth opportunities	<ul style="list-style-type: none"> > US organic and acquisition growth > Improvement in EBITDA margin of UES in America's 	<ul style="list-style-type: none"> > Improvement in EBITDA margin of Asia Pacific > On strategy acquisitions in US > Organic growth in US

Demerger rationale

The Cardno Board believes that the separation of Intega from Cardno will create greater shareholder value and has been supported unanimously by the Cardno Board.



Why has the Demerger been proposed by the Cardno Board?

- > The Cardno Board believes that separating Intega from Cardno will create greater shareholder value through each business being able to focus on:
 - its own unique growth opportunities;
 - distinct culture and operating models with Intega (a predominantly field-based workforce) versus Cardno Consulting (a predominantly consulting services workforce);
 - increased transparency internally and externally, allowing for more effective management oversight;
 - access to capital and debt markets based on specific company make up; and
 - increased performance accountability.
- > With the acquisition of Raba Kistner in 2018, the Quality, Testing and Measurement Business is now of sufficient scale to operate as an independent ASX-listed business under the Intega name.
- > The Demerger allows Cardno Shareholders to choose whether to directly invest in one or both of Cardno and Intega after the Demerger based on their individual investment objectives, risk tolerances and desired sector exposures

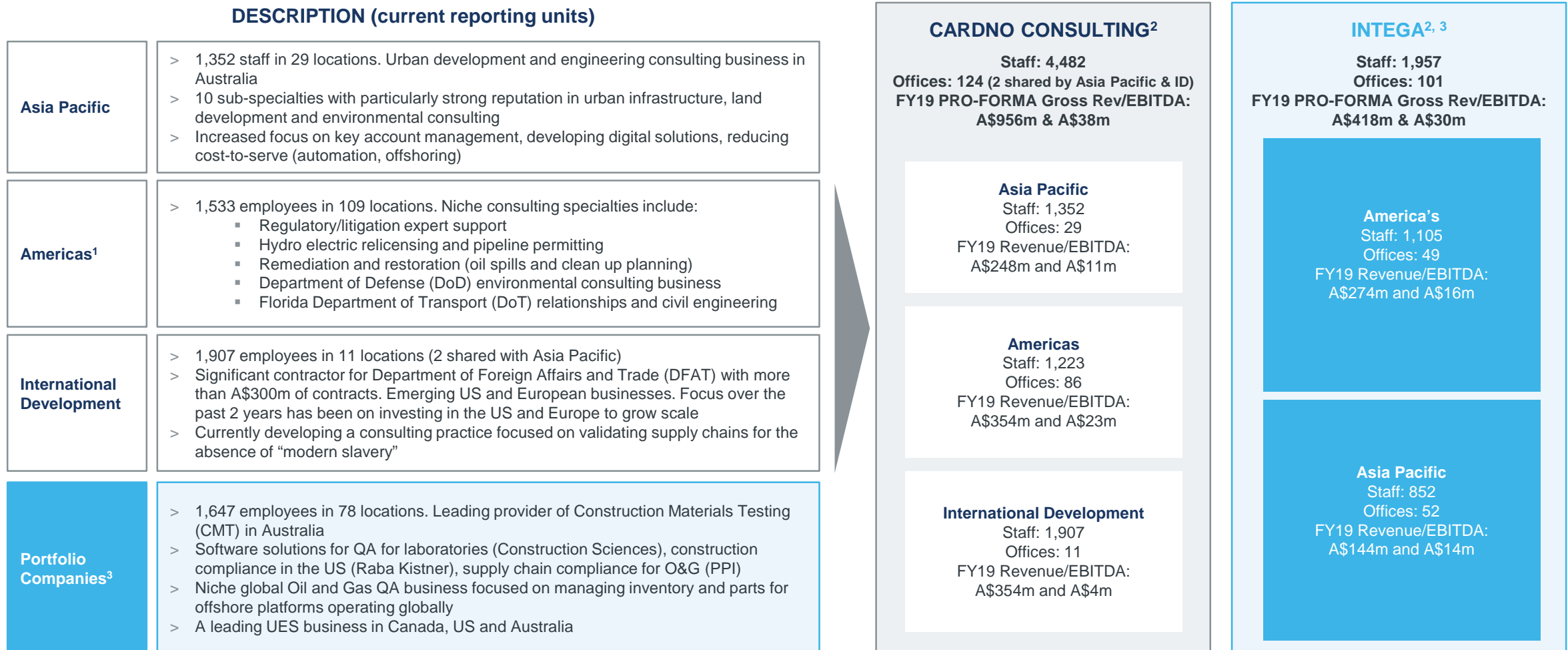
Advantages of the Demerger

- > The potential advantages of the Demerger include the separation of Intega and Cardno and will allow:
 - each business to be more aligned culturally and operationally;
 - investors with different investment strategies and preferences to choose their level of investment in Cardno and Intega;
 - separate boards and management teams to be empowered to pursue independent strategies, operational initiatives and capital management;
 - tailored capital structures and financial policies appropriate for each business' scale, operations and strategic objectives; and
 - the Independent Expert has concluded that the Demerger is in the best interests of Cardno Shareholders.

Each Cardno Director intends to vote, or cause to be voted, all Cardno Shares held or Controlled by them in favour of the Demerger Resolutions. This represents ~50.1% of the shares of Cardno.

Operating segments split

Proposed demerger sees the QTM businesses demerged into a new entity, Intega Limited. There are limited separation issues given that a significant proportion of Cardno QTM businesses have been operating independently for the past three years.



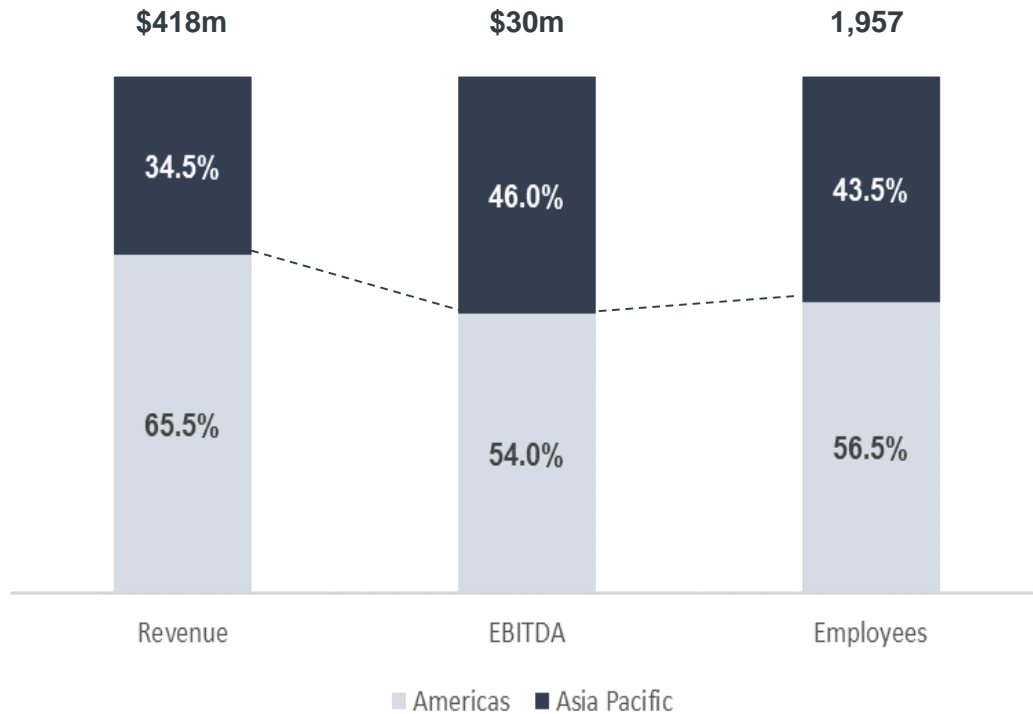
Note: ¹Includes Survey, ² Pro-Forma FY19 revenue and EBITDA assumes a full financial year contribution from Raba Kistner. Staff and office numbers are as at June 2019, ³Includes Raba Kistner - acquired effective 1-Dec-19

Post demerger Intega description

Intega is a Quality, Testing and Measurement Business that provides construction materials testing (CMT), subsurface utility engineering services (UES) and quality assurance for energy companies (QA).



Intega: Key FY19 PRO-FORMA financial statistics	Description
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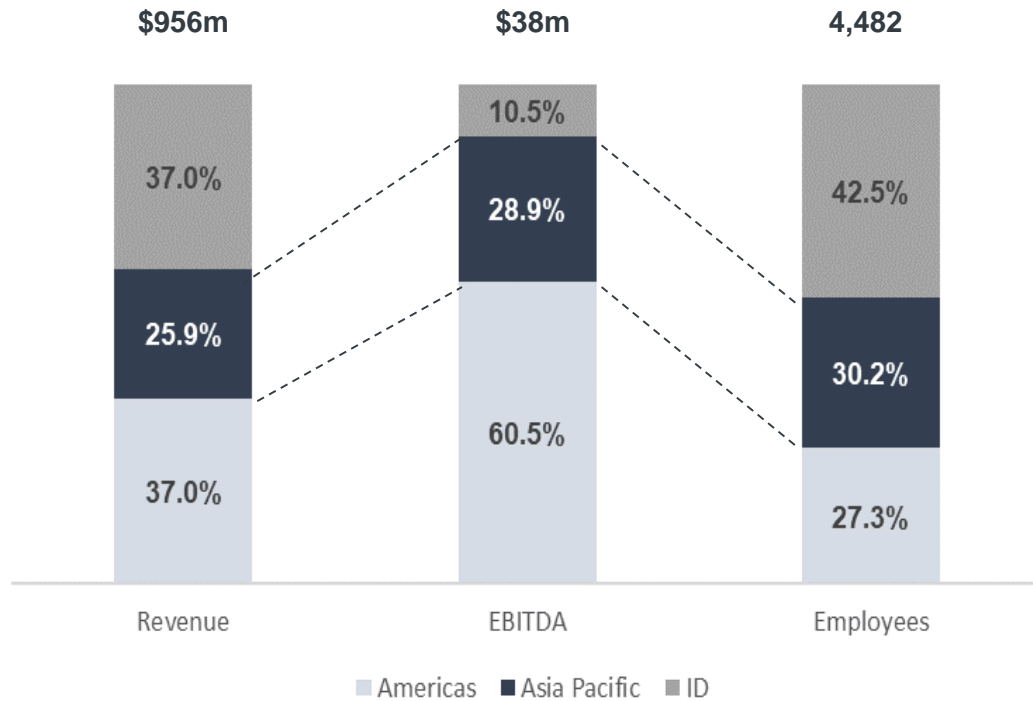
- > Intega is currently a wholly-owned subsidiary of Cardno. Following the Demerger, Intega will be a separate legal entity listed on the ASX and will operate the Quality, Testing and Measurement Business. The Quality, Testing and Measurement Business has around 1,957 employees in 101 permanent offices as at 30 June 2019.
- > Intega operates primarily in Australia, the United States, Canada and New Zealand. The services that the Quality, Testing and Measurement Business focuses on include:
 - providing conformance tests on construction materials to help determine whether the construction of a project is meeting the standards specified by the designer/owner and standard regulations;
 - providing subsurface utility engineering services such as mapping of the location and condition of pipes and cables;
 - providing owners' representative services and environmental testing services to ensure quality and environmental requirements of a build are met;
 - providing geotechnical engineering services including design of temporary works, bored pile supervision, and geotechnical investigation; and
 - providing quality assurance on critical components for energy companies.
- > Intega operates under 4 primary operating brands: Construction Sciences, Raba Kistner, T2 Utility Engineers and PPI.
- > Currently A\$348m of backlog representing 10 months of revenue.

Post demerger Cardno consulting description

Cardno is an environmental, infrastructure and development consulting business.



Cardno Consulting: Key FY19 PRO-FORMA financial statistics



Description

- > Cardno Consulting is an environmental, infrastructure and development consulting business which had around 4,482 employees in 124 permanent offices as at 30 June 2019. The services that Cardno Consulting focuses on include:
 - **Environmental Consulting:** Services include environmental assessment, permitting, restoration, remediation and environmental management in both Asia Pacific and the Americas. In addition, Cardno has deep expertise in understanding the impact of chemicals on human health and assisting companies in the regulation of toxicology.
 - **Infrastructure Consulting:** Services include civil engineering, asset management, planning, structural engineering and military master planning. This business ensures that the built environment is designed and planned efficiently and in compliance with the required regulations and the needs of end users.
 - **International Development:** Services include developing and managing development solutions for the Australian Department of Foreign Affairs and Trade (DFAT), the United States Agency for International Development (USAID), the United Kingdom Foreign and Commonwealth Office (FCO) and Department for International Development (DFID) and for other governments, non-government aid organisations and private sector clients, to build their social licence and improve the lives of people in developing countries.
- > Cardno Consulting operates three divisions: Asia Pacific, the Americas, and International Development.
- > Currently A\$1,295m of backlog representing 16 months of revenue
- > For additional information see www.cardno.com.au

Intega and Cardno investment highlights

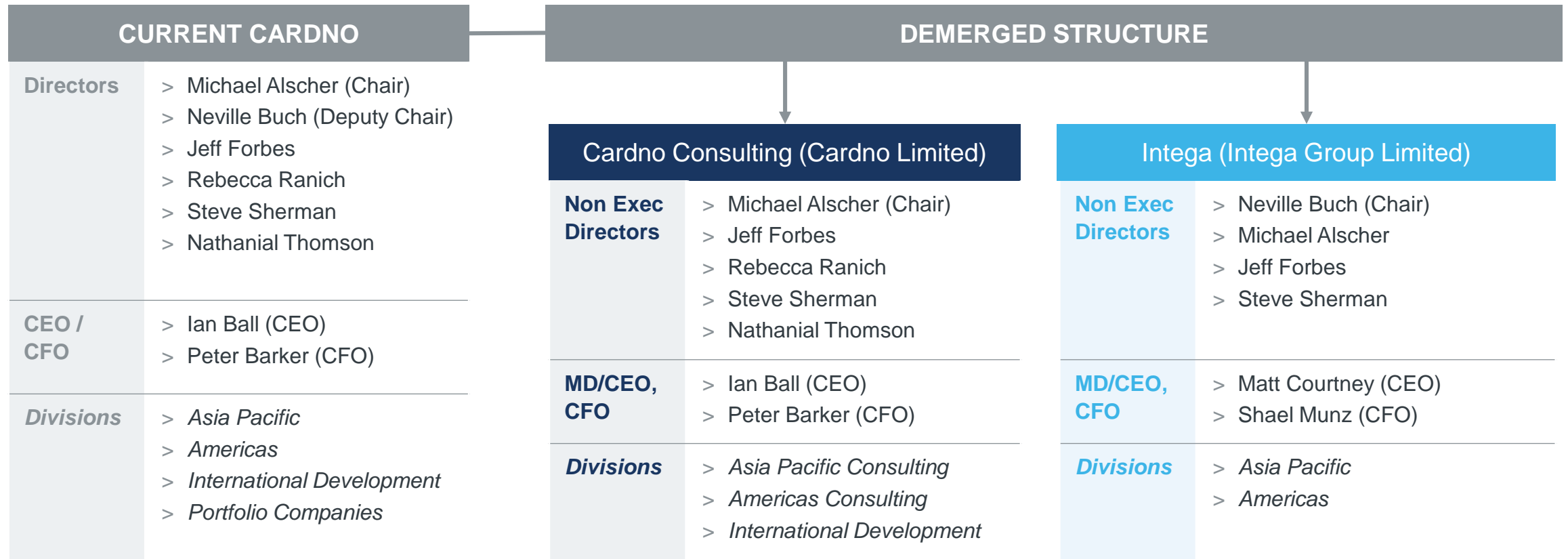
Key themes for the two companies.



	Intega	Cardno Consulting
Growing markets with strong backlog	<ul style="list-style-type: none"> > Significant planned infrastructure expenditure in Australia and the US (Texas in particular) in the next few years > Currently A\$348m of backlog representing 10 months of revenue 	<ul style="list-style-type: none"> > Significant infrastructure and environmental remediation expenditure in Australia and the US over the next 5 years > Currently A\$1,295m of backlog representing 16 months of revenue
Market positions	<ul style="list-style-type: none"> > A leading Construction Material Testing business in Australia and the USA > A leading Quality Assurance provider for mid-stream Oil and Gas in the niche of inventory and parts QA > Material underground engineering/survey business in Australia, Canada and South West US 	<ul style="list-style-type: none"> > Well regarded engineering consultants in specific geographic markets > Reputation in: <ul style="list-style-type: none"> ▪ Litigation expert consulting (toxicology) ▪ Pipeline and hydroelectric dam permitting ▪ Environmental remediation and clean up > A leading Aid contractor (IDA) to DFAT (Australia)
Track record of delivering landmark projects	<ul style="list-style-type: none"> > Currently working on: NorthConnex, Victorian Metro Tunnel, Woolgoolga-Ballina Highway, Toowoomba 2nd Crossing, Brisbane Airport 2nd runway, Southern Gateway and Horseshoe in Texas, the Los Angeles Airport, the Gorgon LNG project 	<ul style="list-style-type: none"> > Currently working on: multiple Marine Corp and Army Builder programs, Lee Vining Hydro relicensing, various Department of Transport projects in Australia and the US, expert support for Johnson & Johnson on litigation cases, North East Link
Investments in growth	<ul style="list-style-type: none"> > Demonstrated organic growth over past 4 years 	<ul style="list-style-type: none"> > Investments in systems in the past two years: CRM, pricing tools, Business Development resources and new markets
Competitive advantages	<ul style="list-style-type: none"> > Comply: Software for QA in materials testing laboratories > ELVIS: Software for construction compliance > QA Reporter: Software for O&G supply chain and inventory 	<ul style="list-style-type: none"> > Worked on all major oil spills in the US in the past 20 years > Significant track record in IDA, transport infrastructure (Florida) and urban development in Australia
Significant growth opportunities	<ul style="list-style-type: none"> > continued organic growth driven by the need for additional investment in infrastructure > continued geographic expansion in the United States > improving the operational performance and profitability of the UES division in the Americas; and > continued expansion of service lines in Asia Pacific. 	<ul style="list-style-type: none"> > improve the EBITDA margin of the Asia Pacific division > expand the consulting service offerings through organic growth and acquisitions; and > increase the focus of the International Development business on private sector consulting.
Management	<ul style="list-style-type: none"> > Well regarded management team that has been running all key divisions for multiple years 	<ul style="list-style-type: none"> > Well regarded CEO and management team in place

Board & Management separation

The current Cardno Board of Directors and Management Team will be split between Cardno and Intega.



Intega – CEO and CFO

Intega CEO and CFO will be appointed from within the existing business
Both will be based in Brisbane, Australia.



CEO & MD

Matthew Courtney
Joined Cardno in July 1992



CFO

Shael Munz
Joined Cardno in February 2016

- > Matt has more than 30 years' experience providing quality control and quality assurance to all sectors of construction for government and private clients, with multiple delivery modes including JV, Alliances, EPCM, and PPP.
- > Matt's career started with Queensland Water Resources Commission (now SunWater) a Queensland Government owned corporation, prior to joining Bowler Geotechnical in 1992, and purchasing a franchise in Bowler Geotechnical in 1995.
- > Bowler Geotechnical was acquired by Cardno in 2008. Matt has held several management roles in Cardno and was appointed CEO of Construction Sciences in 2016. During this period Matt has led the acquisition and integration of a number of businesses in Australia and in the USA.
- > Matt holds a Masters Degree in Engineering Science from the University of New South Wales, and is a member of the Australian Institute of Company Directors.

- > Shael has over 20 years of domestic and international experience in the services, media and banking fields.
- > Shael began her career in Sydney as an auditor and business services senior before travelling overseas to the United Kingdom to work for several years in finance roles with Merrill Lynch, Westminster Council and Barclays Bank.
- > In 2006, on returning to Australia, she joined APN News and Media as the Group Financial Controller before moving to Transpacific Industries, now Cleanaway, in 2007 as the Group Reporting and Treasury Manager until the head office relocated to Melbourne in 2015. Shael was appointed Group Financial Controller of Cardno in February 2016 before moving over to the Construction Sciences division as CFO in February 2019.
- > Shael holds a Bachelor of Business (Accounting) from Charles Sturt University, is a Chartered Accountant (CA 2001) and has completed courses in treasury management (University of Melbourne), leadership (Cert 4 Diploma of Management) and project management (Australian Institute of Management).

THANK YOU

Cardno is an infrastructure, environmental and social development company; improving the lives of people and communities around the world.

www.cardno.com

Making a difference.