

## **ASX Announcement**

# **CHAIRMAN'S ADDRESS TO SCHEME MEETING**

### **Welcome**

Good morning ladies and gentlemen. Welcome back to those shareholders who have already attended our Annual General Meeting this morning, and welcome to anyone who is joining us for the first time for this Scheme Meeting, to be followed by the General Meeting, both of which are required to approve and implement the Demerger of Cardno's Quality, Testing and Measurement Business into a new, independent ASX-listed entity.

### **Quorum**

It is now 11.30am and a quorum is present, so I am pleased to declare the meeting open.

### **Outline of the Scheme Meeting and General Meeting**

Today we are holding two separate meetings.

The first meeting is the Scheme Meeting to consider the resolution to approve the scheme of arrangement to separate Cardno's Quality, Testing and Measurement Business into a new, independent ASX-listed entity, Intega Group Limited.

The second meeting is the General Meeting to consider two resolutions required to facilitate the Demerger.

- The first resolution is to approve a reduction in Cardno's share capital, which is a technical requirement to implement the Demerger. The capital reduction is conditional on the Scheme being approved.
- The second resolution is to approve the giving of financial assistance in connection with the Demerger and associated internal restructure. The reason for the giving of the financial assistance is to facilitate the Demerger.

For the Demerger to proceed, shareholders will need to approve each of these resolutions, that is, the Scheme Resolution to be considered at this meeting, as well as the Capital Reduction Resolution and Financial Assistance Resolution to be considered at the General Meeting to follow.

### **Overview of the Demerger**

Over the past three years, Cardno has significantly evolved its business through both operational improvements and strategic acquisitions. These material achievements have allowed your Board to consider the strategic future of Cardno, with a focus on building long term value for our shareholders. We believe that this would be best achieved through demerging into two independent ASX-listed businesses.

- Following the Demerger, Intega will own and operate the Quality, Testing and Measurement Business that provides construction materials testing, subsurface utility engineering services, owners' representative services, associated environmental testing, geotechnical engineering and quality assurance.
- Cardno will comprise of three operating entities, namely Asia Pacific Consulting, Americas Consulting and International Development Consulting.

Your Board believes that separating Intega from Cardno will create material shareholder value through each business being able to focus on:

- its own specific growth opportunities;
- its distinct culture and operating models;
- increased transparency internally and externally;
- access to capital and debt markets based on specific company characteristics; and
- increased performance accountability.

As described in the Scheme Booklet, the Board considered a range of alternatives to the Demerger, including maintaining the status quo, undertaking an initial public offering of Intega, or a trade sale of Intega. The Board unanimously concluded that the Demerger is in the best interests of Cardno Shareholders having regards to these alternatives as well as the advantages, disadvantages and risks of the Demerger. With this in mind, the Board unanimously recommends that you vote in favour of the resolutions before you today.

### **Independent Expert**

Cardno appointed Lonergan Edwards as the Independent Expert to assess the merits of the Demerger. The Independent Expert has concluded that the Demerger is in the best interests of Cardno Shareholders.

### **Scheme Resolution and voting thresholds**

The Scheme Resolution, as set out in the Notice of Meeting, is as follows:

*“That pursuant to and in accordance with section 411 of the Corporations Act, the arrangement proposed between Cardno and the holders of its ordinary shares as contained in and more particularly described in the Demerger Scheme Booklet of which the Notice forms part, is approved, and the Directors of Cardno are authorised to agree to such alterations or conditions as are thought fit by the Court, and subject to approval by the Court, to implement the Demerger Scheme with any such modifications or conditions.”*

In accordance with the Corporations Act, the Scheme Resolution must be approved by:

- a majority in number of the holders of Cardno Shares present and voting (either in person, by proxy or attorney or in the case of a corporate holder, by duly appointed corporate representative) at this Scheme Meeting; and
- at least 75% of the votes cast on the Scheme Resolution.

As noted in the proxy form which accompanied the Scheme Booklet, in my capacity as Chairman of this Scheme Meeting, I intend to vote all undirected proxies I hold in favour of the Scheme Resolution.

### **Scheme conditions**

Implementation of the Scheme is subject to a number of conditions. The relevant conditions which remain outstanding at this time are:

- the approval of the Scheme by Cardno Shareholders, which is why we are holding this Scheme Meeting today;
- the approval of the Capital Reduction and Financial Assistance, which is why we are holding the General Meeting today;
- the internal restructure of the Cardno Group to be undertaken in preparation for implementation of the Demerger;
- the approval of the listing of Intega by the ASX; and
- the approval of the Scheme by the Federal Court of Australia, which will be sought following this meeting in the event shareholders approve the Scheme.

Your Directors are not aware of any circumstance to date which would prevent any of the outstanding conditions from being satisfied.

Cardno has sought a class ruling from the ATO confirming the Australian income tax consequences for certain Cardno shareholders.

A final class ruling from the Commissioner will not be available until after the Demerger is completed, however the company has received a draft of that ruling which sets out the Commissioner's preliminary but considered view.

Your Directors have no reason to believe that the final ruling will be inconsistent with the tax consequences set out in the Scheme Booklet.

### **Timetable for implementation**

If the Scheme is approved by Cardno Shareholders at today's Scheme Meeting, and the Capital Reduction and Financial Assistance are approved by Cardno Shareholders at the General Meeting:

- Eligible shareholders will receive one Intega share for each Cardno Share they hold on the record date, which is 7:00pm (Sydney time) on 23 October 2019;
- Cardno Shareholders will retain their shareholding in Cardno; and
- Shareholders will then have a choice to keep their Cardno and Intega shares or sell either or both on the ASX.

The expected next key dates in the Scheme timetable are:

- on 18 October 2019, Cardno will seek the approval of the Federal Court of Australia to implement the Scheme. If the Court approves the Scheme and issues the orders sought,

then on 21 October 2019 Cardno will lodge with ASIC a copy of the Court's orders and the Scheme will become effective;

- Intega Shares will commence trading on the ASX on a deferred settlement basis on 22 October 2019. Cardno Shares will also begin trading on an ex-Demerger entitlements basis on the same date;
- on 31 October 2019, Implementation of the Scheme will occur, and Cardno Shareholders entitled to receive Intega Shares in the Demerger will be transferred Intega Shares; and
- Intega shares will commence trading on the ASX on a normal settlement basis on 1 November 2019.

With this background, we will now move to the formal business of the Scheme Meeting.

Michael Alscher  
Chairman  
Cardno Limited  
Thursday, 10 October 2019

– ENDS –

**For all media enquiries please contact:**

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**For all Shareholder enquiries please contact:** Shareholder Information Line on 1300 381 478 (within Australia) or +61 3 9415 4108 (outside Australia) Monday to Friday between 8.30am and 5.00pm (Sydney time)

**About Cardno:** Cardno is a 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](http://www.cardno.com).