

Media/ASX and NZX Release

21 March 2017

DOWNER ANNOUNCES TAKEOVER OFFER FOR SPOTLESS

- All cash takeover offer of \$1.15 per Spotless share for all shares not already owned by Downer
- Compelling value and certainty for Spotless shareholders
- Attractive 59% premium to the last closing price of \$0.725 per share

Transaction details

Downer EDI Limited (**Downer**) today announced that its wholly owned subsidiary, Downer EDI Services Pty Ltd (**Downer Services**), will today lodge a Bidder's Statement for a takeover offer (**Offer**) for all of the issued shares in Spotless Group Holdings Limited (**Spotless**) that it does not already own for \$1.15 cash per share (**Offer Price**).

Downer Services has an interest equivalent to 19.99% in the issued share capital of Spotless, which is comprised of a 15% shareholding and a further economic interest equivalent to 4.99% via a total return cash settled equity swap.

The Offer is a highly attractive one and represents compelling value for Spotless shareholders. The Offer Price of \$1.15 cash for each Spotless share represents a premium of 59% to the closing price of Spotless shares on 20 March 2017, being the last trading day before the announcement of the Offer on 21 March 2017 (**Announcement Date**), and implies a diluted equity value of \$1,272 million¹ for Spotless.

Importantly, the Offer provides certain value to Spotless shareholders, in contrast to the uncertain value of Spotless shares. The Offer is particularly attractive in the context of Spotless' recent share price performance, Spotless' first half 2017 results, Spotless' relatively high level of debt and the recent reduction in Spotless' dividend.

The Chief Executive Officer of Downer, Grant Fenn, said:

"The acquisition of Spotless is a significant investment in Downer's strategy to expand its capabilities and strengthen its position as a leading provider of services to customers in Australia and New Zealand.

"Downer's all cash offer provides an excellent opportunity for Spotless shareholders to realise certain value for their shares, because the offer is at a substantial premium to recent trading prices."

¹ Based on 1,098.3 million ordinary shares on issue plus 7.7 million estimated 'in the money' options and rights based on Spotless' Appendix 3B dated 24 November 2016 and FY16 Annual Report.

Compelling value for Spotless shares

The Offer Price of \$1.15 cash per Spotless share represents compelling value for Spotless shareholders and a substantial premium to trading levels prior to the Announcement Date.

The Offer Price represents an attractive premium of:

- 59% to the closing price of Spotless shares on 20 March 2017, being the last trading day before the Announcement Date;
- 45% to the VWAP of Spotless shares since 28 February 2017² (the date on which Spotless released its results for the six months ended 31 December 2016); and
- 42% to the 1-month VWAP of Spotless shares up to and including 20 March 2017.³

The Offer is also materially higher than the range of analyst 12 month price targets and valuations for Spotless, representing a:

- 55% premium to the average analyst 12 month price target of \$0.74;⁴
- 83% premium to the lowest analyst 12 month price target of \$0.63;⁴ and
- 37% premium to the highest analyst 12 month price target of \$0.84.⁴

Certainty

The Offer provides Spotless shareholders with an opportunity to realise certain value for their Spotless shares, with no brokerage fees and no exposure to the potential risks associated with a continuing investment in Spotless.

Downer considers this to be important to Spotless shareholders in the context of Spotless' recent share market performance, relatively high levels of debt, and recent reduction in dividend.

Offer Conditions

The Offer is subject to a number of conditions, including a 90% minimum acceptance condition (including Downer's existing holding), all necessary regulatory approvals or consents being obtained and no action by any public authority which may adversely affect the Offer, no change of control triggers being exercised in respect of Spotless' existing debt facilities, no termination of the underwriting agreement in relation to the Downer entitlement offer, no Spotless profit downgrade, no material acquisitions, disposals or significant events being undertaken by Spotless and no prescribed occurrences in relation to Spotless.

² VWAP is calculated based on cumulative value traded on the ASX and Chi-X divided by cumulative volume traded on the ASX and Chi-X. VWAP calculated from 28 February 2017 – 20 March 2017 (inclusive). Source: IRESS.

³ VWAP is calculated based on cumulative value traded on ASX and Chi-X divided by cumulative volume traded on ASX and Chi-X. VWAP calculated from 21 February 2017 – 20 March 2017 (inclusive). Source: IRESS.

⁴ Five broker price targets have been used to determine the 12 month broker price target range and average. The date range of the broker price targets used in determining the range and average was 28 February 2017 to 1 March 2017. These brokers were selected on the basis of all broker research reports publicly available to Downer that were released since the announcement of Spotless' 1H2017 results on 28 February 2017. Downer notes that according to Bloomberg, there were two other broker price targets available for Spotless that had been released since 28 February 2017 (Downer did not have access to the research reports for these brokers). Inclusion of these additional two price targets results in an average broker price target of \$0.76 and no change to the \$0.63 to \$0.84 range of broker price targets. Source: broker research reports, Bloomberg.

Further details on the Offer, including its conditions, are set out in the Bidder's Statement to be lodged with ASIC and the ASX today.

Dividends

Under the Offer, Spotless shareholders will be entitled to be paid the dividend for the 6 months ended 31 December 2016 (**1H17**) declared by Spotless in its 1H17 results announcement on 28 February 2017 (to be paid on 7 April 2017).

Bidder's Statement

Downer intends to lodge its Bidder's Statement with ASIC, Spotless and ASX today. The Bidder's Statement will contain detailed information relevant to the Offer, including how to accept. The Bidder's Statement is expected to be sent to Spotless shareholders 14 days after the date of this announcement.

Advisers

UBS AG, Australia Branch is acting as financial adviser and Ashurst is acting as legal adviser to Downer in relation to the Offer.

For further information please contact:

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About Downer

Downer is a leading provider of services to customers in markets including: Transport Services; Rail; Mining; Utilities Services; Technology and Communications Services; and Engineering, Construction & Maintenance. Downer builds strong relationships of trust with our customers, truly understanding and predicting their needs and bringing them world leading insights and solutions. Downer employs about 19,000 people across more than 200 sites and projects, mostly in Australia and New Zealand, but also in the Asia-Pacific region, South America and Southern Africa. For more on Downer, visit: www.downergroup.com.