

3 May 2017

OFFER PRICE OF \$1.15 PER SPOTLESS SHARE IS FINAL, IN THE ABSENCE OF A SUPERIOR PROPOSAL

Downer EDI Limited (**Downer**) refers to its takeover offer (**Offer**) through wholly-owned subsidiary Downer EDI Services Pty Ltd 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**), announced on 21 March 2017 (**Announcement Date**).

The Board of Downer has reviewed the Spotless Target's Statement released to the ASX on 27 April 2017 (**Target's Statement**). Following this review, the Downer Board has determined that its Offer Price of \$1.15 per Spotless share represents Downer's final offer price in the absence of a superior proposal.

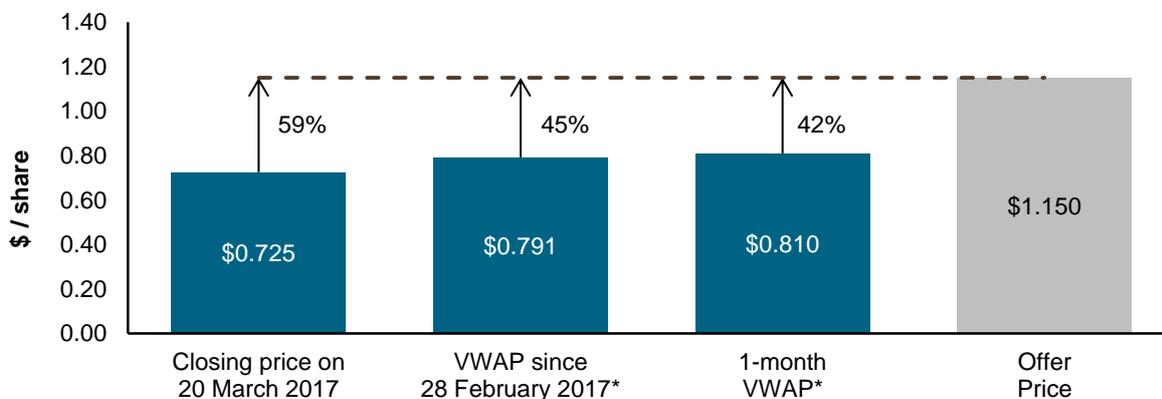
The Downer Board believes that the Offer Price provides compelling value for Spotless shareholders. The Target's Statement did not provide Downer with any reason to increase the Offer Price.

In particular, the Downer Board notes that:

1. Downer's all cash Offer provides full and fair value for Spotless shareholders

The Offer Price of \$1.15 cash per share represents a 59% premium to the closing price of Spotless shares on 20 March 2017 (the last trading day prior to the Announcement Date) and a 45% premium to the volume weighted average price of Spotless shares between its 1H17¹ results and the Announcement Date.²

Offer Price and premiums³



*For the period up to and including 20 March 2017.

Comparing the Offer Price against Spotless' trading prices over a broader period and Spotless' post-IPO closing high from approximately two years ago, as done in the Target's Statement,⁴ is misleading because it ignores Spotless' recent operating performance, which includes 1H17 results that were materially worse than the prior corresponding period across a range of key financial metrics.⁵

¹ All references to "FY17" and "FY18" in this announcement refer to the 12 month forecast period ending 30 June 2017 and 30 June 2018 respectively. References to "FY15" and "FY16" refer to the financial year ended 30 June 2015 and 30 June 2016 respectively. References to "1H16" and "1H17" refer to the 6 month period ended 31 December 2015 and 31 December 2016 respectively

² VWAP is calculated based on cumulative value traded on ASX and CHI-X divided by cumulative volume traded on ASX and CHI-X. 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 since 28 February 2017" calculated from 28 February 2017 – 20 March 2017 (inclusive). "1-month VWAP" calculated from 21 February 2017 – 20 March 2017 (inclusive). Source: IRESS

⁴ Spotless Target's Statement released to the ASX on 27 April 2017 (page 6)

⁵ As per Spotless' results presentation for the 6 month period ended 31 December 2016 and as referred to in Downer's Replacement Bidder's Statement released to the ASX on 10 April 2017 (page 4)

2. Spotless' statement that it can deliver greater value than the Downer Offer has not been substantiated

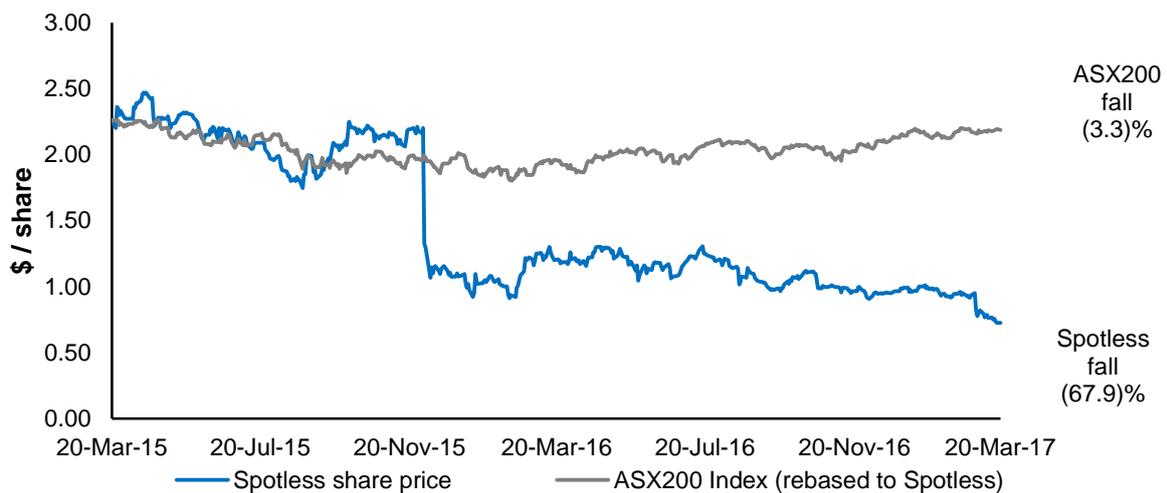
Spotless claims that "If we remain an independent listed entity, the Directors are confident that the fundamental strengths of Spotless' core business, together with management's execution of the strategy reset will deliver greater value to Spotless' shareholders than the Downer Offer in the medium term."⁶

Spotless has not provided a directors' valuation of its shares nor has it obtained an independent expert's report valuing its shares. Spotless has provided no indication that based on its earnings guidance, it expects to deliver a share price higher than the Offer Price.

Rather, Spotless' claim around the delivery of value is, as noted above, in part based on the execution of its strategy reset. However, even Spotless warns shareholders of an important risk concerning the strategy reset, stating that "there is no guarantee as to the benefits that the strategy reset will realise."⁷

Further, Spotless has stated that any delivery of greater value will only occur over the medium term, with shareholders required to put their faith in a company which saw a share price decline of almost 70% in the two years prior to the Announcement Date.⁸

Spotless share price



Source: IRESS

In contrast to the risk, uncertainty and time involved in the delivery of value by Spotless, Downer's Offer provides certain, all cash value for Spotless shares.

3. The earnings guidance provided by Spotless is now subject to a range of material assumptions

Spotless' FY17 Net Profit After Tax (pre-exceptional items) (**NPAT**) guidance of \$80-\$90 million provided at the 1H17 results is stated to be "re-affirmed" in the Target's Statement, however, this guidance is now subject to a range of material assumptions which were not referenced at its 1H17 results.⁹

⁶ Spotless Target's Statement released to the ASX on 27 April 2017 (page 3)

⁷ Spotless Target's Statement released to the ASX on 27 April 2017 (page 55)

⁸ Share price movement between 20 March 2015 to 20 March 2017 (inclusive). Source: IRESS

⁹ As per section 5.4 of the Spotless Target's Statement released to the ASX on 27 April 2017

4. Although Spotless believes that its strategy reset is demonstrating early signs of success, Spotless' FY18 NPAT guidance remains materially below its FY16 NPAT

In the Target's Statement, Spotless states that its strategy reset commenced in August 2016, whereas in Spotless' 1H16 results presentation dated 23 February 2016 it stated that it had commenced a "strategy reset" to accelerate growth and deliver attractive returns.¹⁰

Despite claims of progress, since the commencement of the strategy reset, earnings for Spotless' business has declined. Spotless has also noted that business development returns, being an aspect of its strategy reset,¹¹ have been "slower than expected" and the benefits have been "more than offset by weaker business performance."¹² Spotless delivered NPAT of \$136 million in FY15 and NPAT of \$131 million in FY16.¹³ Spotless' FY18 NPAT guidance of \$85-\$100 million, which includes benefits of the strategy reset which will then have been in place for two years, is 24% to 35% lower than FY16 NPAT (at the high to low end of the guidance range respectively).¹⁴

5. No superior offer has been received

Spotless has confirmed that there is no superior offer for its shareholders to consider, despite its engagement with several parties in an attempt to agree an alternative transaction.

In its Target's Statement, Spotless referred to detailed discussions with only one party, and confirmed that these had ended on 22 April 2017.

6. Spotless' Share Price may fall materially if the Offer is not successful

If the Offer is unsuccessful and no superior proposal emerges, the Spotless share price is likely to trade at a substantial discount to the Offer Price.

In the Target's Statement, Spotless states that it gives no assurance or forecast that the market price of Spotless Shares may be more valuable than the Offer Price in the future, and further states that there is a risk that the Spotless Shares may trade at a price below the current market price of Spotless Shares if the Offer does not proceed and no superior proposal emerges.

Downer notes that the Spotless closing share price on 20 March 2017, the last trading day prior to the Announcement Date, was \$0.725.

Downer notes that from the release of Spotless' 1H17 results on 28 February to 20 March 2017, the day prior to the announcement of the Offer, over 23% of Spotless' shares on issue traded, with a weighted average price of \$0.79.¹⁵ Since the announcement of the Offer, Spotless shares have traded in large volumes well below the \$1.15 Offer Price, with a weighted average price of \$1.07.¹⁶ In total, approximately 82% of Spotless' shares on issue have

¹⁰ Spotless' 1H16 results presentation, released to the ASX on 23 February 2016 (page 15)

¹¹ Spotless' 1H17 results presentation, released to the ASX on 28 February 2017 (page 15) and Spotless' 1H16 results presentation, released to the ASX on 23 February 2016 (page 15)

¹² Spotless' 1H17 results presentation, released to the ASX on 28 February 2017 (page 30). Spotless notes that "The outlook reflects business development returns being slower than expected and the benefits to date being more than offset by weaker business performance in the Business and Industry, Construction and Resources sectors."

¹³ Spotless' FY16 financial statements and results presentation, released to the ASX on 24 August 2016

¹⁴ Spotless Target's Statement released to the ASX on 27 April 2017 (page 45)

¹⁵ Based on Spotless shares on issue of 1,098.29 million. Weighted average price 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 28 February 2017 – 20 March 2017 (inclusive). Excludes acquisition of approximately 163 million shares by Downer after-market on 20 March 2017 at the Offer Price of \$1.15. Source: IRESS

¹⁶ Based on Spotless shares on issue of 1,098.29 million. Weighted average price 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 March 2017 – 2 May 2017 (inclusive). Excludes acquisition of approximately 163 million shares by Downer after-market on 20 March 2017 at the Offer Price of \$1.15. Source: IRESS

traded at or below the Offer Price since its 1H17 results, and no Spotless shares have traded above the Offer Price since that time.¹⁷

Update on regulatory approval conditions

With respect to the regulatory approvals conditions of the Offer, Downer has been advised that Western Australian liquor approvals are not required, and has formed the view that South Australian liquor approvals are not required following discussions with the relevant public authority in South Australia. Downer currently expects to receive a decision regarding its application for New Zealand Overseas Investment Office (**OIO**) approval during May 2017.

Timing

In light of the timing of the satisfaction of the regulatory approvals conditions, the Offer Period will be extended to close at 7pm (Sydney time) on 31 May 2017 (unless further extended).

Accepting the Offer

Given that the Offer Price is final in the absence of a superior proposal, there is no benefit in delaying acceptance¹⁸ and Downer encourages Spotless shareholders to accept the Offer as soon as possible.

Full details on how to accept the Offer are contained in section 7.3 of the Replacement Bidder's Statement which was sent to Spotless shareholders in April 2017.

Please call the Offer Information Line on 1300 048 144 (within Australia) or +61 3 9415 4662 (from outside Australia) if you require further information or assistance.

Institutional Acceptance Facility

As the Offer remains subject to defeating conditions, Downer intends to establish an institutional acceptance facility (**IAF**), to be operated by Computershare Clearing Pty Limited ACN 063 826 228. The IAF will allow eligible institutional Spotless shareholders that do not wish to accept the Offer until it has become unconditional to indicate their intention to accept prior to the Offer becoming unconditional. Downer encourages institutional shareholders to either accept the Offer as soon as possible or provide their acceptance instructions into the IAF when it is established.

Further information relating to the IAF is expected to be included in a Second Supplementary Bidder's Statement to be despatched to Spotless shareholders this week.

Indicative timetable

Expected date for lodgement of the Second Supplementary Bidder's Statement with ASIC	3 May 2017
Expected date for despatch of the Second Supplementary Bidder's statement to Spotless's shareholders	By 5 May 2017
Expected closing date of Offer (unless further extended)	31 May 2017

¹⁷ Based on Spotless shares on issue of 1,098.29 million. Weighted average price 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 28 February 2017 – 2 May 2017 (inclusive). Includes acquisition of approximately 163 million shares by Downer after-market on 20 March 2017 at the Offer Price of \$1.15. Source: IRESS at 2 May 2017

¹⁸ As set out in section 6.11 of the Replacement Bidder's Statement, Spotless shareholders are able to withdraw their acceptances up until when (and if) Downer declares the Offer unconditional (page 23)

About Downer

Downer EDI Limited ("**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. We build 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.

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