

Second Supplementary Bidder's Statement

In relation to the Cash Offer

by

Downer EDI Services Pty Ltd

ACN 137 732 042

a wholly-owned subsidiary of

Downer EDI Limited

ACN 003 872 848

to purchase all of your ordinary shares in

Spotless Group Holdings Limited

ACN 154 229 562

For each Spotless Share you will receive

\$1.15 Cash

This is an important document and requires your immediate attention. If you are in doubt as to how to deal with this document you should consult your financial or other professional adviser.

Offer Information Line

For information regarding your Spotless Shares, the Offer or how to accept the Offer please read the Bidder's Statement. If you still need assistance please contact the Downer Offer Information Line on:

For Australian callers: 1300 048 144

For international callers: +61 3 9415 4662

IMPORTANT INFORMATION

This document is the second supplementary bidder's statement (**Second Supplement**) to the bidder's statement dated 21 March 2017 (**Original Bidder's Statement**) made under section 643 of the *Corporations Act 2001* (Cth) (the **Corporations Act**).

The Second Supplement is issued by Downer EDI Services Pty Ltd (**Downer Services**), a wholly-owned subsidiary of Downer EDI Limited ACN 003 872 848 (**Downer**) in relation to the offers dated 12 April 2017 made under its off-market takeover bid by Downer Services to acquire all of the ordinary shares in Spotless Group Holdings Limited ACN 154 229 562 (**Spotless**) that it does not already own (**Offer**).

This document supplements, and must be read together with, the first supplementary bidder's statement dated 10 April 2017 (**First Supplement**), and the replacement bidder's statement dated 10 April 2017 (**Replacement Bidder's Statement**) which replaced the Original Bidder's Statement. In this Second Supplement, all references to the Bidder's Statement are references to the Replacement Bidder's Statement. This Second Supplement prevails to the extent of any inconsistency with the Bidder's Statement and the First Supplement. Unless the context requires otherwise or separately defined in this Second Supplement, terms defined in the Bidder's Statement have the same meaning in this Second Supplement.

A copy of this Second Supplement, which incorporates notices under sections 630(2)(b), 650D and 650F of the Corporations Act, was lodged with the Australian Securities and Investments Commission (**ASIC**) on 3 May 2017. Neither ASIC nor any of its officers takes any responsibility for the contents of this Second Supplement or the notices incorporated into this Second Supplement.

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

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

The Target's Statement did not provide Downer Services with any reason to increase the Offer Price.

Given that the Offer Price is final in the absence of a superior proposal, there is no benefit in delaying acceptance¹ and Downer Services 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 Bidder's Statement which was sent to Spotless Shareholders in April 2017 and in the personalised Acceptance Form that accompanies this Second Supplement.

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.

2. **REASONS TO ACCEPT THE OFFER**

The Downer Services Board believes that the Offer Price of \$1.15 cash per share provides compelling value for Spotless Shareholders.

In particular, the Downer Services Board notes that:

2.1 **Downer Services' all cash Offer provides full and fair value for Spotless Shareholders**

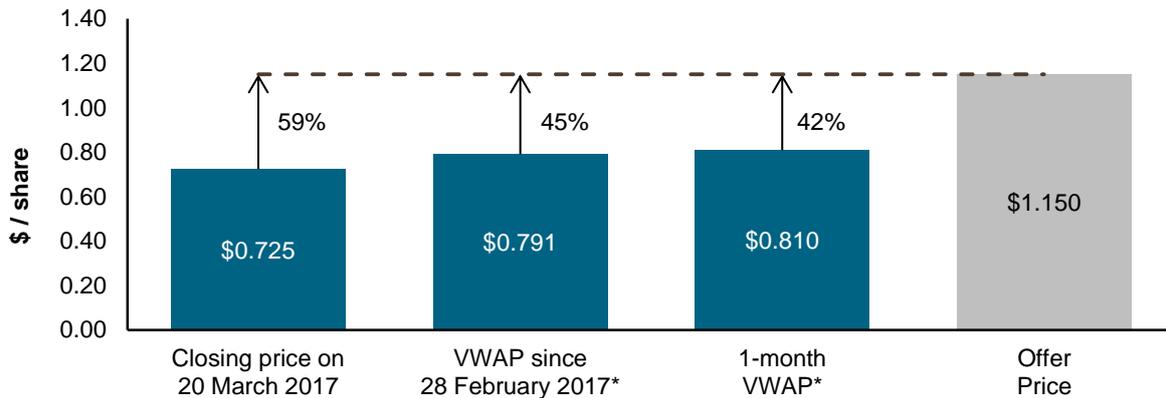
The Offer Price of \$1.15 cash per share represents a 59% premium to the closing price of Spotless Shares on 20 March 2017 (the last trading day prior to the Announcement Date) and a 45% premium to the volume weighted average price of Spotless Shares between its 1H17² results and the Announcement Date.³

¹ As set out in section 6.11 of the Bidder's Statement, Spotless Shareholders are able to withdraw their acceptances up until when (and if) Downer Services declares the Offer unconditional

² 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

³ 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

Offer Price and premiums⁴



*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,⁵ 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.⁶

2.2 **Spotless' statement that it can deliver greater value than the 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."⁷

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."⁸

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.⁹

⁴ 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

⁵ Spotless Target's Statement released to the ASX on 27 April 2017 (page 6)

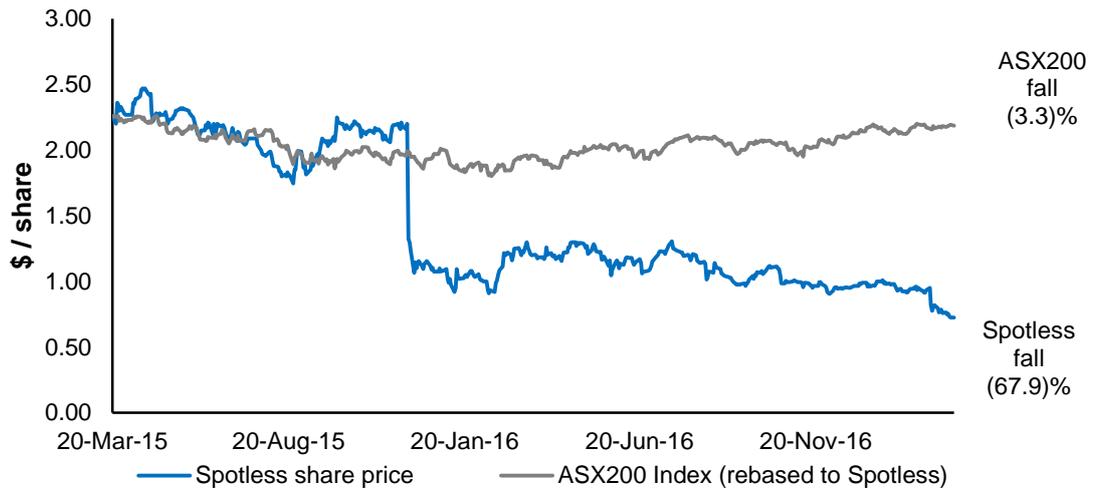
⁶ As per Spotless' results presentation for the 6 month period ended 31 December 2016 and as referred to in Downer Services' Bidder's Statement released to the ASX on 10 April 2017 (page 4)

⁷ Spotless Target's Statement released to the ASX on 27 April 2017 (page 3)

⁸ Spotless Target's Statement released to the ASX on 27 April 2017 (page 55)

⁹ Share price movement between 20 March 2015 to 20 March 2017 (inclusive). Source: IRESS

Spotless share price



Source: IRESS

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

2.3 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.¹⁰

2.4 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.¹¹

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,¹² have been "slower than expected" and the benefits have been "more than offset by weaker business performance."¹³ Spotless delivered NPAT of \$136 million in FY15 and NPAT of \$131 million in FY16.¹⁴ Spotless' FY18 NPAT guidance of \$85-\$100 million, which includes benefits of the strategy reset which

¹⁰ Spotless Target's Statement released to the ASX on 27 April 2017 (section 5.4)

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

¹³ 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."

¹⁴ Spotless' FY16 financial statements and results presentation, released to the ASX on 24 August 2016 (page 6)

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).¹⁵

2.5 **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.

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

Downer Services 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 \$0.79.¹⁶ 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 \$1.07.¹⁷ In total, approximately 82% of Spotless' Shares on issue have traded at or below the Offer Price since its 1H17 results, and no Spotless Shares have traded above the Offer Price since that time.¹⁸

3. **UPDATE IN RELATION TO REGULATORY APPROVAL**

With respect to the regulatory approvals conditions of the Offer, Downer Services 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 Services currently expects to receive a decision regarding its application for New Zealand Overseas Investment Office approval during May 2017.

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

¹⁵ Spotless Target's Statement released to the ASX on 27 April 2017 (page 45)

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 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

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 21 March 2017 – 2 May 2017 (inclusive). Excludes acquisition of approximately 163 million shares by Downer Services after-market on 20 March 2017 at the Offer Price of \$1.15. Source: IRESS

¹⁸ 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 Services after-market on 20 March 2017 at the Offer Price of \$1.15. Source: IRESS at 2 May 2017

extended) (see section 5 of this Second Supplement for further information on the extension).

4. **OFFER FREED FROM UNDERWRITING AGREEMENT CONDITION**

As Downer has raised approximately \$1,011 million from its Entitlement Offer, Downer Services has today declared each of the Offers and all contracts formed by acceptance of the Offers to be free of the Defeating Condition set out in section 7.11(d) of the Bidder's Statement in relation to the Underwriting Agreement not being terminated by the Underwriter before the end of the Offer Period. Attached as part 1 of Annexure A to this Second Supplement is a copy of the notice which has been, or will be, provided to Spotless and ASX today in accordance with the requirements of section 650F of the Corporations Act.

5. **EXTENSION OF OFFER PERIOD**

Downer Services has decided to extend the Offer Period so that the Offer will now remain open for acceptance until 7:00pm (Sydney time) on Wednesday, 31 May 2017 (unless further extended under the Corporations Act).

As a result of the extension of the Offer Period, the date for giving notice on the status of conditions in section 7.15 of the Bidder's Statement is postponed to Monday, 22 May 2017 (unless the Offer Period is further extended under the Corporations Act).

In relation to the extension of the Offer Period, Downer Services attaches to this Second Supplement:

- (a) a notice under section 650D of the Corporations Act in relation to this extension (as part 2 of Annexure A); and
- (b) a notice under section 630(2) of the Corporations Act, which confirms that Monday, 22 May 2017 is the new date for giving notice as to the status of the Defeating Conditions (as part 3 to Annexure A).

6. **INSTITUTIONAL ACCEPTANCE FACILITY**

6.1 **Overview**

Downer Services has established an institutional acceptance facility open to "professional investors" (as defined in section 9 of the Corporations Act) that hold or beneficially own at least \$500,000 worth of Spotless Shares (434,783 Spotless Shares, based on the Offer Price of \$1.15 per Spotless Share under the Offer) (**Eligible Shareholders**) in order to facilitate receipt of acceptances of the Offer (**Facility**).

The Facility has been established to provide Eligible Shareholders who may be unable or unwilling to accept the Offer until the Offer becomes or is declared unconditional (for example, by reason of their investment mandates) with the ability to register their support for the Offer and their intention to accept the Offer before the Offer becomes or is declared unconditional.

The acceptance facility collection agent for the Facility is Computershare Clearing Pty Limited ACN 063 826 228 (**Facility Operator**).

Spotless Shareholders who are not Eligible Shareholders cannot participate in the Facility.

Before making a decision whether or not to participate in the Facility, Eligible Shareholders are encouraged to consult with their financial or other professional adviser.

6.2 Operation of the Facility

In summary, the Facility will operate in the following way:

- (a) Eligible Shareholders may demonstrate their intention to accept the Offer by lodging with the Facility Operator acceptance instructions in the form of:
 - (i) where the Eligible Shareholder is recorded as the holder of Spotless Shares, a duly completed and executed Acceptance Form; and/or
 - (ii) where the Eligible Shareholder is a beneficial holder whose Spotless Shares are held by a custodian on the person's behalf, directions to its custodian (the form of which will be made available to Eligible Shareholders by the Facility Operator on request) (**Custodian Direction**) to accept the Offer,(the **Acceptance Instructions**), thereby demonstrating their intention to accept the Offer.
- (b) The Facility Operator will hold the Acceptance Instructions as lodgement agent only and will not acquire a relevant interest (as defined under the Corporations Act and as modified by ASIC Class Orders) in any of the Spotless Shares the subject of the Acceptance Instructions. Acceptance Instructions lodged with the Facility Operator will demonstrate the intention of the relevant Eligible Shareholder to accept the Offer. However, they will not constitute acceptances of the Offer while they are held by the Facility Operator.
- (c) As soon as possible after (and not before) Downer Services confirms to the Facility Operator by written notice (**Confirmation Letter**) that:
 - (i) Downer Services has declared the Offer free of all Defeating Conditions; or
 - (ii) Downer Services will declare the Offer free of all Defeating Conditions not later than the time that all Acceptance Instructions are processed,the Facility Operator must (as applicable):
 - (iii) deliver the Acceptance Forms in accordance with the instructions on the relevant Acceptance Forms; and/or
 - (iv) deliver the Custodian Directions to the relevant custodian, nominee and trustee.
- (d) Downer Services is under no obligation to give the Confirmation Letter to the Facility Operator.
- (e) Eligible Shareholders retain all rights and control over their Spotless Shares and will be able to withdraw their Acceptance Instructions at any time prior to the Facility Operator receiving the Confirmation Letter from Downer Services.
- (f) Downer Services reserves the right to declare the Offer free from all Defeating Conditions at any time (subject to the Corporations Act) irrespective of the number of acceptances held by Downer Services, or the number of Spotless Shares that are the subject of Acceptance Instructions held by the Facility Operator.

6.3 Obtaining documentation relation to the Facility

If you are an Eligible Shareholder, a copy of the documentation underlying the Facility may be requested from the Facility Operator by email to custodians@computershare.com.au or by calling the Offer Information Line set out below.

6.4 **Disclosure of Acceptance Instructions**

By 8.30am (Sydney time) on each business day (or at any other time upon reasonable request from Downer Services), the Facility Operator will notify Downer Services of the number of Spotless Shares in respect of which Acceptance Instructions have been received as at 7.00pm (Sydney time) the previous day. Following receipt of this information for every movement of at least 1% in the aggregate level of:

- (a) Downer Services' voting power (as defined in the Corporations Act) in Spotless; and
- (b) the Spotless Shares in respect of Acceptance Instructions given to the Facility Operator during the Offer Period,

Downer Services will give to ASX by 9.30am (Sydney time) of the following morning a notice setting out:

- (c) the aggregate number and percentage of Spotless Shares:
 - (i) in which Downer Services has a relevant interest (as defined in the Corporations Act and as modified by ASIC Class Orders); and
 - (ii) which are the subject of Acceptance Instructions; and
- (d) a breakdown between the two categories (c)(i) and (c)(ii).

7. **FURTHER INFORMATION**

For further information, you may call the Offer Information Line on 1300 048 144 (from within Australia) or +61 3 9415 4662 (from outside Australia) from Monday to Friday between 9.00am and 5.00pm (Sydney time).

8. **CONSENTS**

The Facility Operator has given, and has not at the date of this Second Supplement withdrawn, its written consent to being named in the Second Supplement. This Second Supplement includes statements which are made in reliance on or based on statements made in documents lodged with ASIC or on the company announcement platform of ASX. Under the terms of ASIC Class Order 13/521, the parties making those statements are not required to consent to, and have not consented to, those statements being included in this Second Supplement. If you would like to receive a copy of any of these documents please contact the Downer Offer Information Line on 1300 048 144 (for calls made within Australia) or +61 3 9415 4662 (for calls made from outside Australia) from Monday to Friday between 9:00am and 5:00pm (Sydney time) and you will be sent copies free of charge.

9. **APPROVAL OF SECOND SUPPLEMENT**

This Second Supplement has been approved by a unanimous resolution of Downer Services on 3 May 2017.

Signed on behalf of Downer EDI Services Pty Ltd:



Peter Tompkins
Director

ANNEXURE A

NOTICE BY DOWNER EDI SERVICES PTY LIMITED UNDER SECTIONS 650D, 650F AND 630(2)(B) OF THE CORPORATIONS ACT 2001 (CTH)

TO: Spotless Group Holdings Limited ACN 154 229 562

Australian Securities Exchange Limited

Australian Securities and Investments Commission (**ASIC**)

In accordance with ASIC Class Order CO 13/521, those persons shown as holders of Spotless Shares in the register of members of Spotless as at 27 April 2017

This notice is given by Downer EDI Services Pty Limited (**Downer Services**) in respect of the offers dated 12 April 2017 made by Downer Services in relation to its off-market takeover bid to acquire all of the ordinary shares in Spotless Group Holdings Limited ACN 154 229 562 (**Spotless**) that it does not already own (**Offers**). In this notice, all references to the Bidder's Statement are references to the replacement bidder's statement dated 10 April 2017 (which replaced the bidder's statement dated 21 March 2017). Terms defined in the Bidder's Statement have the same meaning when used in this notice unless the context requires otherwise. A copy of this notice was lodged with ASIC on Wednesday, 3 May 2017. Neither ASIC nor any of its officers takes any responsibility for the contents of this notice.

1. **OFFER FREED FROM UNDERWRITING AGREEMENT CONDITION**

Downer Services gives notice under section 650F of the *Corporations Act 2001* (Cth) (the **Corporations Act**) that:

- (a) Downer Services hereby frees each of the Offers and each contract resulting from acceptance of the Offers from the Defeating Condition set out in section 7.11(d) of the Bidder's Statement in relation to the Underwriting Agreement not being terminated by the Underwriter before the end of the Offer Period (**Underwriting Agreement Condition**); and
- (b) as at the date of this notice, Downer Services' voting power in Spotless is 15.72%.

2. **EXTENSION OF OFFER PERIOD**

Downer Services gives notice under section 650D of the *Corporations Act* that it varies each of the Offers by:

- (a) extending the period during which the Offers will remain open for acceptance until 7.00pm (Sydney time) on Wednesday, 31 May 2017 (unless further extended under the *Corporations Act*); and
- (b) replacing all references to the date "Monday, 15 May 2017" in the Bidder's Statement with references to the date "Wednesday, 31 May 2017".

3. **NOTICE AS TO STATUS OF DEFEATING CONDITIONS**

Downer Services gives notice under section 630(2)(b) of the *Corporations Act* that:

- (a) as a result of extension of the Offer Period, the date for giving notice on the status of conditions in section 7.15 of the Bidder's Statement is postponed to Monday, 22 May 2017 (subject to any further extension of the Offers in accordance with the *Corporations Act*);
- (b) on the date of this notice, Downer Services declared the Offers to be free from the Underwriting Agreement Condition; and
- (c) other than the Underwriting Agreement Condition, Downer Services has not declared the Offers to be free from the conditions set out in section 7.11 of the Bidder's Statement and, so far as Downer Services is aware, these conditions have not been fulfilled at the time of giving this notice.

Dated 3 May 2017

Signed on behalf of Downer EDI Services Pty Ltd:



Peter Tompkins

Director