

SUPPLEMENTARY TARGET'S STATEMENT

BY SPOTLESS GROUP HOLDINGS LIMITED (ACN 154 229 562)

In response to the offer by Downer EDI Services Pty Ltd (137 732 042) (**Downer Services**), a wholly owned subsidiary of Downer EDI Limited (ACN 003 872 848), to acquire all of the ordinary shares in Spotless Group Holdings Limited

**Your Directors continue to unanimously recommend that Spotless Shareholders
REJECT the Offer from Downer Services BY TAKING NO ACTION**

1 Introduction

This document is a Supplementary Target's Statement issued by Spotless Group Holdings Limited (ACN 154 229 562) (**Spotless**) under section 644 of the *Corporations Act 2001* (Cth). It is the Supplementary Target's Statement to the Target's Statement of Spotless dated 27 April 2017 (**Original Target's Statement**), in relation to the off-market takeover bid made by Downer Services for all of the ordinary shares in Spotless, made pursuant to the Bidder's Statement dated 21 March 2017 (as supplemented by a First Supplementary Bidder's Statement dated 10 April 2017 and a Second Supplementary Bidder's Statement dated 3 May 2017) (**Bidder's Statement**).

This Supplementary Target's Statement supplements, and should be read together with, the Original Target's Statement. This Supplementary Target's Statement will prevail to the extent of any inconsistency with the Original Target's Statement. Unless the context requires otherwise, terms defined in section 11 of the Original Target's Statement have the same meaning where used in this Supplementary Target's Statement.

This Supplementary Target's Statement has been approved by a resolution passed by the directors of Spotless and includes corrective disclosure in sections 2 and 3 required by the Australian Takeovers Panel.

This Supplementary Target's Statement is dated, and was lodged with ASIC and ASX on, 23 May 2017. Neither ASIC or ASX, nor any of their respective officers, takes any responsibility for the contents of this Supplementary Target's Statement.

The Supplementary Target's Statement is an important document and requires your immediate attention. The Supplementary Target's Statement does not take into account the individual investment objectives, financial or particular needs of any person. It does not contain personal financial advice. You should seek independent legal, financial and taxation advice before making a decision as to whether or not to accept the Offer.

If you have recently sold all of your Spotless Shares, please disregard this document.

2 Broker Forecasts

Section 1.6 of the Original Target's Statement makes reference to Spotless management not believing that the then current FY18 broker forecasts fully reflect the expected performance of Spotless. Similar references to this belief are made in the Chairman's Letter, section 1.1 and on page 17 of the Original Target's Statement. Section 1.6 of the Original Target's Statement also sets out guidance for NPAT (pre-exceptional items) for FY18 of \$85 million to \$100 million, which were prepared on the basis (and subject to the key assumptions) as set out in section 5.4 and the risks set out in section 7 of the Original Target's Statement. Section 1.6 (in the table on page 11 of the Original Target's Statement) also sets out an average broker forecast for FY18 of \$83 million, calculated on the basis set out in Attachment C to the Original Target's Statement.

Spotless Shareholders should not imply from this any conclusion that if the Spotless FY18 Guidance included in the Original Target's Statement were reflected in broker forecasts, that any valuation by those brokers would be equal to or above the Offer Price.

If the average broker forecast for FY18 were recalculated on the basis of broker forecasts on issue at the date of this Supplementary Target's Statement (and therefore after the issue of the FY18 guidance included in the Original Target's Statement), that average broker forecast for FY18 would have increased to \$85 million (still calculated on the basis set out in Attachment C to the Original Target's Statement).

For the avoidance of doubt, and for the reasons set out in the Original Target's Statement (as supplemented by this Supplementary Target's Statement), your Directors continue to believe that the Offer does not represent adequate value for your Spotless Shares, and unanimously continue to recommend that you **REJECT** the Offer.

3 Coltrane Asset Management

Subsequent to the lodgement of the Original Target's Statement by Spotless, Coltrane lodged a notice of change of interests of substantial holder on 10 May 2017 to clarify that it has relevant interests as at the date of that notice, in up to 10.64% of Spotless Shares on issue.

Spotless understands the reason for the clarification was that Coltrane's voting power at any point in time will depend on the relevant interests in Spotless Shares held by the counterparties to the cash-settled equity swaps (**Swaps**) pursuant to which Coltrane's interest in Spotless arises. Coltrane has disclosed an expectation that the counterparties to the Swaps will deliver to it shares representing Coltrane's economic exposure under the Swaps on request. However Coltrane has clarified that it does not know whether Goldman Sachs (one of the counterparties to the Swaps) currently has a relevant interest in any Spotless Shares and therefore Coltrane is aware only that it currently has relevant interests in between 8.07% and 10.64% of Spotless Shares on issue.

Accordingly, as at 10 May 2017:

- Coltrane had accumulated relevant interests in up to 10.64% of Spotless Shares on issue; and
- Coltrane had a total interest (including relevant interests and economic interests under the Swaps) equivalent to 10.64% of Spotless Shares on issue.

Coltrane's position has not changed with respect to the Offer. Coltrane continues to indicate that its present intention, IF it were to request delivery and be delivered the shares the subject of the Swaps, would be to REJECT the Offer at the current Offer Price (although it has not made any final decision and reserves the right to take any action it considers appropriate in response to the Offer).

Nothing has come to the attention of Spotless to indicate that Coltrane would not be delivered Spotless Shares representing its full 10.64% economic interest as and when it requests. As explained in the Original Target's Statement, if:

- Coltrane requests, and is delivered, Spotless Shares representing its 10.64% interest under the Swaps; and
- Coltrane ultimately rejects the Offer,

this will result in the 90% minimum acceptance Defeating Condition not being able to be satisfied. If this occurs, the Offer could not proceed unless Downer Services waives its 90% minimum acceptance Defeating Condition. Downer Services has not made any public disclosure to date which indicates that it intends to waive the 90% minimum acceptance Defeating Condition.

Further, the heading of section 1.9 of the Original Target's Statement is to be replaced with the following:

"Coltrane Asset Management has accumulated a relevant interest in up to 10.64% and a total interest (including economic interests) in 10.64% of Spotless Shares on issue and IF it was to request delivery and be delivered the shares the subject of the Swaps, currently intends to REJECT the Offer at the current Offer Price (although it has not made any final decision and reserves any right to take any action it considers appropriate in response to the Offer)"

By way of explanation, the heading of section 1.9 in the Original Target's Statement previously read:

"Coltrane Asset Management has accumulated relevant interests in 10.37% of Spotless Shares on issue and currently intends to REJECT the Offer at the current Offer Price"

That statement is now qualified in the above bolded paragraph which states that Coltrane has not made any final decision and reserves the right to take any action it considers appropriate in response to the Offer. To avoid any risk of the heading being potentially misleading, and given the changes in Coltrane's disclosure since the issue of the Original Target's Statement, the heading to section 1.9 of the Original Target's Statement has been amended.

4 Downer's interests in Spotless

Spotless Shareholders should also note that Downer Services, according to its most recent substantial holder notice dated 23 May 2017, has a relevant interest in 17.075% of the Spotless Shares on issue and an economic interest notionally equivalent to 4.99% of the Spotless Shares on issue (pursuant to cash-settled equity swaps). 0.088% of Spotless Shares have also been submitted to the institutional acceptance facility established by Downer Services. Downer Services does not have a relevant interest in any Spotless Shares under the swaps it has entered into or any Spotless Shares submitted into the institutional acceptance facility.

5 Consents

Coltrane has given, and has not withdrawn before the date of this Supplementary Target's Statement, their consent to being named in this Supplementary Target's Statement and to the inclusion of statements relating to Coltrane's present intentions with respect to the Offer in the context in which they appear. Coltrane:

- a) has not authorised or caused the issue of this Supplementary Target's Statement;
- b) does not make, or purport to make, any statement in this Supplementary Target's Statement or any statement on which a statement in this Supplementary Target's Statement is based, other than a statement included in this Supplementary Target's Statement with their consent; and
- c) to the maximum extent permitted by law, expressly disclaims all liability in respect of, makes no representation regarding and takes no responsibility for any part of this Supplementary Target's Statement, other than a reference to its name and the statements (if any) included in this Supplementary Target's Statement with the consent of that party.

As permitted by ASIC Class Order 13/521, this Supplementary Target's Statement may include or be accompanied by statements which are made in documents lodged with ASIC or ASX. Pursuant to the Class Order, provided this Supplementary Target's Statement fairly represents such statements, the consent of the parties making those statements is not required for, and those parties have not consented to, the inclusion of such statements in this Supplementary Target's Statement. Spotless Shareholders may, during the Offer Period, obtain a copy of the documents (free of charge) in which the aforementioned statements appear (or in which statements based on those statements appear, as the case may be), or the relevant part(s) of any of those documents within 2 business days, by contacting the Spotless Shareholder Information Line 1300 963 991 (for calls made from within Australia) or +61 1300 963 991 (for calls made from outside Australia), on Monday to Friday between 8:30AM and 5:30PM (AEST).

6 Shareholder Information Line

Spotless Shareholders can call the Spotless Shareholder Information Line on 1300 963 991 (within Australia) or +61 1300 963 991 (outside Australia), on Monday to Friday between 8:30AM and 5:30PM (AEST) if they require assistance.

7 No change to your Directors' Recommendation

Your Directors continue to unanimously recommend that Spotless Shareholders reject the Offer, for the reasons set out in section 1 of the Original Target's Statement as supplemented by this Supplementary Target's Statement.

If you have already accepted the Offer from Downer, you may withdraw that acceptance while the Offer remains subject to Defeating Conditions. You should follow the process set out in section 6.11 of the Bidder's Statement if you wish to withdraw your acceptance. If you have any queries as to how to withdraw your acceptance, please call the Spotless Shareholder Information Line.

8 Authorisation

This Supplementary Target's Statement has been approved by a resolution passed by the directors of Spotless.

Dated 23 May 2017

Signed for and on behalf of Spotless Group Holdings Limited by:



Garry Hounsell
Chairman