

ASX RELEASE

24 April 2017

Spotless Directors recommend shareholders **REJECT** Downer's offer

In preparation of its Target's Statement for dispatch to shareholders by Thursday, 27 April, the Directors of Spotless Group Holdings Limited ("Spotless") (ASX: SPO) have carefully considered their response to Downer EDI Limited's (ASX: DOW) unsolicited and highly conditional off-market takeover offer to acquire all your Spotless shares for \$1.15 per Spotless share.

Based on their consideration of whether the Offer is in the best interests of all shareholders, the Spotless Directors advise that they unanimously recommend that shareholders **REJECT** the Offer.

Spotless Chairman, Garry Hounsell, said: *"The Spotless Board is unwavering in its belief in the fundamental strengths of the business. These include a blue-chip customer base and a strong portfolio of long term Government, Health, Defence and PPP contracts. We have assessed the Downer Offer in the context of our announced strategy reset, which is expected to be a material driver of growth and is already delivering results, including increasing win rates, and a substantially increased pipeline of quality opportunities."*

The Directors do not believe the Offer represents adequate value for your Spotless shares for the following reasons:

- Downer's Offer is opportunistic and timed to take advantage of a historical Spotless share price low
- Management and the Board have a clear plan to deliver earnings growth and long term value to shareholders
- Despite Spotless only recently implementing its strategy reset, early signs of success are evident and demonstrate its growth potential
- The Offer does not reflect Spotless' strong core business
- The Offer does not recognise the strategic and financial value of Spotless to Downer
- The Offer is hostile, highly conditional and not certain to proceed
- Coltrane Asset Management has accumulated relevant interests in 10.37% of Spotless shares on issue¹ and currently intends to reject the Offer at the current offer

¹ As set out in Spotless' ASX release dated 3 April 2017, Coltrane's relevant interest in 10.37% of Spotless shares on issue is through cash-settled equity swaps and an expectation to be delivered upon request the ordinary shares the subject of those swaps. If it was to do so, Coltrane Asset Management would be Spotless' second largest shareholder.

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price² (although it has not made any final decision and reserves the right to take any action it considers appropriate in relation to the Offer)

The Target's Statement will expand on the reasons for the Board's recommendation to REJECT the Offer, including guidance in respect of FY17 and FY18 and the Board's medium to long term outlook for the Company, which shareholders should review carefully. The Board of Spotless notes that it has previously updated the market in relation to interest received from several parties and the advancement of discussions in respect of a potentially superior proposal to the Downer bid.

Following Downer's announcement on 21 March, Spotless and its advisers engaged in discussions with several parties, including detailed discussions with a global facilities services company. The discussions with that party included exploring a potential merger transaction valuing Spotless at a superior value than the Downer Offer. The potential merger discussions required agreement on a merger ratio reflecting agreed valuations of each party and the extent to which synergies would be shared by both sets of shareholders. These discussions ended on 22 April, when the parties could not reach agreement on the terms of a transaction and the shareholders of that party also advised that they were considering alternate strategic options for their business.

Mr Hounsell said. *"Your Directors have been and continue to focus on exploring all options to maximise value to shareholders – either in its current form as an independent listed entity executing on the strategy reset and returning to growth or exploring options in relation to a superior proposal to the current Downer Offer."*

"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," Mr Hounsell said.

The Target's Statement will be dispatched to shareholders this week. The Directors of Spotless urge shareholders to read the Target's Statement in full.

² If it becomes the holder of those shares.

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All company announcements and information on the Offer are available on the Spotless website at www.spotless.com. Shareholders can also receive further information on the Offer by calling the Spotless Shareholder Information Line below:

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