

ASX RELEASE

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Ignore Downer's attempts to pressure Spotless shareholders into acceptance of its Offer

Spotless Group Holdings Limited (Spotless) (ASX: SPO) notes that after being open for three months, Downer EDI Limited's (Downer) (ASX: DOW) hostile takeover offer (Offer) remains short of its objectives to acquire control and full ownership of Spotless.

Downer has had to extend its Offer period three times. Having opened its Offer requiring a minimum acceptance of 90 percent of Spotless shares on issue, Downer had to waive all of its bid conditions with an interest in Spotless of just 36.44 percent (and that included the 19.9 percent interest it started with) to try to gain momentum for its Offer. With just four days until its scheduled close, Downer remains well below 50 percent acceptances.

The Spotless Board continues to believe that the Downer Offer represents inadequate value for Spotless shares and restates its recommendation to shareholders to **REJECT** the Downer Offer.

Spotless Chairman, Garry Hounsell said: "The Spotless Board is unwavering in its belief in the strengths of the business. These include a blue-chip customer base and a strong portfolio of long term Government, Health, Defence and PPP contracts."

Mr Hounsell said: "In a statement to Spotless shareholders last Friday, Downer questioned Spotless' outlook for growth. However, in an earlier presentation to its own shareholders, Downer said that Spotless represents a significant investment in growth."¹

"Spotless shareholders should feel no pressure to accept Downer's inadequate Offer and they should be cautious about statements made by Downer regarding the future performance of Spotless, given it launched its hostile Offer without requesting or conducting due diligence."

"Spotless shareholders should be guided by their Board on the future performance of the business rather than Downer, which is focused on gaining control of Spotless to enhance its own growth outlook," Mr Hounsell said.

In recent weeks, Spotless has made a number of announcements regarding progress on execution of the strategy reset and Spotless' positive business momentum including contract wins and renewals, optimisation of the contract portfolio and de-gearing initiatives.

Downer's statements regarding Spotless' balance sheet are intended to pressure shareholders into acceptance. The Spotless Board is comfortable with Spotless' target gearing levels of approximately 2.5x ND / EBITDA by 30 June 2018, particularly having regard to the business outlook, and in Downer's own words, Spotless' "*long term contracts (that) provide high certainty over revenues*".¹

¹ Downer disclosure, Offer for Spotless and Equity Raising, ASX and NZX release dated 21 March 2017.

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Spotless' balance sheet position is further supported by the recently announced extension of \$300m in financing facilities.

Mr Hounsell said: "The Spotless Board is firmly of the view that Spotless shareholders stand to achieve greater value over the medium term by rejecting the Downer Offer in order to keep Spotless as an independent company, pursuing our clear strategy for growth."

"If Spotless shareholders prevent Downer from gaining control under the current Offer, Downer is likely to remain under pressure to achieve its objective of outright control of Spotless", Mr Hounsell said.

In the meantime, provided Spotless shareholders prevent Downer from achieving control, the Spotless Board and management will continue to deliver on the strategy reset which is showing signs of success.

To **REJECT** the Downer Offer, shareholders simply need to take no action in relation to the acceptance forms sent to them by Downer.

The Spotless Shareholder Information line is available to answer any questions on 1300 963 991 (for calls made from within Australia) or +61 1300 963 991 (for calls made from outside Australia) Monday to Friday between 8.30am and 5.30pm (AEST).

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