



27 March, 2008

Company Announcements Office  
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**SPOTLESS GROUP LIMITED  
ANNOUNCES TAKEOVER OFFER FOR  
PROGRAMMED MAINTENANCE SERVICES LIMITED**

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**ASX RELEASE**  
**27 March 2008**

## **Spotless Announces Takeover Offer for Programmed Maintenance Services valued at \$6.11 Per Share**

- *Spotless Group Limited (**Spotless**) announces its intention to make a takeover offer for Programmed Maintenance Services Limited (**Programmed**) (the **Offer**), offering Programmed shareholders three Offer Consideration alternatives*
- *A flexible Offer that provides Programmed shareholders with the opportunity to share in the potential upside of the Merged Group by receiving all or part of their Offer Consideration in Spotless shares and up to \$3.00 in cash per Programmed share*
- *Under each of these alternatives, the Offer has a value equivalent to \$6.11 per Programmed share based on Spotless' Volume Weighted Average Price (VWAP) of \$3.77 for the 10 trading days up to and including 26 March 2008*
- *Highly attractive 34.6% premium for Programmed shareholders<sup>1</sup> valuing Programmed's equity at approximately \$556 million<sup>2</sup>*
- *The combination of these highly complementary businesses will create a leading facility services business in Australia and New Zealand*
- *Estimated pre-tax synergies of approximately \$18 million per annum in the second full year of ownership*
- *Spotless has a total relevant interest of 13.2% in Programmed shares that includes an interest of 10.3% pursuant to pre-bid acceptance agreements entered into with some of Programmed's largest shareholders, indicating their support for the Offer*
- *Spotless to have pro forma market capitalisation of approximately \$1.25 billion following the takeover, strengthening its position in the S&P/ASX 200<sup>3</sup>*

Spotless Group Limited today announced its intention to make an offer to acquire Programmed Maintenance Services Limited to create a leading integrated facility services business in Australia and New Zealand.

The Offer will be effected through an off-market takeover bid by Spotless for all the shares it does not already own in Programmed. Spotless has a relevant interest in shares totalling 13.2% of Programmed's issued capital that comprises 2.9% in direct beneficial ownership and 10.3% in shares pursuant to pre-bid acceptance agreements entered into with some of Programmed's largest shareholders. The key terms of the pre-bid acceptance agreements are set out in Annexure B.

### **Overview of the Offer**

For each Programmed share, Programmed shareholders will have the choice to receive their Offer consideration under one of three alternatives:

- All Share Alternative: 1.620 Spotless shares per Programmed share; or
- Majority Share Alternative : \$1.50 in cash plus 1.223 Spotless shares per Programmed share; or
- Maximum Cash Alternative: \$3.00 in cash plus 0.825 Spotless shares per Programmed share

Under each of these alternatives, the Offer represents value of \$6.11<sup>4</sup> for each Programmed share, valuing Programmed's equity at approximately \$556 million<sup>2</sup> and implies an enterprise value of approximately \$760 million<sup>5</sup>.

The Offer is subject to the conditions set out in Annexure A.

<sup>1</sup> Based on Programmed's closing price as at 26 March 2008.

<sup>2</sup> Assumes 90.0 million ordinary Programmed shares on issue, plus 1.0 million performance options and performance rights at a value of \$6.11 per Programmed share.

<sup>3</sup> Assuming all Programmed shareholders elect to receive their Offer consideration under the Majority Share Alternative and Spotless' VWAP of \$3.77 for the 10 trading days up to and including 26 March 2008.

<sup>4</sup> Based on Spotless' VWAP of \$3.77 for the 10 trading days up to and including 26 March 2008.

<sup>5</sup> Assumes net debt position of \$204 million as at 30 September 2007 as reported in Programmed interim results.

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## A highly attractive offer for Programmed shareholders

Spotless considers the Offer to be highly attractive for Programmed shareholders. The Offer is valued at \$6.11<sup>4</sup> per share and represents:

- A 34.6% premium to Programmed's last closing price of \$4.54 on 26 March 2008, and a 36.7% premium to Programmed's one month VWAP of \$4.47 to 26 March 2008;
- A P/E multiple of 17.9 times Programmed's forecast March 2008 earnings<sup>6</sup>;
- An EV/EBIT multiple of 12.8 times Programmed's forecast March 2008 earnings<sup>7</sup>;
- A proposal that has been accepted by some of Programmed's largest shareholders.

Programmed shareholders who accept the Offer will receive Spotless shares as all or part of their consideration. This provides Programmed shareholders with the opportunity to participate in the potential benefits and future upside of the combined business (the **Merged Group**).

*"The Offer is compelling for Programmed shareholders, providing a highly attractive premium for their shares and the opportunity to participate in a significantly larger and more diverse Australasian facility services business." said Mr Peter Smedley, Chairman of Spotless.*

## Benefits of the proposed acquisition

Spotless believes that Programmed has a strong strategic fit with Spotless and that the combination of Programmed and Spotless will create a highly complementary facility services business along service lines, operating geographies and client segments. The Merged Group will be a market leading provider of both integrated and single service offerings.

Spotless expects that the Merger will provide significant strategic and financial benefits to both Spotless and Programmed shareholders, including:

- The creation of a leading facility services business
  - The combination of Spotless and Programmed will create a leading provider of facility services within Australia and New Zealand through increased scale and scope and the highly complementary nature of the Merged Group's service offerings
- Improved long term growth profile
  - The Merged Group will increase its addressable market and long term growth profile through a more comprehensive and market leading portfolio of integrated and single services provided to an expanded client base across a larger geographic footprint, including the United Kingdom
- Significant operational and financial benefits, including annual pre-tax synergies of \$18 million in year 2
  - Spotless believes that the combination of the two businesses is likely to result in significant cost savings and operational efficiencies, such as the elimination of duplicated functions
  - The Merged Group will have in excess of 40,000 employees supported by a substantial network of sub-contractors. The complementary nature of the Merged Group's businesses provides the opportunity to improve the efficiency of sourcing, training, deploying and managing people
  - The scale of the Merged Group's procurement will provide significant opportunities to lower the cost of key inputs, including materials and third party services
  - Based on experience and an understanding of Programmed and the services industry, Spotless management expects to achieve annual pre-tax synergies of approximately \$18 million in the second full year of Spotless' acquisition of Programmed

<sup>6</sup> Based on median of broker NPAT estimates for Programmed for the year ended 31 March 2008 of \$31.1 million as sourced from IBES (26 March 2008).

<sup>7</sup> Based on median of broker EBIT estimates for Programmed for the year ended 31 March 2008 of \$59.6 million as sourced from IBES (26 March 2008).

- In addition to these efficiencies, a key element of Spotless' strategy is to drive continuous performance improvement underpinned by strong operational and management information systems and processes. The combination of Spotless and Programmed will accelerate the development of these systems and processes

■ Strengthened capital base for further growth

- Enhanced financial strength through an increased market capitalisation, greater liquidity and increased access to capital will mean that the Merged Group will be better placed to pursue growth, penetrate new geographic markets and industry sectors, seek further acquisitions and participate in industry consolidation

*"Spotless is attracted to Programmed given the highly complementary nature of their businesses. The creation of the Merged Group will significantly enhance the service offering to clients. In addition, we expect substantial annual pre-tax synergies of approximately \$18 million in the second full year of ownership" said Mr Jo Farnik, Deputy Managing Director of Spotless.*

**Funding**

Spotless has committed debt facilities in place in connection with the Offer, provided by Goldman Sachs JBWere Pty Ltd and Goldman Sachs Credit Partners L.P. Spotless intends to refinance the debt facilities at an appropriate time. The acquisition is expected to ultimately be funded through a combination of drawing down on existing Spotless debt facilities, establishing new bank debt facilities and Spotless scrip issued to Programmed shareholders pursuant to the Offer.

If desired, Spotless may also undertake an equity raising to provide flexibility in its capital management and has entered into an equity volume underwriting agreement with Goldman Sachs JBWere Pty Ltd.

As outlined above, Spotless has a number of options to refinance the debt facilities and will consider the optimal balance of these funding options at a later stage.

Further details in relation to Spotless' funding arrangements will be set out in its Bidder's Statement for the Offer.

**Indicative timetable**

Spotless anticipates the Offer timetable will be as follows:

Expected lodgement of Bidder's Statement	2 April 2008
Expected despatch of Bidder's Statement	17 April 2008
Latest date for lodgement of Target's Statement <sup>8</sup>	2 May 2008

**Further information**

Goldman Sachs JBWere is acting as financial adviser and Clayton Utz as legal adviser to Spotless in relation to the Offer.

More detailed information about the Offer will be contained in the Bidder's Statement. Additional information is also contained in a presentation document lodged with the ASX and also found on Spotless' website [www.spotless.com.au](http://www.spotless.com.au)

For further enquiries, please contact:

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<sup>8</sup> Based on expected despatch of Bidder's Statement on 17 April 2008.

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## Information about Spotless

Spotless is a diversified services company with two separate and distinct businesses.

### Facility Services

Across Australia and New Zealand Spotless partners with clients to add value to their core business by working on, in and around client facilities (**Facility Services**). Services are provided to client facilities or value is added to clients through Spotless activities conducted within client facilities.

Spotless' Facility Services operations span Australia and New Zealand and are managed through four operating divisions: Managed Services, Food Services, Cleaning Services and Laundry Services. Managed Services undertakes facilities management, facilities maintenance and is also responsible for account management and client interface where Spotless provides multiple services to clients. Spotless' Facility Services are provided to clients as an integrated multi-service solution or as a dedicated single service. Spotless provides services to facilities operated by its clients, providing facilities management, asset maintenance and cleaning services at a range of complex sites. Spotless also works with its clients within their facilities to add value to their businesses, including food services and laundry services. Spotless' facility services cover clients within the government, defence, healthcare, education, resources, industrial, commercial, utilities and public-private partnership segments.

### Retailer Services

Spotless also operates Braiform, a global Retailer Services business. Braiform provides customised garment hanger and packaging solutions to niche and mass retailers and garment manufacturers globally. Braiform supplies over three billion garment hangers globally through its operations in over 30 countries. Braiform is the largest manager of reuse garment hanger programs in the world. Braiform is strongly focussed on providing more clients with its reuse garment hanger programs, leveraging Braiform's proven expertise and the environmentally responsible and cost effective nature of the programs.

## Information about Programmed

Programmed provides property maintenance services including painting, corporate imaging and building services; and asset management services such as industrial services, technical maintenance and facilities and infrastructure management in the private and public sector throughout Australia, New Zealand and the United Kingdom. Following the acquisition of Integrated Group Limited in May 2007, Programmed now participates in supplying recruitment, labour hire, managed workforce services and marine services to customers in various industries.

## Important notice

This announcement is for information purposes only, is in a summary form, and does not purport to be complete. This announcement does not constitute an offer or invitation to acquire or dispose of any securities or investment advice in any jurisdiction, including the US. Any offer, invitation, or inducement to acquire or dispose of any securities of Spotless Group Limited or Programmed Maintenance Services Limited will be made solely by means of the Bidder's Statement and associated documents, and any decision to buy keep or sell shares in Spotless Group Limited or Programmed Maintenance Services Limited should be made solely on the basis of the information contained in such documents. This announcement does not take into account the investment objectives, financial situation or needs of any investor or potential investor. Such persons should consider seeking independent professional advice depending on their specific investment objectives, financial situation, or particular needs.

## Annexure A

### Offer conditions

The Offer and any contract that results from your acceptance of the Offer is subject to the following conditions being fulfilled or waived by Spotless:

- 1. 90% minimum acceptance condition**

By the end of the Offer Period, Spotless and its Associates together have a Relevant Interest in more than 90% of the Programmed shares on issue.
- 2. No Programmed Material Adverse Change**

Before the end of the Offer Period, no Programmed Material Adverse Change occurs, is discovered, announced or disclosed or otherwise becomes known to Spotless (whether or not becoming public).
- 3. No material transactions, claims or changes**

Except as disclosed in any public announcement by Programmed delivered to ASX prior to the Announcement Date, no member of the Programmed Group has during the Offer Period:

  - (a) acquired, offered to acquire or agreed to acquire one or more shares, companies or assets (or an interest in one or more shares, companies or assets) for an amount in aggregate that is material;
  - (b) entered into or offered to enter into any joint venture, asset or profit sharing, partnership, merger of businesses (including through a multiple listed companies structure) or of corporate entities involving a material commitment in aggregate;
  - (c) other than in the ordinary course of business, incurred, committed to or brought forward the time for incurring or committing, or granted to another person a right the exercise of which would involve a member of the Programmed Group incurring or committing to, any capital expenditure or liability, or forgone any revenue, for one or more related items or amounts that are material in aggregate;
  - (d) issued or agreed to issue, or authorised or proposed the issue of, any equity, debt or hybrid security (including any security convertible into shares of any class) or rights, warrants or options to subscribe for or acquire any such securities;
  - (e) recommended, declared, paid or made, or resolved to recommend, declare, pay or make any bonus, dividend or other distribution whether payable in cash, in specie or otherwise except for half-year and full-year dividends payable in cash at a level which is not materially different to the past practice of the relevant member of the Programmed Group;
  - (f) made or authorised, or proposed or announced an intention to propose, any change in its loan capital for a material amount in aggregate;
  - (g) issued or agreed to issue any debentures, or expect for in the ordinary course of business incurred or increased any indebtedness or become subject to any contingent liability for a material amount in aggregate;
  - (h) implemented or entered into any scheme or arrangement or compromise (including one for a reconstruction or amalgamation of any members of the Programmed Group), or a deed of company arrangement, or any analogous procedure, scheme or arrangement in any jurisdiction;

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- (i) entered into, renewed or changed the terms of, any contract of service with any director or senior executive of Programmed or another material member of the Programmed Group;
  - (j) had any claim made or threatened against it, or litigation, arbitration proceedings, prosecution or other legal proceedings commenced against it, involving a claim of a material amount;
  - (k) waived or compromised any claim for a material amount (or for amounts which in aggregate are material);
  - (l) made any changes in its constitution or passed any special resolution;
  - (m) borrowed or agreed to borrow any money (except for temporary borrowing from its bankers in the ordinary course of business) for a material amount (or for amounts which in aggregate are material);
  - (n) publicly disclosed the existence of any matter described in paragraphs (a) to (m) of this condition; or
  - (o) entered into any contract, commitment, arrangement or agreement, passed any resolution or made any offer (which remains open for acceptance) with respect to, or publicly announced an intention to, or proposal to, do anything described in paragraphs (a) to (m) of this condition.

**4. No action by a Public Authority adversely affecting the Offer**

Between the Announcement Date and the end of the Offer Period:

- (a) there is not in effect any preliminary or final decision, order or decree issued by a Public Authority; and
- (b) no application is made to any Public Authority (other than by a member of the Spotless Group), and no action or investigation is announced, threatened or commenced by a Public Authority,

in consequence of, or in connection with, the Offer (other than a determination by ASIC or the Takeovers Panel in exercise of the powers and discretions conferred by the Corporations Act) which:

- (c) restrains or prohibits (or if granted could restrain or prohibit), or otherwise materially adversely impacts on, the making of this Offer or the completion of any transaction contemplated by this Offer (whether subject to conditions or not) or the rights of Spotless in respect of Programmed and the Programmed shares to be acquired under the Offer; or
- (d) requires divestiture by Spotless of any Programmed shares, or the divestiture of any assets of the Programmed Group, the Spotless Group, or otherwise.

**5. Third Party consents**

If any member of the Programmed Group is a party to, is bound by, or is subject to, an agreement, arrangement or understanding which as a result of the acquisition of Programmed shares by Spotless under the Offer or a change in control of Programmed as a result of the Offer entitles a Third Party to exercise any rights (including termination rights or pre-emptive rights), and the exercise of those rights would have a material adverse impact on the business, assets, liabilities, financial or trading position, profitability or prospects of the Programmed Group (taken as a whole), then before the end of the Offer Period the Third Party:

- (a) does not exercise, purport to exercise, or state an intention or claim a right to exercise, those rights; and
- (b) gives its consent or waiver in a form reasonably acceptable to Spotless to the acquisition of Programmed shares by Spotless.

**6. Prescribed Occurrences**

Before the end of the Offer Period, no Prescribed Occurrence occurs.

**7. Market material adverse change**

Between the Announcement Date and the end of the Offer Period, the S&P/ASX 200 Index does not close below 4,600 for three consecutive Business Days from the time of announcement.

**8. Funding conditions**

During, and at the end of, the Offer Period:

- (a) each of the preconditions to the availability of the Debt Facilities is and remains satisfied; and
- (b) there is no event of default or termination event, or potential event of default or termination event, under the Debt Facilities.

**9. Credit market**

During the period from the day immediately preceding the Announcement Date to the end of the Offer Period, the Spread of the Markit iTraxx Australia 5 Year Index Series 9 does not increase by more than 50 bps from the Spread on the day immediately preceding the Announcement Date and remain at or above that level for a period of three consecutive Business Days or until the end of the Offer Period.

"Spread" means the closing spread of the Markit iTraxx Australia 5 Year Index Series 9 (or Series 10 or any other related on-the-run successor index that may launch) on a particular date as published in the column headed "Comp Spread" on the website <http://www.markit.com/markit.jsp?jsppage=indices.jsp> or other such website of the Markit Group Limited or its successors on which the Markit iTraxx Australia 5 Year Index Series 9 (or Series 10 or any other related on-the-run successor index that may launch) is published.

If a Spread is not published for a particular date, the last published Spread will apply to such date.

**Glossary**

In this document:

**Announcement Date** means 27 March 2008.

**ASIC** means the Australian Securities and Investments Commission.

**ASX** means Australian Securities Exchange Limited.

**ASX Listing Rules** means the listing rules of the Australian Securities Exchange.

**Business Day** has the meaning given to that term in the ASX Listing Rules.

**Corporations Act** means the Corporations Act 2001 (Cth).

**Debt Facilities** means the debt facilities provided by Goldman Sachs JBWere Pty Ltd and Goldman Sachs Capital Partners L.P. to be described in the Bidder's Statement.

**Material Related Entity** means a Related Entity of Programmed which holds a material part of the business or property of the Programmed Group (taken as a whole).

**NPAT** means net profit after tax.

**Offer** means Spotless' offer to acquire Programmed shares.

**Offer Period** means the period during which the Offer will remain open for acceptance, commencing on [\*] April 2008 and ending at 7.00 pm (EST) on [\*] May 2008, or such later date to which the Offer has been extended.

**Prescribed Occurrence** means any of the following events:

- (a) Programmed converts all or any of its securities into a larger or smaller number of securities;
- (b) Programmed or a Related Entity (other than a direct or indirect wholly owned Subsidiary) resolves to reduce its capital in any way;
- (c) Programmed or a Related Entity (other than a direct or indirect wholly owned Subsidiary):
  - (i) enters into a buy-back agreement; or
  - (ii) resolves to approve the terms of a buy back agreement under the Corporations Act;
- (d) Programmed or a Related Entity issues securities, grants an option over its securities, or agrees to make such an issue or grant such an option (other than, in either case, to Programmed, or a direct or indirect wholly owned Subsidiary);
- (e) Programmed or a Related Entity issues, or agrees to issue, convertible notes (other than, in each case, to Programmed or a direct or indirect wholly owned Subsidiary);
- (f) Programmed or a Related Entity disposes, or agrees to dispose of, the whole or a substantial part, of the business or property of the Programmed Group (taken as a whole);
- (g) Programmed or a Related Entity creates, or agrees to create any mortgage, charge lien, or other encumbrance over the whole, or a substantial part, of the business or property of the Programmed Group (taken as a whole);
- (h) Programmed or a Material Related Entity resolves that it be wound up or makes an application or order for the winding up or dissolution of Programmed or a Material Related Entity;
- (i) a liquidator or provisional liquidator of Programmed or a Material Related Entity is appointed;
- (j) a court makes an order for the winding up of Programmed or a Material Related Entity;
- (k) an administrator of Programmed or of a Material Related Entity is appointed under sections 436A, 436B or 436C of the Corporations Act;
- (l) Programmed or a Material Related Entity executes a deed of company arrangement;
- (m) a receiver, or a receiver and manager, is appointed in relation to the whole, or a substantial part, of the property of Programmed or a Material Related Entity; or
- (n) Programmed or a Material Related Entity is or becomes unable to pay its debts as and when they fall due within the meaning of the Corporations Act or is otherwise presumed to be insolvent under the Corporations Act,

other than any event referred to in any of the paragraphs (a) to (n) above that was apparent to or reasonably ascertainable by Spotless from public announcements made by Programmed to ASX prior to the Announcement Date.

**Programmed** means Programmed Maintenance Services Limited.

**Programmed Group** means Programmed and its Subsidiaries.

**Programmed Material Adverse Change** means that:

- (a) the consolidated net assets of Programmed as at 31 March 2008 are less than \$220 million; or
- (b) the consolidated earnings before interest and tax (before non-recurring items) of Programmed for the year ended 31 March 2008 is less than \$56 million<sup>9</sup>; or
- (c) any event, matter, change, thing, or condition (which individually or when aggregated with all such events, matters, changes, things or conditions) which has occurred since 30 September 2007 and which had, or could reasonably be expected to have (whether now or in the future), a material adverse effect of the business, assets, liabilities, financial or trading position, profitability or prospects of the Programmed Group (taken as a whole).

**Programmed share** means a fully paid ordinary share in Programmed.

**Public Authority** means any governmental, semi- governmental, administrative, fiscal, judicial or quasi- judicial body, department, commission, authority, tribunal, agency, or entity.

**Related Entity** of a party means another entity which is:

- (a) related to the first entity within the meaning of the section 50 of the Corporations Act; or
- (b) in any consolidated entity (as defined in section 9 of the Corporations Act) which contains the first entity.

**Relevant Interest** has the meaning given to the term in sections 608 and 609 of the Corporations Act.

**Spotless** means Spotless Group Limited.

**Spotless Group** means Spotless and its Subsidiaries.

**Subsidiary** has the meaning given to the term in Section 9 of the Corporations Act.

**Third Party** means a person other than Spotless or a member of the Spotless Group.

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<sup>9</sup> Non-recurring items include income and costs that are once-off in nature and not part of the core operations of the business.

## Annexure B

### Pre bid agreements

Spotless Investment Holdings Pty Ltd, a wholly owned subsidiary of Spotless Group Limited, entered into pre bid acceptance agreements on 26 March 2008 (the **Acceptance Agreements**) with the following Programmed Maintenance Services Limited shareholders for the following number of shares:

- BT Investment Management (RE) Limited - 3,208,196 shares;
- Perpetual Investment Management Limited - 2,690,000 shares; and
- Colonial First State Asset Management (Australia) Limited - 3,375,000 shares,

(collectively, the **Vendors** and collectively the **Acceptance Shares**).

As a result of entering into the Acceptance Agreements, Spotless has a relevant interest in 10.3% of Programmed shares.

Each Vendor has agreed that if Spotless announces the Offer (on the terms reflected in this announcement) and declares the Offer free of all conditions (except for the minimum acceptance condition) the Vendor will accept their Acceptance Shares into the Offer by 7pm on the 5th Business Day before the end of the Offer Period. Each Vendor will therefore receive the consideration specified in this announcement, in accordance with the terms of the Offer.

Each Vendor has agreed that they will not dispose of or otherwise deal with their Acceptance Shares for the term of the Acceptance Agreements, other than as permitted by the agreement (for example by accepting into the Offer).

If a third party announces an offer to acquire a majority of Programmed shares at a price that is higher than the Offer price (**Higher Third Party Offer**) and Spotless does not announce that it intends to match that higher price within 5 Business Days, the acceptance obligations will terminate.

However, if the acceptance obligations so terminate, Spotless has a call option to call for the Acceptance Shares to be delivered to it (the **Call Option**). The exercise price per Acceptance Share under the Call Option is a cash amount, equivalent to the highest value of each of the three consideration alternatives set out in this announcement. In addition, Spotless must pay a call exercise fee to the Vendors which is equivalent to 75% of the difference between Spotless' Offer price (as set out in this announcement) and the price of the Higher Third Party Offer.

Each Vendor, as the manager of an investment portfolio, has the right to withdraw their Acceptance Shares from the acceptance obligations if they are required to meet withdrawals or redemptions from their funds. However, should this occur, Spotless also has a call option over the shares that are withdrawn (the **Conditional Call Option**). The exercise price per share of this Conditional Call Option is \$3.00 plus 0.825 Spotless shares (equivalent to the Maximum Cash alternative set out in this announcement). If Spotless does not choose to exercise the Conditional Call Option, the relevant shares are released from the Acceptance Agreement.

The full terms of the Acceptance Agreements will be attached to a substantial shareholder notice to be lodged by Spotless with ASX in accordance with its obligations under the Corporations Act.