

6 February 2012

Non-exclusive due diligence granted to PEP

Further to its previous announcements in relation to the indicative, conditional and non-binding proposals received from Pacific Equity Partners Pty Limited (“PEP”) to acquire 100% of Spotless Group Limited (“Spotless”) shares via a scheme of arrangement, Spotless today announces that it has agreed terms with PEP based on which it intends to provide PEP non-exclusive due diligence.

Spotless advised PEP on 9th January 2012 that, in the current circumstances, the lowest price at which the Spotless Board would be willing to unanimously recommend shareholders vote in favour of a scheme of arrangement was a total cash consideration of not less than \$2.80 per Spotless share. This position has not changed.

However, the Spotless Directors sought, and carefully considered, the views of Spotless shareholders with respect to the Company’s continued engagement with PEP. Particular consideration was given to the potential damage to Spotless’ business and long-term shareholder value caused by the uncertainty and operational risk associated with a protracted situation with respect to PEP’s proposals.

Recognising this potential damage, the Spotless Directors have concluded that it is in the best interests of all shareholders to minimise the period of disruption and offer PEP access to non-exclusive due diligence subject to agreement of terms for that due diligence process and reaffirmation of PEP’s prior commitments.

Spotless has now received from PEP:

- confirmation of PEP’s investment committee approval to support required equity finance;
- updated highly confident letters from PEP’s debt financiers to support required debt finance; and
- in principle agreement of the scope and process for PEP’s due diligence.

To facilitate due diligence Spotless and PEP have entered into a confidentiality agreement which includes, among other things, the following terms:

- a 12 month standstill, precluding PEP from acquiring securities in Spotless, with various exceptions, including where:
 - PEP and Spotless proceed with a recommended scheme of arrangement proposal; or
 - PEP makes a takeover bid at not less than \$2.68 cash consideration per Spotless share (consisting of the cash price and the next dividend paid by Spotless), with a minimum acceptance condition of 90%, which can only be waived with the consent of the Spotless Board¹
- restrictions in relation to PEP’s pre-bid agreements and shares held by PEP which in certain circumstances prevent PEP from frustrating any competing proposal which is recommended by Spotless;²
- restrictions on PEP entering into exclusive arrangements with debt and mezzanine finance providers that would exclude these parties being able to provide financing for a competing proposal; and
- if Spotless enters into a confidentiality agreement with a party other than PEP which contains either standstill or process provisions that are materially more favourable, the agreement with PEP is deemed to be amended so that it is consistent with those more favourable terms.

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“We have moved to minimise the risks to the business, and provide a platform for PEP to bring forward a proposal that shareholders can consider” Spotless Chairman, Mr. Peter Smedley said.

The Spotless Directors will continue to explore all strategic alternatives to maximise value for all Spotless shareholders. Shareholders should note that there is no guarantee that any proposal to acquire Spotless shares will eventuate as a result of the continued engagement with PEP.

Spotless will continue to update shareholders on this process as appropriate.

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¹ The other exceptions to the standstill are (1) where there is a competing transaction announced by a party other than PEP at a price of at least \$2.68 (consisting of the cash price and the next dividend paid by Spotless) and PEP makes a competing takeover bid; and (2) in any other circumstances subsequently agreed between the parties.

² If Spotless recommends a competing transaction with a party other than PEP where the consideration is all cash, a full cash alternative or scrip of an ASX listed entity and the value of the consideration offered under that competing transaction is higher than PEP's proposal at the time of announcement (Higher Offer), PEP is precluded from acquiring shares under its pre bid agreements or preventing the shareholders who entered into the pre bid agreements from accepting or voting in favour of the Higher Offer and must accept or vote in favour of that Higher Offer in respect of any shares held by PEP. If the Higher Offer has a scrip component, before PEP is obliged to accept into or vote in favour of that Higher Offer in respect of any Spotless securities it holds, the Higher Offer must continue to be higher than PEP's offer, with the value of any scrip component being based on the volume weighted average price of the scrip in the period between announcement and 14 days before either the scheme meeting or closing date of the initial offer period (as applicable). This restriction does not apply in the event that PEP makes a superior proposal.