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Relationships creating success

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Takeover Booklet

Offer by

Downer EDI Services Pty Ltd
ABN 71 137 732 042

a wholly-owned subsidiary of
Downer EDI Limited ABN 97 003 872 848
to purchase all or some of Your shares in

Spotless Group Holdings Limited
ABN 27 154 229 562

You will receive

- for each Spotless Share, **$1 cash**; and
- for every 17.92741 Spotless Shares held, **1 Downer Contingent Share Option**

This Offer is dated [•] and will close at 7:00pm (Sydney time) on [•], unless extended

Please call the Offer Information Line between 8:30am and 5:00pm (Sydney time) on 1300 157 206 (for callers in Australia) and +61 3 9415 4087 (for international callers) if You require assistance. Further information relating to the Offer can be obtained from Downer's website at www.downergroup.com

Legal and Tax Adviser

ashurst

Financial Adviser

UBS

THIS IS AN IMPORTANT DOCUMENT AND REQUIRES YOUR IMMEDIATE ATTENTION. IF YOU ARE IN DOUBT AS TO HOW TO DEAL WITH THIS DOCUMENT YOU SHOULD CONSULT YOUR FINANCIAL OR OTHER PROFESSIONAL ADVISER

IMPORTANT NOTICES

This Takeover Booklet is both a Bidder's Statement and a Prospectus

This Takeover Booklet is given by Downer EDI Services Pty Ltd ABN 71 137 732 042 to Spotless Group Holdings Limited ABN 27 154 229 562 as a bidder's statement under Part 6.5 of the Corporations Act.

This Takeover Booklet is also lodged by Downer EDI Limited ABN 97 003 872 848 with ASIC as a prospectus under Division 4, Part 6D.2 of the Corporations Act.

This Takeover Booklet contains information required to be disclosed by the Corporations Act as well as the terms and conditions of the Offer to acquire Your Spotless Shares.

This Takeover Booklet is dated Wednesday, 12 August 2020 and the Offer is dated [●].

You should read this Takeover Booklet in its entirety.

A copy of this Takeover Booklet was lodged with ASIC and filed with the ASX on Wednesday, 12 August 2020. Neither ASIC, nor the ASX nor any of their respective officers take any responsibility for the content of this Takeover Booklet.

Defined Terms

A number of defined terms are used in this Takeover Booklet. These terms are defined in section 11, along with certain rules of interpretation that apply to this Takeover Booklet. Unless the contrary intention appears, terms having a defined meaning in the Corporations Act have a corresponding meaning in this Takeover Booklet.

Unless otherwise indicated, references to sections, annexures and attachments in this Takeover Booklet are references to sections, annexures and attachments of this Takeover Booklet.

Investment decisions

This Takeover Booklet does not take into account the investment objectives, financial situation and particular needs of any person. Before making any investment decision, You should consider whether the information in this Takeover Booklet is appropriate for Your needs in light of those factors.

You should consider seeking financial or other professional advice before deciding whether to accept the Offer.

References to websites

References in this Takeover Booklet to Downer's website www.downergroup.com and to Spotless' website www.spotless.com and any other website are for Your general information only. Information contained in or accessible from those websites is not incorporated in or part of this Takeover Booklet.

Forward looking statements

This Takeover Booklet contains forward-looking statements and statements of expectation or approximation which may be identified by words such as 'may', 'could', 'believes', 'estimates', 'expects', 'intends', 'approximately', 'circa' and other similar words that suggest the subject matter may involve risks and uncertainties. Certain statements, beliefs and opinions contained in this Takeover Booklet, particularly those regarding the possible or assumed future financial or other performance of Downer, Spotless, industry growth or other trend projections are or may be forward-looking statements. These statements are based on an assessment, taken as at the date of this Takeover Booklet, of present economic and operating conditions and on a number of best estimate assumptions regarding future events and actions.

Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties, assumptions and other important factors, many of which are beyond the control of Downer, the Downer Board, Downer Services and the Downer Services Board. The forward-looking statements should therefore be read in conjunction with, and are qualified by reference to this cautionary statement and other information in this Takeover Booklet. Downer and Downer Services cannot give and do not give any assurance that the results, performance or achievements expressed or implied by the forward-looking statements contained in this Takeover Booklet will actually occur, and Spotless Shareholders are cautioned not to place undue reliance on these forward-looking statements. Downer and Downer Services have no intention of updating or revising forward-looking statements, or publishing prospective financial information in the future, regardless of whether new information, future events or any other factors affect the information contained in this Takeover Booklet, other than to the extent required by law.

Responsibility statements

Other than as expressly stated in this Takeover Booklet:

(a) the information in this Takeover Booklet has been prepared by Downer Services and Downer and is the sole responsibility of Downer Services and Downer; and

(b) neither Spotless nor any of its directors, officers, employees or advisers assumes any responsibility for the accuracy or completeness of the information in this Takeover Booklet.

The Investigating Accountant's Report prepared by KPMG Transaction Services is the sole responsibility of KPMG Transaction Services.

No member of the Downer Group nor any director, officer, employee or adviser of any member of the Downer Group assumes any responsibility for the accuracy or completeness of the Investigating Accountant's Report.

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Spotless information

The information relating to Spotless and Spotless' affairs and securities contained in this Takeover Booklet has been prepared by Downer Services using information provided by Spotless to Downer as a majority-owned and controlled subsidiary of Downer.

Further information relating to Spotless' businesses may be included in the Target's Statement which Spotless must provide to Spotless Shareholders in response to this Takeover Booklet.

Implications of Offer on personal financial circumstances

Acceptance of the Offer may have implications on Your personal financial circumstances, including under Your superannuation arrangements or on Your social security benefits or entitlements. If in any doubt, You should seek specialist advice.

Rounding

A number of figures, amounts, percentages, prices, estimates, calculations of value and fractions in this Takeover Booklet are subject to the effect of rounding.

Accordingly, the actual calculation of these figures may differ from the figures, amounts, percentages, prices, estimates, calculations of value and fractions set out in this Takeover Booklet. Any discrepancies between totals in tables or financial statements, or in calculations, graphs or charts are due to rounding.

Any references to rounding to a whole number includes zero.

Privacy collection statement

Personal information relating to Your shareholding in Spotless has been collected by Downer Services or its agents from Spotless in accordance with its rights under the Corporations Act for the purpose of making this Offer and, if accepted, administering a record of Your acceptance of this Offer. Downer Services may share this information on a confidential basis with its related bodies corporate, advisers and, agents and may be required to disclose this information to regulators (such as ASIC and the ATO). If You would like to access or correct Your personal information held by Downer Services or its agents or have any other queries about the handling of Your personal information please view Downer's privacy policy available at www.downergroup.com.

Foreign jurisdictions

The distribution of this Takeover Booklet in jurisdictions outside Australia and New Zealand may be restricted by law and persons who are located outside Australia or are citizens or residents in jurisdictions outside Australia and New Zealand should seek advice on and comply with any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

This Takeover Booklet has been prepared in accordance with Australian law and the information contained in this Takeover Booklet may not be the same as that which would have been disclosed if this Takeover Booklet had been prepared in accordance with the laws and regulations outside Australia. The availability of the Offer to persons who are not resident in and citizens of Australia may be affected by the laws of the relevant jurisdictions in which they are located. This Takeover Booklet does not constitute an offer of securities in any jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer. No action has been taken to register or qualify Downer or Downer Services or to otherwise permit a public offering of Downer Contingent Share Options outside Australia or New Zealand.

Ineligible Foreign Shareholders will not be entitled to receive Downer Contingent Share Options on acceptance of the Offer (unless Downer Services determines otherwise). Ineligible Foreign Shareholders who accept the Offer will receive a cash amount calculated in accordance with clause 1.18(d) of the Offer Terms, set out in Annexure A of this Takeover Booklet.

Warning statements for Spotless Shareholders in New Zealand

This Offer to Spotless Shareholders in New Zealand is a regulated offer made under Australian and New Zealand law. In Australia, this is Chapter 8 of the Corporations Act and regulations made under that Act. In New Zealand, this is subpart 6 of Part 9 of the Financial Markets Conduct Act 2013 and Part 9 of the Financial Markets Conduct Regulations 2014.

This Offer and the content of this document are principally governed by Australian rather than New Zealand law. In the main, the Corporations Act and the regulations made under that Act set out how the Offer must be made.

There are differences in how financial products are regulated under Australian law. For example, the disclosure of fees for managed investment schemes is different under the Australian regime.

The rights, remedies, and compensation arrangements available to New Zealand investors in Australian financial products may differ from the rights, remedies, and compensation arrangements for New Zealand financial products.

Both the Australian and New Zealand financial markets regulators have enforcement responsibilities in relation to this Offer. If You need to make a complaint about this offer, please contact the Financial Markets Authority, New Zealand (http://www.fma.govt.nz). The Australian and New Zealand regulators will work together to settle Your complaint.

The taxation treatment of Australian financial products is not the same as for New Zealand financial products.

If You are uncertain about whether this investment is appropriate for You, You should seek the advice of an appropriately qualified financial adviser.

Currency risk

The Offer may involve a currency exchange risk. The currency for the financial products is not New Zealand dollars. The value of the financial products will go up or down according to changes in the exchange rate between that currency and New Zealand dollars. These changes may be significant.

If You expect the financial products to pay any amounts in a currency that is not New Zealand dollars, You may incur significant fees in having the funds credited to a bank account in New Zealand in New Zealand dollars.

Trading on a financial product market

If the financial products are able to be traded on a financial product market and You wish to trade the financial products through that market, You will have to make arrangements for a participant in that market to sell the financial products on Your behalf. If the financial product market does not operate in New Zealand, the way in which the market operates, the regulation of participants in that market, and the information available to You about the financial products and trading may differ from financial product markets that operate in New Zealand.

Updating of information

Information contained in this Takeover Booklet is subject to change from time to time. Please refer to the ASX website www.asx.com.au or Downer's website for any updates concerning the Offer at www.downergroup.com.

Diagrams

Diagrams appearing in this Takeover Booklet are illustrative only and may not be drawn to scale. Unless stated otherwise, all data contained in charts, graphs and tables appearing in this Takeover Booklet is based on information available at the date of this Takeover Booklet.

Key dates

Date of this Takeover Booklet	Wednesday, 12 August 2020
Offer opens	[●]
Offer closes (unless extended by Downer)	[●]

Other key contacts

Share registrar for the Offer

Computershare Investor Services
Post: GPO Box 52, Melbourne VIC 3001, Australia
Email: corpactprocessing@computershare.com.au

Offer Information line

For Australian callers:
1300 157 206

For international callers:
+61 3 9415 4087

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What You should do next

Step 1: Carefully read the entire Takeover Booklet and consider the information provided.

Step 2: Read the Target's Statement to be provided by Spotless.

Step 3: If You need advice, consult Your financial or other professional adviser.

If You have any queries about this document, the Offer or how to accept the Offer, please contact the Offer Information Line from Monday to Friday between 8:30am and 5:00pm (Sydney time) on:

For Australian callers: 1300 157 206

For international callers: +61 3 9415 4087

Step 4: If You wish to accept the Offer, follow the instructions below.

How to accept the Offer

You should read Annexure A for full details on how to accept the Offer.

If You are a registered holder of Spotless Shares on the Spotless Register, or at the time of Your acceptance You are entitled to be (but are not yet) registered as the holder of Your Spotless Shares, to accept You must complete, sign and return the enclosed Acceptance and Transfer Form in accordance with the instructions on it.

To be effective Your acceptance must be received by Downer Services before the Offer closes.

The Offer is currently scheduled to close at 7:00pm (Sydney time) on [●] unless extended.

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CHAIRMAN'S LETTER

12 August 2020

Dear Spotless Shareholder

Offer to acquire all or some of Your Spotless Shares

On behalf of Downer EDI Services Pty Ltd, a wholly-owned subsidiary of Downer EDI Limited, I am pleased to provide You with this unconditional cash and scrip Offer to acquire all or some of Your shares in Spotless Group Holdings Limited.

Downer EDI Services Pty Ltd is offering You:

- for each Spotless Share You own and accept into the Offer, cash consideration of $1.00; and
- for every 17.92741 Spotless Shares You own and accept into the Offer, one Downer Contingent Share Option.

A Downer Contingent Share Option is a contingent share option exercisable over one Downer Share, subject to the future market prices of Downer Shares.

Reasons to accept the Offer

The Offer:

- provides a liquidity opportunity offering certain value;
- allows You to receive the Consideration sooner than under compulsory acquisition; and
- gives You the possibility of receiving Downer Shares, subject to the future market prices of Downer Shares.

Please see section 3 of the Takeover Booklet for more details as to why You should accept the Offer.

Downer has entered into a Call Option Deed with Coltrane over c.2.99% of Spotless Shares, taking its relevant interest in Spotless Shares to more than 90% of the Spotless Shares on issue. Once entitled to do so, Downer and Downer Services currently intend to proceed with compulsory acquisition so that Spotless becomes a wholly-owned subsidiary of Downer.

Payment of Consideration

Spotless Shareholders who accept the Offer will be paid:

- in respect of the cash consideration, within seven days of receiving Your acceptance of this Offer; and
- in respect of the scrip consideration, within seven days of the end of the Offer Period.

Details and terms of the Offer are set out in this Takeover Booklet. I encourage You to read this Takeover Booklet carefully and in its entirety.

The Offer is currently scheduled to close at 7:00pm (Sydney time) on [●] unless extended.

To accept this Offer, please follow the instructions in this Takeover Booklet and on the enclosed Acceptance and Transfer Form.

If You have any questions about the Offer, or how to accept it, please call the Offer Information Line on 1300 157 206 (for callers in Australia) and +61 3 9415 4087 (for international callers). Further information relating to the Offer can be obtained from Downer's website at www.downergroup.com.

Yours sincerely

Chairman

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1. SUMMARY OF THE OFFER

The following summary is intended to assist Your consideration of the Offer. This section is qualified by, and should be read in conjunction with, the detailed information in this Takeover Booklet. You should read this Takeover Booklet in full before deciding whether or not to accept the Offer.

The Bidder

Downer Services is the company making the Offer.

The Offer

Downer Services offers to acquire all or some of Your Spotless Shares.

Consideration

You are offered:

- for each Spotless Share You own and accept into the Offer, cash consideration of $1.00 (**Cash Consideration**); and
- for every 17.92741 Spotless Shares You own and accept into the Offer, one Downer Contingent Share Option, rounded down to the nearest whole number (**Scrip Consideration**).

Scrip Consideration

Downer Contingent Share Options are non-voting, non-quoted contingent share options.

One Downer Contingent Share Option is exercisable over one Downer Share, subject to the future market prices of Downer Shares.

Downer Contingent Share Options are allocated into and exercisable in three series (titled Tranche 1 Series, Tranche 2 Series and Tranche 3 Series, subject to rounding applied to Tranche 2 and/or Tranche 3 as the case may be).[1]

The exercise of Downer Contingent Share Options in a series is subject to satisfaction of the Target Price Condition for that series.

The Target Price Condition (which is subject to adjustment provisions in certain circumstances) is satisfied when, in respect of a series, Downer's 5-day volume weighted average price (excluding certain crossing transactions) is *equal to* or *exceeds* the relevant Target Price (as stipulated in the table below, subject to certain adjustments) for that series.

Series	Target Price	Target Price post Entitlement Offer[2]
Tranche 1 Series	$6.50	$6.382
Tranche 2 Series	$7.00	$6.873
Tranche 3 Series	$7.50	$7.364

If the Target Price Conditions are not satisfied by [●] 2024 the Downer Contingent Share Options will expire and no longer be exercisable.

Downer and Downer Services make no representation that these Target Price Conditions will be satisfied during the term of the Downer Contingent Share Options. In the seven years prior to the date of this Takeover Booklet, the highest recorded closing price for Downer Shares on ASX was $8.72 and the lowest recorded closing price for Downer Shares on ASX was $2.68.[3] Past share price performance is no guide as to future share price performance.

Closing date

Unless withdrawn or extended, the Offer is open until 7:00pm (Sydney time) on [●].

Payment date

If You accept this Offer, Downer will pay You for Your Spotless Shares:

[1] Example: If 100 Downer Contingent Share Options are issued to a Spotless Shareholder, 33 will be allocated to Tranche 1 Series, 33 to Tranche 2 Series and 34 to Tranche 3 Series. If 101 Downer Contingent Share Options are issued to a Spotless Shareholder, 33 will be allocated to Tranche 1 Series, 34 to Tranche 2 Series and 34 to Tranche 3 Series.

[2] Target Price assuming the successful completion of the retail component of the Entitlement Offer.

[3] Historic prices have been adjusted for the impact of the Entitlement Offer.

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- in respect of the Cash Consideration, within seven days of receiving Your acceptance of this Offer; and
- in respect of the Scrip Consideration, within seven days of the end of the Offer Period.

Full details on when You will be paid are set out in clause 1.18 of Annexure A.

Conditions

The Offer is not subject to any conditions.

How to accept

You must complete, sign and return the enclosed Acceptance and Transfer Form.

Signed Acceptance and Transfer Forms must be sent to the following address or email:

Computershare Investor Services
Post: GPO Box 52, Melbourne VIC 3001, Australia
Email: corpactprocessing@computershare.com.au

A self addressed envelope is enclosed.

Your acceptance must be received by Downer Services before the Offer closes.

No stamp duty

You will not pay any stamp duty on accepting the Offer.

Further information

For questions about Your Spotless Shares, the Offer or how to accept the Offer please refer to the remainder of this Takeover Booklet. If You still need assistance, please call the Offer Information Line on:

For Australian callers: 1300 157 206

For international callers: +61 3 9415 4087

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2. EXERCISING THE DOWNER CONTINGENT SHARE OPTIONS

As noted above, the Downer Contingent Share Options are only exercisable if a Target Price Condition is satisfied. There can be no assurance that any of those conditions will be satisfied during the four years before the expiry of the Downer Contingent Share Options.

There are two ways in which the Downer Contingent Share Options can be exercised if a Target Price Condition is satisfied:

(a) **Automatic Exercise:** Unless You make a Manual Exercise election, Your Downer Contingent Share Options will automatically exercise where a Target Price Condition has been satisfied, without You subsequently having to take any action to exercise the Downer Contingent Share Options and Downer will issue Downer Shares to You without You having to take any further action.

(b) **Manual Exercise:** Accompanying this Takeover Booklet is an Election Notice by which You can elect to manually exercise the Downer Contingent Share Options. If You make this election You will need to take steps to give notice to Downer of exercise of the Downer Contingent Share Options within 20 Business Days of a Target Price Condition being satisfied.

You should carefully consider whether or not You wish to choose Manual Exercise as You may lose the right to receive Downer Shares if You do not correctly give notice of exercise to Downer. You are not required to complete this Election Notice to receive Downer Contingent Share Options. You should consult Your financial or professional adviser before deciding to complete the Election Notice.

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3. WHY YOU SHOULD ACCEPT THE OFFER

3.1 The Offer provides a liquidity opportunity offering certain value

Spotless Shares ceased to be quoted on ASX at the end of August 2019. Since that time there has been limited opportunity for Spotless Shareholders to realise value for their Spotless Shares.

The Offer provides Spotless Shareholders with a liquidity opportunity to dispose of their Spotless Shares through acceptance of the Offer. In addition the liquidity opportunity is at a certain value that is available to all Spotless Shareholders.

3.2 Acceptance of the Offer will allow Spotless Shareholders to receive the Consideration sooner than under compulsory acquisition

As outlined in detail in section 10.1 of this Takeover Booklet, Downer Services expects that it will become entitled to compulsorily acquire all outstanding Spotless Shares following the Offer, because Downer has entered into a Call Option Deed over c.2.99% of Spotless Shares with Coltrane, taking their relevant interest in Spotless Shares to more than 90% of the Spotless Shares on issue. Once entitled to do so, Downer Services currently intends to proceed with compulsory acquisition so that Spotless becomes a wholly-owned subsidiary of Downer.

The consideration to be paid to any remaining Spotless Shareholders through the compulsory acquisition process is likely to be the Consideration.[4]

It can be expected that the consideration paid for Spotless Shares on compulsory acquisition would be paid later than the time of payment if the Spotless Shareholder had accepted the Offer. As such, acceptance of the Offer should mean Spotless Shareholders receive the Consideration sooner than they would receive the consideration through the compulsory acquisition process.

3.3 You have the possibility of receiving Downer Shares if the Target Price Conditions are satisfied

The Offer is structured to provide Spotless Shareholders (other than Ineligible Foreign Shareholders, unless Downer Services determines otherwise in its absolute discretion) with the opportunity to receive Downer Shares through the Downer Contingent Share Options, subject to the future market price of Downer Shares.

The Downer Share price will need to increase from current levels so as to exceed the Target Price Conditions over the next four years for this opportunity to arise. Downer makes no representation or warranty, express or implied, that the Target Price Conditions will be satisfied or that Downer Shares will be issued to Spotless Shareholders as a result of acceptance of the Offer.

Downer has:

(a) a market capitalisation of approximately A$2,856 million as at the last trading day before the date on which this Takeover Booklet is lodged with ASIC;

(b) consolidated total assets of A$8,672.5 million as at 30 June 2020; and

(c) consolidated total equity of A$2,620.5 million as at 30 June 2020.

[4] If Downer Services and its associates do not acquire at least 75% (by number) of the Spotless Shares that Downer Services has offered to acquire under the Offer, an alternative compulsory acquisition regime would apply that would involve Downer or Downer Services being required to offer a cash sum only with Downer Contingent Share Options not forming part of that consideration. See section 10.1 of this Takeover Booklet.

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4. INFORMATION ON DOWNER

4.1 Downer Services

The Offer is being made by Downer Services, a wholly-owned subsidiary of Downer. Downer Services is a company incorporated on 17 June 2009 and registered in Victoria.

As at the date of this Takeover Booklet, the Directors of Downer Services are:

(a) Michael Ferguson;

(b) Peter Lyons;

(c) Robert Regan; and

(d) Vivian Tam.

4.2 Downer

Downer is a public company incorporated in Australia which is listed on ASX (ASX Code: DOW) with a secondary listing as an overseas listed issuer on NZX.

Downer is a leading provider of integrated services in Australia and New Zealand. Downer employs approximately 52,000 people, mostly in Australia and New Zealand but also in the Asia-Pacific region, South America and Southern Africa.

4.3 Publicly available information about Downer

Downer is a disclosing entity under the Corporations Act. This means that:

(a) it is subject to regular reporting and disclosure obligations;

(b) copies of documents lodged with ASIC in relation to Downer may be obtained from, or inspected at, the offices of ASIC; and

(c) it will provide a copy of each of the following documents, free of charge, to any person on request between the date of issue of this Takeover Booklet and the date the Offer closes:

  (i) the annual financial report most recently lodged by Downer with ASIC, being the FY20 Annual Financial Report;

  (ii) any half-year financial report lodged with ASIC by Downer after the lodgement of the above annual financial report and before the lodgement of this Takeover Booklet with ASIC; and

  (iii) any continuous disclosure notices given by Downer after the lodgement of the above annual financial report and before the lodgement of this Takeover Booklet with ASIC.

Copies of all documents lodged with ASIC in relation to Downer can be inspected at the registered office of Downer during normal office hours.

On Wednesday, 12 August 2020 Downer released its FY20 Annual Financial Report for the year ended 30 June 2020. A copy of the FY20 Annual Financial Report can be obtained at www.asx.com.au. A copy can also be obtained free of charge by contacting the Offer Information Line on 1300 157 206 (for callers in Australia) and +61 3 9415 4087 (for international callers).

On 21 July 2020, Downer announced a capital raising through a 1 for 5.58 fully underwritten accelerated non-renounceable pro rata entitlement offer to raise approximately $400 million (**Entitlement Offer**). The capital raising was undertaken to support the Offer, strengthen Downer Group's balance sheet and provide flexibility for continued investment in Downer's core businesses.

The institutional component of the capital raising completed on 22 July 2020 with gross proceeds of approximately $332 million raised, and approximately 89 million Downer Shares being issued on 31 July 2020. The retail component of the capital raising to raise approximately $68 million in gross proceeds closes on 14 August 2020.

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Materials relating to the Entitlement Offer, including the 21 July 2020 announcement, the 21 July 2020 investor presentation and the retail entitlement offer information booklet dated 28 July 2020 for the Entitlement Offer can be obtained by referring to www.asx.com.au. Copies can also be obtained free of charge by contacting the Offer Information Line on 1300 157 206 (for callers in Australia) and +61 3 9415 4087 (for international callers).

4.4 Principal activities of Downer

Downer reports its results under five service lines: Transport, Utilities, Facilities, Engineering, Construction and Maintenance (including Asset Services), and Mining.

Downer's strategy is to focus on the core Urban Services businesses within the Transport, Utilities, Facilities and Asset Services service lines because they have:

- demonstrated strength and resilience;
- leading market positions and attractive medium and long-term growth opportunities;
- a high proportion of government and government-related contracts; and
- a capital light, services-based business model generating lower risk, more predictable revenues and cash flows.

On 21 July 2020, Downer announced a package of initiatives to reshape the Downer Group in line with its Urban Services strategy and create a stronger platform for long-term, sustainable growth. These initiatives are:

- achieving 100% ownership of Spotless;
- exiting non-core businesses; and
- right-sizing the cost base and operating model to align with the Urban Services strategy.

The Offer to acquire the Spotless Shares is a component of that package of initiatives.

In relation to exiting non-core businesses, Downer is exploring the potential sale of its Mining portfolio (in parts or as a whole) and reviewing the prospects of its Hospitality business (within the Facilities service line) to determine which parts will continue and which will be exited or sold. Downer is also considering the sale of its Laundries business (within Facilities).

In addition, Downer announced during the year that it would focus its construction efforts on areas where it has a competitive differentiation. As a result, Downer will no longer tender for "hard dollar" construction contracts in the solar, coal, iron ore and industrial Electrical & Instrumentation and Structural, Mechanical, and Piping sectors.

The 21 July 2020 announcement and the 21 July 2020 investor presentation can be obtained by referring to www.asx.com.au. Copies can also be obtained free of charge by contacting the Offer Information Line.

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4.5 Summary historical financial information

For the 12 months ended 30 June 2020, Downer reported total revenue of $13.4 billion.

The table below provides a comparison of the underlying earnings for FY20 versus underlying results for FY19 and a reconciliation to statutory NPAT.

Underlying EBITA (A$m)	Reporting Segment	FY20	FY19	Variance (%)
Transport	Transport	235.6	242.4	(2.8%)
Utilities	Utilities	114.6	136.1	(15.8%)
Facilities	Facilities	133.9	133.6	0.2%
Asset Services	EC&M	27.1	13.4	>100%
Core Urban Services Businesses		**511.2**	**525.5**	**(2.7%)**
Infrastructure & Construction (Spotless)	Facilities	(9.0)	(3.1)	>(100%)
Engineering & Construction (Downer)	EC&M	(69.2)	19.9	>(100%)
Businesses in wind down		**(78.2)**	**16.8**	**>(100%)**
Mining	Mining	79.0	76.7	3.0%
Laundries	Facilities	9.1	17.5	(48.0%)
Hospitality	Facilities	(19.7)	22.5	>(100%)
Businesses under review or to be sold		**68.4**	**116.7**	**(41.4%)**
Corporate	Unallocated	(85.4)	(98.4)	13.2%
Group Underlying EBITA		**416.0**	**560.6**	**(25.8%)**
Amortisation of acquired intangibles (pre-tax)		(71.3)	(70.4)	(1.3%)
Underlying EBIT		**344.7**	**490.2**	**(29.7%)**
Net interest expense		(112.0)	(82.4)	(35.9%)
Tax expense		(67.5)	(117.0)	42.3%
Underlying NPAT		**165.2**	**290.8**	**(43.2%)**
Amortisation of acquired intangibles (post tax)		49.9	49.3	1.2%
Underlying NPATA		**215.1**	**340.1**	**(36.8%)**
Items outside of underlying NPATA		(386.0)	(28.0)	>(100%)
Tax effect on items outside NPATA		65.1	13.5	>100%
Statutory NPATA		**(105.8)**	**325.6**	**>(100%)**
Amortisation of acquired intangibles (post tax)		(49.9)	(49.3)	(1.2%)
Statutory NPAT		**(155.7)**	**276.3**	**>(100%)**

The underlying result is a non-IFRS measure that is used by Downer management to assess the performance of the business. Non-IFRS measures have not been subject to audit or review.

Refer to section 7.1 for the pro forma historical statement of financial position as at 30 June 2020, prepared for illustrative purposes to provide an indication of the financial position of the Downer Group (which includes the wholly-owned Spotless) as if the Entitlement Offer and Offer had occurred on 30 June 2020.

4.6 Board of directors

As at the date of this Takeover Booklet, the directors of Downer are:

(a) Michael Harding – Chairman, Independent Non-Executive Director;

(b) Grant Fenn – Managing Director and Chief Executive Officer;

(c) Philip Garling – Independent Non-Executive Director;

(d) Teresa Handicott – Independent Non-Executive Director;

(e) Nicole Hollows – Independent Non-Executive Director; and

(f) Peter Watson – Independent Non-Executive Director.

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4.7 Corporate governance

The Downer Board is committed to ensuring that the company maintains an effective system of corporate governance as an integral part of Downer's culture and business practices.

Downer's corporate governance framework provides the platform from which:

- the Downer Board is accountable to shareholders for the operations, performance and growth of the company;
- Downer management is accountable to the Downer Board;
- the risks to Downer's business are identified and managed; and
- Downer effectively communicates with its shareholders and the investment community.

The Downer Board endorses the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*. Details of Downer's corporate governance procedures, policies and practices can be obtained from www.downergroup.com.

4.8 Recent trading of Downer Shares[5]

The last recorded closing price of a Downer Share on the ASX on the last trading day before the Announcement Date (20 July 2020) was A$4.18.[6]

The last recorded closing price of a Downer Share on the ASX on the last trading day before the date on which this Takeover Booklet was lodged with ASIC (11 August 2020) was A$4.18.

The highest recorded closing price of a Downer Share on the ASX in the four months before the date on which this Takeover Booklet was lodged with ASIC was A$5.20.[7]

The lowest recorded closing price of a Downer Share on the ASX in the four months before the date on which this Takeover Booklet was lodged with ASIC was A$3.46.[8]

The recent VWAP of Downer Shares on the ASX have been as follows:

- A$4.20 for the one month period ending on the last trading day before the date on which this Takeover Booklet was lodged with ASIC;
- A$4.38 for the three month period ending on the last trading day before the date on which this Takeover Booklet was lodged with ASIC;
- A$4.31 for the six month period ending on the last trading day before the date on which this Takeover Booklet was lodged with ASIC; and
- A$5.28 for the 12 month period ending on the last trading day before the date on which this Takeover Booklet was lodged with ASIC.[9]

The following chart shows the last recorded closing price of Downer Shares on the ASX over the 12 months up to, and including, the last trading day before the date on which this Takeover Booklet was lodged with ASIC.[10]

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[5] Historic prices have been adjusted for the impact of the Entitlement Offer.

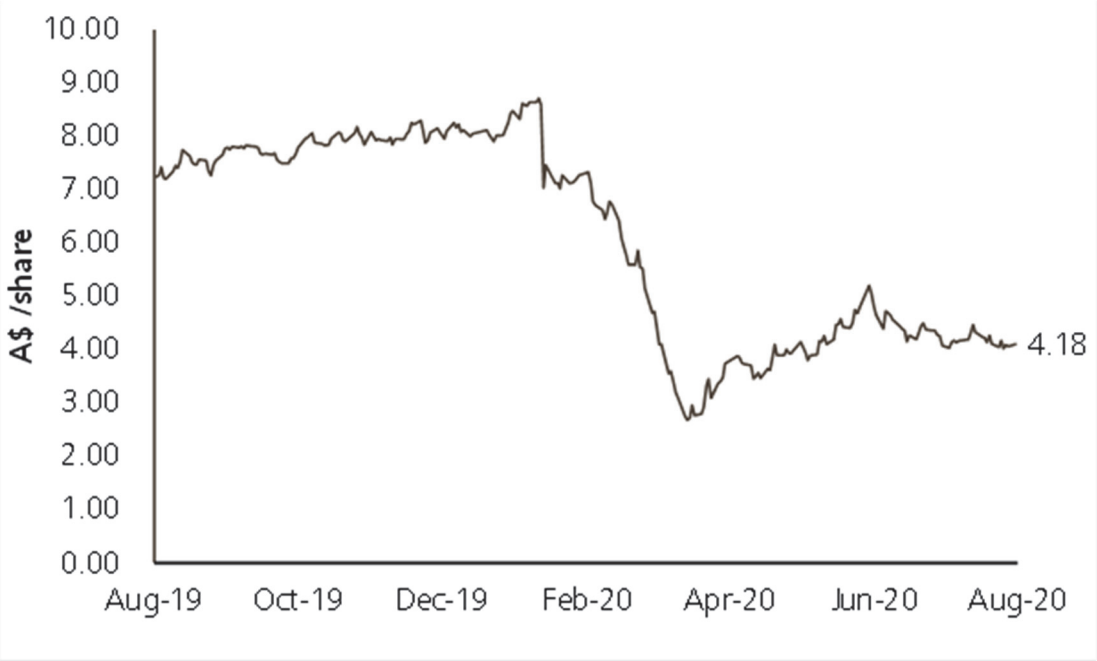
[6] The last recorded closing price of a Downer Share on the ASX on the last trading day before the Announcement Date (20 July 2020) unadjusted for the Entitlement Offer was A$4.26.

[7] The highest recorded closing price of a Downer Share on the ASX in the four months before the date on which this Takeover Booklet was lodged with ASIC unadjusted for the Entitlement Offer was A$5.30.

[8] The lowest recorded closing price of a Downer Share on the ASX in the four months before the date on which this Takeover Booklet was lodged with ASIC unadjusted for the Entitlement Offer was A$3.52.

[9] Source: IRESS. VWAP is calculated based on cumulative value of Downer Shares traded on ASX divided by cumulative volume of Downer Shares traded on ASX for respective periods.

[10] Source: IRESS.



The above trading data has been sourced from IRESS and referenced in this Takeover Booklet without their consent.

4.9 **Dividends**

The following table sets out the dividends paid (or proposed to be paid) per Downer Share in respect of the financial periods since 1 July 2017.

Financial year ended 30 June	Interim dividend per Downer Share	Final dividend per Downer Share
2020	14 cents per share (deferred to 25 September 2020)[11]	N/A[12]
2019	14 cents per share	14 cents per share
2018	13 cents per share	14 cents per share

4.10 **Substantial shareholders**

As at the date of this Takeover Booklet, so far as known to Downer based on publicly available information, the following shareholders are substantial shareholders in Downer.

Substantial holder	Voting power
FIL Limited and entities	7.58%
Sumitomo Mitsui Trust Holdings Inc. and its subsidiaries	6.35%
L1 Capital Pty Ltd	5.38%
T. Rowe Price Associates Inc. and entities	5.00%
The Vanguard Group, Inc.	5.00%

[11] Declared 12 February 2020, to be paid to Downer shareholders on the register at 26 February 2020.

[12] Given the current circumstances and equity raising the Downer Board does not intend to pay a final dividend for the year ended 30 June 2020.

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4.11 Capital structure

As at the date of this Takeover Booklet, there were:

- 683,288,123 Downer Shares on issue;[13] and
- 1,064,372 performance rights on issue pursuant to Downer's equity-based executive compensation plans, with each performance right, subject to the satisfaction of vesting conditions, entitling the holder to acquire one Downer Share.[14]

Details of the performance rights under Downer's equity-based executive compensation plans as at the date of this Takeover Booklet are set out in the Remuneration Report of the most recent financial statements released by Downer on Wednesday, 12 August 2020.

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[13] The number of Downer Shares on issue post settlement of the retail component of the Entitlement Offer is expected to be approximately 701,292,354.

[14] Includes only FY19 performance rights on issue.

5. INFORMATION ON SPOTLESS

5.1 Important information

Spotless is an unlisted, public company and is subject to the periodic and continuous disclosure requirements of the Corporations Act.

The information in this section concerning Spotless and Spotless Shares has been prepared by Downer Services based on information that it has in respect of Spotless as a majority owned and controlled subsidiary of Downer.

You should refer to the publicly available information concerning Spotless, including information available on its corporate website www.spotless.com, announcements made to ASX by Downer and the Target's Statement that Spotless is required to provide to You under the Corporations Act in assessing this Offer.

The most recent financial statements released by Spotless are for the financial year ended 30 June 2020 released on 12 August 2020.

5.2 Overview

Spotless operates in Australia and New Zealand and provides outsourced facility services, laundry and laundry services, technical and engineering services, maintenance and asset management services and refrigeration solutions to various industries.

On 21 March 2017, Downer Services made an off-market, takeover offer for Spotless Shares. This offer closed on 28 August 2017 at which point Downer held a relevant interest in approximately 87.80% of Spotless Shares.

Spotless was subsequently de-listed from the ASX at the close of trading on 30 August 2019. Spotless is currently a majority owned and controlled subsidiary of Downer.

5.3 Directors

As at the date of this Takeover Booklet, the Directors of Spotless are:

(a) John Humphrey – Chairman and Non-Executive Director;

(b) Peter Tompkins – Chief Executive Officer and Managing Director;

(c) Simon McKeon – Non-Executive Director;

(d) Grant Fenn – Non-Executive Director; and

(e) Michael Ferguson – Non-Executive Director.

5.4 Capital structure of Spotless

There are 1,102,239,882 Spotless Shares on issue as at the date of this Takeover Booklet.

There are no other securities in Spotless on issue.

5.5 Substantial registered holders in respect of Spotless Shares

Downer and its related bodies corporate are currently registered holders of approximately 87.80% of the issued share capital of Spotless.

The following entities are substantial registered shareholders of Spotless (ie 5% or more) as at the date of this Takeover Booklet.

Substantial shareholder	Shareholding	% shareholding (2 dp)
Downer EDI Services Pty Ltd	582,005,214	52.80%
Downer EDI Limited	385,779,103	35.00%
HSBC Custody Nominees	130,370,321	11.83%

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5.6 **Downer's relevant interest in Spotless**

Downer's relevant interest in Spotless as at the date of this Takeover Booklet is set out below.

Entity with relevant interest[15]	Class	At date immediately before the first Offer is sent	Relevant interest (2 dp)	Voting power (2 dp)
Downer EDI Limited	Spotless Shares	1,000,851,513	90.80%[16]	90.80%

Coltrane Call Option Deed

On 21 July 2020, Downer entered into a pre-bid Call Option Deed with Coltrane under which Downer acquired a relevant interest in 33,067,196 Spotless Shares. Under the Call Option Deed, Downer may give notice to Coltrane during the Offer Period requiring Coltrane to accept the Offer in respect of the Call Option Shares. A summary of the terms of the Call Option Deed is set out in section 10.4 of this Takeover Booklet.

On 22 July 2020 Downer advised Spotless in accordance with section 654C of the Corporations Act and generally that its voting power in Spotless had risen from below 90% to that percentage or higher as result of the entry into the Call Option Deed.

5.7 **Dealings in Spotless Shares**

Except as disclosed in this Takeover Booklet, during the period beginning four months before the date of this Takeover Booklet, neither Downer nor Downer Services nor any of their associates have provided, or agreed to provide, consideration for a Spotless Share.

5.8 **No collateral benefits**

Neither Downer nor Downer Services, nor any of their associates have in the four months before the date of this Takeover Booklet given, offered to give or agreed to give a benefit which is not offered to all Spotless Shareholders under the Offer to another person which was likely to induce the other person (or an associate) to accept the Offer or dispose of Spotless Shares.

5.9 **No escalation agreements**

Neither Downer nor Downer Services, nor any of their associates have entered into an escalation agreement that is prohibited by section 622 of the Corporations Act.

[15] Downer Services has a relevant interest in 582,005,214 Spotless Shares (52.80%) and voting power of 90.80% of Spotless Shares.

[16] This includes the relevant interest acquired by Downer over 33,067,196 Spotless Shares pursuant to the Call Option Deed and the relevant interest acquired by Downer by virtue of section 608(3) of the Corporations Act through Downer Services.

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6. INTENTIONS IN RELATION TO SPOTLESS

6.1 Introduction

This section of the Takeover Booklet sets out Downer Services' intentions regarding:

(a) the continuation of the business of Spotless;

(b) any major changes to be made to the business of Spotless, including any redeployment of the fixed assets of Spotless; and

(c) the future employment of the present employees of Spotless.

In formulating the Offers, Downer and Downer Services have considered and evaluated Spotless' assets, based on the information available to Downer as a majority shareholder with a controlling interest in Spotless.

As noted in section 4.4 above, achieving full ownership of Spotless is a key enabler for Downer Group's Urban Services strategy which is aimed at driving consistent earnings and reliable cash flow from servicing long term customers in critical government and industry sectors. Downer expects that completion of the Offer will enable synergies of $10 – $15 million per annum from eliminating redundant governance and management structures, integrating operations and consolidating Spotless' debt platform with that of Downer Group.

Downer Services' intentions regarding these matters are the same as Downer's intentions.

6.2 Intentions for Spotless as a wholly-owned entity

As a result of the entry into the Call Option Deed, Downer and its associates have a relevant interest in at least 90% (by number) of Spotless Shares.

If Downer Services becomes entitled to compulsorily acquire outstanding Spotless Shares under the provisions of either Part 6A.1 or Part 6A.2 of the Corporations Act, Downer Services presently intends to proceed with compulsory acquisition of those Spotless Shares. See section 10.1 for further information in relation to the compulsory acquisition process. Following compulsory acquisition, Spotless will be a wholly-owned subsidiary of Downer.

(a) Corporate matters

Downer intends to operate Spotless as a wholly-owned subsidiary rather than as an unlisted (and controlled but non-wholly owned) public company as at present.

Downer will procure that the existing independent directors of Spotless will retire from the Spotless Board and the Spotless Board will be comprised solely of members of management of Downer.

As a wholly-owned subsidiary of Downer, Spotless will not be subject to related party dealing requirements in entering transactions with Downer and other Downer subsidiaries.

(b) Spotless business and assets

On 21 July 2020 Downer announced the following changes affecting the business and assets of Spotless. Downer would intend to pursue those changes whether or not Spotless becomes a wholly owned subsidiary pursuant to the Offer.

(i) Disposal of Laundry businesses

The exit of Spotless' Laundries business remains a key objective.

The Laundries business includes the rental, cleaning, collection, delivery and stock management of linen, uniforms and specialised workwear, with 13 commercial laundries servicing 3,500 clients across Australia and New Zealand and processing over 117,000 tonnes of laundry every year.

The Laundries business sale process has been paused and will resume when investment market conditions improve.

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(ii) Review of Hospitality business

The Hospitality business includes services such as operating canteens, dining halls and restaurants, personal meal delivery, specialised food preparation and delivery and management of food and beverage facilities. The Hospitality business provides services across business and industry, functions, special events, stadia and retail in Australia and New Zealand.

In Australia, Spotless' Hospitality business has been generating virtually no revenue since COVID-19 regulations were introduced in March 2020. As a result, Downer reduced the size of this business in June 2020 to reflect the smaller scale of operations.

Downer is reviewing the prospects of Spotless' Hospitality business to determine which parts of the business or contracts will continue, be run off or sold as the future market demand becomes clearer.

In Hospitality all non-critical staff have been stood down or made redundant. Contracts have been temporarily discontinued, not renewed or converted to cost plus a margin.

(iii) Run off of higher risk construction projects

A move away from higher-risk construction projects in Spotless' Infrastructure and Construction business (**I&C**) is underway and will complete as existing projects finish.

This will minimise Spotless' exposure in high risk projects, particularly vertical commercial construction, with increased focus on opportunities that better matches I&C's capabilities and Downer Group's risk appetite. As a result the I&C business in Spotless will focus on longer-term maintenance contracts and smaller scale construction.

(c) Future employment of employees

While Downer generally intends to retain the services of Spotless' current employees in the ordinary course, increasing Downer's ownership in Spotless to 100% is expected to enable synergies including by eliminating redundant governance and management structures. As a result there may be cases where particular roles may no longer be required, such as head office, senior executive and administrative functions. Therefore it is possible that certain positions may become redundant. Where appropriate, having regard to the position held by the relevant employee, Downer will attempt to identify opportunities for alternative employment within the Downer Group. Employees who are to be made redundant will receive all entitlements in compliance with applicable legislative awards or contractual requirements and they will be paid any redundancy amounts in accordance with their legal entitlements.

(d) Refinancing of Spotless debt

Upon increasing its ownership in Spotless to 100%, Downer intends to review and where appropriate replace Spotless' debt facilities so that Spotless may, like other Downer subsidiaries, take advantage of the Downer Group debt platform.

7. EFFECT OF THE OFFER

If the Offer is completed and Downer compulsorily acquires all of the issued Spotless Shares that it does not already own, Spotless will become a fully owned subsidiary of Downer.

The Downer Group, with Spotless as its wholly owned subsidiary, will be able to more effectively pursue the Urban Services strategy and create a stronger platform for long-term, sustainable growth as described in section 4.

Subject to the Target Price Conditions being satisfied within 4 years and the Downer Contingent Share Options being exercised, Spotless Shareholders will receive Downer Shares. Subject to any Adjustment Terms, a maximum of 7.5 million Downer Shares (representing less than 1.1% of Downer's issued capital pro forma for the Entitlement Offer) will be issued on exercise of the Downer Contingent Share Options.

This section sets out certain additional information in relation to Downer, including pro forma FY20 financial information assuming Downer's 100% ownership in Spotless.

7.1 Pro forma historical statement of financial position

The pro forma historical statement of financial position as at 30 June 2020 set out on the next page (**Pro Forma Historical Statement of Financial Position**) has been prepared for illustrative purposes to provide an indication of the financial position of Downer Group (which includes the wholly-owned Spotless) as if the Entitlement Offer and Offer had occurred on 30 June 2020.

The Pro Forma Historical Statement of Financial Position is based on the statement of financial position as at 30 June 2020, as extracted from the audited financial statements of Downer for the year ended 30 June 2020, and includes pro forma adjustments (described below) to illustrate the effects of the Entitlement Offer and Offer on Downer.

The Pro Forma Historical Statement of Financial Position has been prepared in accordance with the recognition and measurement principles prescribed in Australian Accounting Standards, other than it is presented on a pro forma basis as if the Entitlement Offer and Offer had already occurred as at 30 June 2020. The Pro Forma Historical Statement of Financial Position is presented in abbreviated form and consequently does not contain all the presentation and disclosures that are usually provided in an annual report prepared in accordance with the Corporations Act.

KPMG Transaction Services has been appointed as investigating accountant to prepare an Investigating Accountant's Report in respect of the Pro Forma Historical Statement of Financial Position, a copy of which is included at Annexure C.

The Pro Forma Historical Statement of Financial Position is presented on the next page.

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Pro forma Historical Statement of Financial Position
as at 30 June 2020

	30 June 2020 $'m	Impact of Entitlement Offer	Cost of Entitlement Offer	Impact of Spotless Offer	Pro forma for Entitlement Offer and Spotless Offer
ASSETS					
Current assets					
Cash and cash equivalents	**588.5**	399.7	(8.3)	(136.5)	**843.4**
Trade receivables and contract assets	**2,315.9**				**2,315.9**
Other financial assets	**26.2**				**26.2**
Inventories	**334.0**				**334.0**
Lease receivables	**18.5**				**18.5**
Current tax assets	**65.2**				**65.2**
Prepayments and other assets	**56.4**				**56.4**
Total current assets	**3,404.7**	399.7	(8.3)	(136.5)	**3,659.6**
Non-current assets					
Trade receivables and contract assets	**95.2**				**95.2**
Interest in joint ventures and associates	**110.6**				**110.6**
Property, plant and equipment	**1,350.2**				**1,350.2**
Right-of-use assets	**592.6**				**592.6**
Intangible assets	**2,896.1**				**2,896.1**
Other financial assets	**21.4**				**21.4**
Lease receivables	**48.3**				**48.3**
Deferred tax assets	**141.5**		2.5		**144.0**
Prepayments and other assets	**11.9**				**11.9**
Total non-current assets	**5,267.8**	-	2.5	-	**5,270.3**
Total assets	**8,672.5**	399.7	(5.8)	(136.5)	**8,929.9**
LIABILITIES					
Current liabilities					
Trade payables and contract liabilities	**2,497.4**				**2,497.4**
Borrowings	**1.4**				**1.4**
Lease liabilities	**168.9**				**168.9**
Other financial liabilities	**45.8**			16.7	**62.5**
Employee benefits provision	**377.1**				**377.1**
Other provisions	**74.1**				**74.1**
Current tax liabilities	**11.0**				**11.0**
Total current liabilities	**3,175.7**	-	-	16.7	**3,192.4**
Non-current liabilities					
Trade payables and contract liabilities	**28.8**				**28.8**
Borrowings	**2,049.9**				**2,049.9**
Lease liabilities	**594.3**				**594.3**
Other financial liabilities	**14.4**				**14.4**
Employee benefits provision	**55.0**				**55.0**
Other provisions	**39.4**				**39.4**
Deferred tax liabilities	**94.5**				**94.5**
Total non-current liabilities	**2,876.3**	-	-	-	**2,876.3**
Total liabilities	**6,052.0**	-	-	16.7	**6,068.7**
Net assets	**2,620.5**	399.7	(5.8)	(153.2)	**2,861.2**
EQUITY					
Issued capital	**2,429.7**	399.7	(5.8)		**2,823.6**
Reserves	**(47.7)**			(11.5)	**(59.2)**
Retained earnings	**94.3**			(2.0)	**92.3**
Parent interests	**2,476.3**	399.7	(5.8)	(13.5)	**2,856.7**
Non-controlling interest	**144.2**			(139.7)	**4.5**
Total equity	**2,620.5**	399.7	(5.8)	(153.2)	**2,861.2**

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(a) Pro Forma Historical Statement of Financial Position – Pro Forma Adjustments

- *Pro Forma Adjustment (A) – Entitlement Offer:*

  This pro forma adjustment reflects the receipt of $399.7 million in cash representing the gross proceeds from the Entitlement Offer (both the institutional and retail components). This amount is based on the issuance of 106.6 million shares at the offer price of $3.75 per share.

- *Pro Forma Adjustment (B) – Costs of Entitlement Offer:*

  This pro forma adjustment reflects costs of $8.3 million incurred in connection with the Entitlement Offer. These costs include underwriting costs, management fees, and legal fees and accounting services fees. For accounting purposes, these costs are offset against issued capital (equity), with a deferred tax asset of $2.5 million recognised within non-current assets.

- *Pro Forma Adjustment (C) – Acquisition of remaining non-controlling interest in Spotless:*

  This pro forma adjustment reflects the accounting entries in respect of the acquisition of the remaining non-controlling interest in Spotless as follows:

  - reduction of the cash balance by approximately $136.5 million, comprised of approximately $134.5 million in upfront cash consideration for the 134.5 million shares in Spotless to be acquired under the Offer, based on $1.00 per share Cash Consideration, and an estimated $2.0 million in acquisition related transaction costs. For accounting purposes, transaction costs in relation to the Offer will be recognised as an expense in the income statement (retained earnings), with a corresponding reduction to cash;

  - recognition of the current fair value of the Downer Contingent Share Options of $16.7 million as a current financial liability. The fair value of the Downer Contingent Share Options have been calculated using an option pricing model reflecting the three tranches of the Downer Contingent Share Options. In assessing that fair value, assumptions were made as to the current price of Downer Shares ($4.30), option volatility (40%), interest rates (0.307%) and dividend yield on Downer Shares (8.5%). Downer makes no representation that the Target Price Conditions relating to the Downer Contingent Share Options will be satisfied during the term of the Downer Contingent Share Options. The Downer Contingent Share Options will be remeasured to fair value at each future reporting date, with any fair value movements recognised through the income statement;

  - accounting de-recognition of $139.7 million in respect of the non-controlling interest relating to Spotless as at 30 June 2020; and

  - recognition of $11.5 million against other equity reserve. This amount represents the difference between total consideration of $151.2 million (being the cash consideration of $134.5 million plus the fair value of the Downer Contingent Share Options of $16.7 million) and pro forma non-controlling interest in relation to Spotless of $139.7 million.

(b) Items not reflected in the Pro Forma Historical Statement of Financial Position

The Pro Forma Historical Statement of Financial Position has not been adjusted to reflect:

- any stamp duty liability resulting from the Offer – based on information currently available, Downer expects any stamp duty payable to be immaterial to the Pro Forma Historical Statement of Financial Position; and

- the effect of Spotless and its wholly-owned subsidiaries joining the Downer income tax consolidated group upon acquisition of 100% of Spotless Shares – for example, the reset of the tax cost base of assets of Spotless and its wholly-owned subsidiaries under the tax consolidation rules at the time Spotless joins the Downer tax consolidated group which has an impact on deferred tax assets and liabilities.

7.2 Risk factors

Spotless Shareholders who accept the Offer and who receive Downer Contingent Share Options will, if the Target Price Conditions are satisfied within 4 years and Downer Contingent Share Options are exercised, receive Downer Shares. The financial performance and operations of Downer's businesses, the price of Downer Shares and the amount and timing of any dividends that Downer pays will be influenced by a range of factors. Some of these factors can be mitigated by the use of safeguards and appropriate commercial action. However, many of these factors are beyond the control of Downer and the Downer Board. Many of these factors also affect the businesses of other companies operating in the same industry. Furthermore, there is a risk that the Target Price Conditions may not be satisfied due to one or more of

the below risks having a negative impact on the share price of Downer Shares. Downer makes no representation or warranty, express or implied, that the Target Price Conditions will be satisfied or that Downer Shares will be issued to Spotless Shareholders as a result of acceptance of the Offer.

This section describes certain risk factors associated with the Takeover Bid and an investment in Downer. Spotless Shareholders should consider carefully these risk factors and the other information contained in this Takeover Booklet.

(a) **General risks relating to the Offer**

(i) *Increased economic exposure to Spotless*

Downer and its related bodies corporate are currently the holders of an approximate 88% interest in Spotless and have had such an interest since the close of the takeover offer in 2017. If the Offer is successful Spotless will become a wholly owned subsidiary of Downer and Downer will therefore have an increased economic exposure to Spotless. While this increased economic exposure will afford Downer the opportunity to receive all of the benefit of any improvement in the financial performance and value of Spotless, the increased economic exposure also exposes Downer to greater risk if there is a financial deterioration and decline in the value of Spotless.

(ii) *Post-acquisition performance and synergies*

Downer has undertaken an internal analysis of the synergies which would be available as a result of successful completion of the Offer and 100% ownership of Spotless. It is possible that such analyses, the assumptions made by Downer and the resulting conclusions, are ultimately inaccurate or fail to be fully realised, or the costs associated with the acquisition (including transaction costs, taxes and stamp duty) or the level of synergy realisation are different compared to those indicated by Downer's analysis. In such circumstances, there is a risk that the profitability and future earnings of the operations of Downer Group (which includes the wholly-owned Spotless) may be different from the profitability and earnings expected as reflected in this Takeover Booklet.

(iii) *Completion risk*

While there is a high degree of certainty that Downer Services will be able to proceed with compulsory acquisition under the Takeover Bid and move to 100% ownership of Spotless, the technical nature of the relevant legislative provisions means there is a possibility that outcome might not be achieved or may be delayed.

If Downer and its related bodies corporate otherwise acquire less than 100% of the remaining shares in Spotless, the full benefits of completing the Takeover Bid would not be realised.

(b) **Economic and Financial Risks**

(i) *Level of Economic Activity*

Downer's operational and financial performance is linked to both the overall level of activity in the economy and the level of construction, investment and outsourcing in the sectors in which Downer operates. A reduction in economic activity (for example, during periods of economic recession, including, but not limited to, as a result of the impact of the COVID-19 pandemic), and particularly a reduction in demand for the commodities produced by many of Downer's larger clients, or a reduction in the level of outsourcing in the sectors in which Downer operates, can negatively impact the level of revenue and earnings generated by Downer.

(ii) *Level of government spending*

Public authorities in Australia and New Zealand are major clients of Downer. Changes in prioritisation of government spending or restrictions on the level of spending undertaken by governments (including, but not limited to, as a result of the impact of the COVID-19 pandemic) could impact the level of earnings generated by Downer.

(iii) *Continued access to capital markets*

Downer's ability to service its existing debt will depend on its future performance and cash flows, which in turn will be affected by various factors, certain of which are outside of its control (such as changes in interest and foreign exchange rates, and general economic conditions (including, but not limited to, as a result of the impact of the COVID-19 pandemic)). Any inability to service its existing debt may have

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a material adverse effect on Downer. Further, to the extent that additional equity or debt funding is not available from time to time on acceptable terms, Downer may not be able to operate its business in the ordinary course, take advantage of acquisition and other growth opportunities, develop new business or respond to competitive pressures.

(iv) *Financing covenants and ability to refinance*

Downer has various covenants in relation to its banking facilities. Factors such as increases in base rates, increased borrowings and weak operational performance could lead to Downer breaching its debt covenants. In certain circumstances, lenders may require that such banking facilities be repaid immediately. Under such a scenario, there is no guarantee that Downer will be able to secure alternative financing on commercially acceptable terms or at all. Further, where existing loans either approach or reach maturity, Downer may seek to re-negotiate with existing and new lenders to extend the maturity date of those loans. Downer's earnings profile, credit rating, state of the economy and other factors (including, but not limited to, the COVID-19 pandemic) may influence the outcome of those negotiations. Where refinancing occurs at a higher cost, this may impact the ability of Downer to win new work and the profitability of its operations.

(v) *Credit ratings*

As at the date of this Takeover Booklet, Downer was rated BBB (Stable) by Fitch Ratings. Changes to Downer's credit rating by Fitch Ratings may impact the ability of Downer to win new work as well as the cost of funding. Where the credit rating is reduced, or placed on negative watch, customers and suppliers may be less willing to contract with Downer as Downer may be considered to be a higher counterparty risk. Banks and other lending institutions may demand a higher interest rate on funds provided to Downer to reflect the higher risk of lending. In such circumstances, both the revenue and profitability of Downer may be reduced.

(vi) *Impact of interest rate and foreign exchange movements*

While Downer takes reasonable steps to protect itself through the use of hedges, rising interest rates may nonetheless adversely impact Downer's interest payments on its floating rate borrowings and inflation in underlying input costs may also adversely impact the anticipated returned from client operations. Notwithstanding the hedging arrangements Downer has in place, disruptions in financial markets (including, but not limited to, the impact of the COVID-19 pandemic) may affect the availability and cost of hedging, which may have a material adverse impact on the financial performance and position of Downer. In addition, as Downer operates internationally it faces foreign exchange rate risks associated with foreign currency denominated debt, input costs and offshore earnings.

(c) **COVID-19 Impact**

The ongoing COVID-19 pandemic has had a significant impact on the Australian and global economy and the ability of individuals, businesses, and governments to operate. Across Australia and the world, travel, trade, business, working arrangements and consumption have been materially impacted by the pandemic. In addition, events relating to COVID-19 have resulted in significant volatility across financial, commodity and other markets, including in the prices of securities trading on the ASX (including the price of Downer securities) and on other foreign securities exchanges.

As previously disclosed to ASX, COVID-19 has affected Downer in several ways, with:

- generally reduced productivity due to distancing measures;
- reduced provision of services (down to 30%) in New Zealand caused by Level 4 restrictions (now lifted);
- Spotless' hospitality division being unable to generate revenue and the laundries division operating on reduced volumes from private hospitals as a result of the cancellation of elective surgery;
- Asset services experiencing delays to non-essential maintenance and capital works;
- the Mining division being impacted by travel restrictions and changed work practices, as well as the closure of the Palabora mine in South Africa; and
- Yarra Trams fare box being impacted by reduced patronage.

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There continues to be considerable uncertainty as to the duration of and further impact of COVID-19. A new wave of infections, prolonged period of social distancing, quarantines, travel restrictions, work stoppages, (including in the construction industry), project delays, health authority actions, lockdowns and other related measures within Australia or New Zealand (or overseas), or an escalation of currently existing measures, may directly and indirectly impact a number of aspects of Downer's business divisions including those referred to above. Events such as those experienced in Victoria in July and August 2020 (where a state of disaster was declared and stage four restrictions for Melbourne were re-imposed as of 6:00pm on 2 August 2020) demonstrate that the easing of restrictions can be reversed quickly and without warning.

In addition, there is a risk of a COVID-19 related infection occurring at a location in which Downer operates, which could have a negative impact on Downer's ability to operate at that location. This may also create a risk of broader infection of Downer's workforce which could negatively impact on Downer's ability to meet its contractual obligations, and may adversely impact Downer's financial and business performance.

While Downer considers that it has a strong balance sheet, significant available liquidity and headroom in its bank covenants and expects it will have sufficient liquidity to deal with the circumstances relating to COVID-19 currently known to it, there is a risk that if the duration of events surrounding COVID-19 is prolonged, Downer may need to take additional measures in order to respond appropriately, including by raising additional funding or selling assets/businesses.

Downer is also exposed to counterparty risk in respect of its customers failing to fulfil their contractual obligations. This risk may be heightened as a result of COVID-19 and may cause Downer's financial performance and business to be impacted where its customers experience financial difficulties, reduce or discontinue operations or default on obligations owed to Downer.

There have been and may be other changes in the domestic and global macroeconomic environment associated with the events relating to COVID-19 that are beyond the control of Downer and may be exacerbated in an economic recession or downturn. These include, but are not limited to:

- changes in inflation, interest rates and foreign currency exchange rates;
- changes in employment levels and labour costs;
- changes in customer and consumer behaviours to those that existed prior to the pandemic;
- changes in aggregate investment and economic output; and
- other changes in economic conditions which may affect Downer's revenue or operating costs.

(d) **Workplace accidents and environmental incidents**

Downer maintains a rigorous focus on Zero Harm for its employees and environment, recognising that its activities can result in harm to people and the environment. As part of this focus Downer, on an ongoing basis, seeks to assess, understand and mitigate the "critical risks" facing Downer and implement "Cardinal Rules" which provide direction and guidance on these critical risks and high potential incidents. However, the risk of serious injury, death or environmental incident cannot be fully eliminated. In such cases there may be adverse impacts on project completions, as well as reputational damage to Downer. In the event Downer is found to have failed to comply with applicable health, safety or environmental legislative requirements, fines, penalties and/or compensation to those affected may be payable.

(e) **Key contracts, competition and retention of clients**

There is a risk that material contracts that Downer enters may not be renewed, renewed on less favourable terms or cancelled. Furthermore, some of the markets in which Downer operates are highly competitive. Increased competition can impact on Downer's ability to win new contracts. If such events take place this may lead to a decrease in work in hand, profitability and earnings. To manage these risks, Downer maintains its focus on forming strong relationships with customers across a range of different markets and delivering successful outcomes for its customers, strategic partnerships and joint ventures with leading technology and knowledge providers and a strong focus on its customer relationship management system.

In addition, some of the contracts that Downer enters have pricing that is 'fixed' or 'not to exceed'. While Downer undertakes thorough bid governance processes to ensure that projects are appropriately estimated and there is a strong focus on costs, supply chain management and project management controls, to the extent that the cost of delivering on its contractual obligations exceeds the estimated price, Downer could incur losses that are not recoverable from its customers.

(f) **Project management and bid governance for large projects**

Downer has sought to implement robust project risk management processes and systems across its business (including a project management office), as well as additional bid governance relating to tenders for large projects. Because of the nature of the industries in which Downer operates and the size of some of Downer's contracts, there is the possibility that material losses could be incurred if these systems and governance requirements are not followed correctly.

(g) **Key supplier, subcontractor and partner risk**

Where Downer is reliant on one or a small set of specialist suppliers or subcontractors to provide goods and services, the performance of these suppliers or subcontractors may impact Downer's ability to achieve budgeted project outcomes. Where suppliers or subcontractors do not fulfil contractual obligations or do not renew existing contracts, the ability of Downer to complete projects and win new work may be adversely affected. In addition, there are particular suppliers with whom Downer has a long term relationship which support Downer's business activities. A change in relationship with these suppliers and partners could negatively impact Downer's financial performance.

(h) **Capital expenditure**

Certain aspects of Downer's operations are reliant on significant capital investment being made in order for Downer to provide services to its customers. Downer's ongoing ability to win new work and to comply with its obligations in respect of existing contracts may be dependent on sufficient funds being available to Downer in respect of this capital expenditure.

(i) **Key personnel and labour issues**

Downer's growth and profitability may be limited by the loss of key management, the inability to attract new suitably qualified personnel or by increases in remuneration costs associated with attracting and retaining personnel. Downer is dependent on the availability of suitably skilled personnel to provide its services and therefore, access to labour can sometimes represent an ongoing risk in some parts of the business.

(j) **Product and services liability**

There is a risk that Downer may fail to fulfil its statutory and contractual obligations in relation to the quality of its products or services, which could give rise to contractual damages claims or statutory penalties. Some entities in the Downer Group are subject to normal design liability in relation to completed design and construction projects where that entity has had design responsibility and in some cases also construction responsibility. The liability may include claims, disputes and/or litigation against Downer Group companies and/or joint venture arrangements in which the Downer Group has an interest. The liabilities may also include an obligation on Downer to rectify the design defects at its own cost. The directors are of the opinion that there is adequate insurance to cover these potential liabilities and accordingly, no amounts are recognised in the financial statements.

(k) **Insurance**

The availability of insurance at an appropriate term and price is not guaranteed. It is possible that the occurrence of an event may not be fully covered, or covered at all, by insurance.

(l) **Payroll Remediation**

(i) *Employee Pay Remediation*

In 2019, following the identification of historical under and overpayments to some employees, the Downer Group commenced a review of the main Enterprise Agreements (**EA**) and Modern Awards (**MA**) under which permanent and casual Spotless employees have been engaged. The review was set up to validate the calculation of wage payments (covering hourly base rates of pay and other entitlements and allowances) through an assessment of how employment agreements, EAs and MAs have been applied, interpreted and configured in Spotless' payroll systems. The review is ongoing but has progressed to a point where management has been able to identify further instances of underpayments and form its best estimate of the additional cost of remediation in relation to these shortfalls.

(ii) *Redundancy costs*

In addition, on 1 July 2020, Spotless was notified that its appeal to the Full Federal Court in the matters of *United Voice v Berkeley Challenge Pty Limited* [2018] FCA 224 and *Fair Work Ombudsman v Spotless Services Australia Ltd* [2019] FCA 9 were unsuccessful. Both cases involved an interpretation

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of the ordinary and customary turnover of labour (**OCTL**) exemption to the obligation to make redundancy payments under the Fair Work Act 2009 (Cth). Spotless is currently considering the Court's judgment in the context of an application to the High Court of Australia for special leave to appeal. However, in the meantime Downer management has formed its best estimate of Spotless' exposure to make redundancy payments to former staff where the OCTL exemption has been historically relied upon and on an assumption that any appeal is not successful.

(iii) *Estimate of potential exposure in relation to employee pay remediation and redundancy costs risks*

Management has estimated the amount at $41m in relation to the above matters, which is recognised as a provision in the financial statements for the full year ended 30 June 2020. Of this amount, $25m is recognised as a prior period error in opening retained earnings, with $16m being recognised as an expense in the period. Each identified case is currently in the process of final validation and quantification. In the case of redundancy costs, the quantification and ultimate liability will also be subject to the outcome of any appeal.

The work involved in calculating the provision has been time consuming, complex and is senior management's best estimate of Downer Group's exposure in relation to (I)(i) and (I)(ii). The estimate is based on an assessment of substantial volumes of payroll data and where employee, payroll and/or rostering data has been missing or incomplete, assumptions have been made by the reviewing team in relation to known gaps. The estimate also relies upon the correct interpretation of the applicable EAs and MAs in calculating the shortfalls. Changes to any of the variables (including the reviewing period and numbers of employees affected), assumptions (including the roles that employees were originally hired to perform in the case of (I)(ii)) or inputs have the potential to result in further adjustments to the calculation of the shortfall, which would result in further provisioning being required in subsequent reporting periods.

Downer Group is committed to ensuring its people are paid in accordance with their legal entitlements and will keep the dedicated reviewing team in place until it is satisfied that the above matters have been addressed.

(m) **IT and Cyber risk**

Downer relies on IT infrastructure and systems and the efficient and uninterrupted operation of core technologies. Downer's core technologies and other systems and operations could be exposed to damage or interruption from system failures, computer viruses, cyber-attacks, power or telecommunication provider's failure or human error. These events may cause one or more of Downer's core technologies to become unavailable. Any interruptions to these operations would impact Downer's ability to operate and could result in business interruption, loss of customers and revenue, damaged reputation and weakening of competitive position and could therefore adversely affect Downer's operating and financial performance.

Downer uses technologies which involve the collection of confidential information. Through the ordinary course of business, Downer may be exposed to cyberattacks. Cyberattacks may lead to a compromise or breach of technology systems used by Downer to protect confidential information. It is possible that measures taken by Downer will not be sufficient to detect or prevent unauthorised access to, or disclosure of, confidential information, whether malicious or inadvertent. There is a risk that, if a cyberattack is successful, any data security breaches or Downer's inadvertent failure to protect confidential information could result in a loss of information integrity, breaches of Downer's obligations under applicable laws or client arrangements, system outages and the hacking of Downer systems. Each of these has the potential to have a materially adverse impact on Downer's reputation and financial performance.

Downer is currently undertaking an IT systems upgrade and is continuing to invest in data centres and network infrastructure. There is a risk that the costs of undertaking these improvements will exceed those anticipated by Downer, that the anticipated improvements are not achieved or that the upgrading process causes business disruption.

(n) **Environmental risk**

Downer operates in industries and services that may have a negative impact on the environment, including in respect of land, air and water pollution and greenhouse gas emissions. Downer believes in the pursuit of environmental excellence and enhancing liveability for all communities in which it operates. Downer is committed to developing solutions to reduce its energy consumption and greenhouse gas emissions and is seeking to transition to a low carbon economy. There is a risk that these strategies cause increases to Downer's cost structure or that Downer will be unable to satisfy future regulatory requirements relating to these matters.

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There is a risk that Downer's business operations may incur liability under applicable environmental laws and regulations that could adversely impact Downer's financial and business performance. In the event that Downer is found to have failed to comply with applicable environmental laws and regulations, fines, penalties and/or compensation to those affected may be payable. There is also a risk that any such event may have adverse impacts on project completions and result in reputational damage to Downer.

(o) **Future dividends and franking**

On 24 March 2020 Downer announced that payment of the interim dividend ($83 million) would be deferred until September 2020 as a consequence of COVID-19. While the current intention of Downer remains to pay that interim dividend, a number of listed companies have cancelled previously declared dividends as the COVID-19 pandemic develops. The impact of COVID-19 may also impact on the ability to pay future dividends.

While Downer maintains a progressive dividend policy with interim and final dividends generally being in line with improved earnings and balance sheet strength, any future dividends and the level of franking will ultimately be determined by the Downer Board having regard to a range of factors including the performance of Downer's businesses (particularly in the COVID-19 environment), the availability of cash, capital requirements of the business and obligations under debt instruments. There is no guarantee that any dividend will be paid by Downer or, if paid, that they will be paid at previous levels, or with the same level of franking as prior periods.

(p) **Partnerships and joint ventures**

Controlled entities have entered into various partnerships and joint ventures under which the controlled entity could ultimately be jointly and severally liable for the obligations of the partnership or joint venture. The participation of third parties in partnerships and joint ventures introduces the risk that Downer may not be able to determine the outcome of business decisions concerning the activities of the partnership or joint venture and may not be able to access surplus cash generated by the partnership or joint venture. The contractual terms governing the partnership or joint venture may give third party participants rights that are adverse to the interests of Downer in certain circumstances (for example where Downer breaches a term of the arrangement or where there is a change of control of Downer) and may give rise to disputes between the participants in the partnership or joint venture.

(q) **Asset impairment**

The Downer Board regularly monitors impairment risk. Consistent with accounting standards, Downer is periodically required to assess the carrying values of its assets. Where the value of an asset assessed is less than its carrying value, Downer is obliged to recognise an impairment charge in its profit or loss. Impairment charges can be significant and operate to reduce the level of a company's profits, may impact its capacity to pay dividends and may impact upon financial ratios relevant to Downer's financing arrangements. Impairment charges are a non-cash item.

On 21 July 2020, Downer announced non-cash impairment charges of $165m relating to the Spotless goodwill and certain other impairment charges (for example, $26m relating to the information systems of Downer), including as a result of the impact of COVID-19. While Downer believes that those impairment charges fully deal with the financial consequences of this deterioration in the relevant activities of the Downer Group there is a risk that deterioration in those activities may result in further impairment charges in relation to these matters.

(r) **Cost reductions**

Downer has undertaken an internal analysis of cost saving and restructuring opportunities available to the Downer Group. It is possible that such analyses, the assumptions made by Downer and the resulting conclusions, are ultimately inaccurate or fail to be fully realised, or the costs associated with the cost saving and restructuring opportunities (including transaction costs, taxes and stamp duty) or the level of cost saving realisations are different compared to those indicated by Downer's analysis. In such circumstances, there is a risk that the profitability and future earnings of the operations of the Downer Group may be different from the profitability and earnings expected as reflected in this Takeover Booklet.

On 21 July 2020 Downer announced that it will incur portfolio and exit costs of $142m to right size its corporate cost structure, primarily in restructuring and refocusing its hospitality, engineering and construction and infrastructure and construction divisions. There is a risk that the provision for these costs is insufficient to recognise the actual costs incurred in undertaking this right size of its corporate cost structure.

(s) **Acquisition and Divestment risks**

Downer periodically considers acquisition and divestment opportunities. There can be no assurance that Downer will identify suitable acquisition or divestment opportunities or other projects at acceptable prices, or

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successfully execute those opportunities. In addition, Downer's past and future acquisitions and divestments may be subject to unanticipated risks and liabilities, or may disrupt its operations. Acquisitions may not deliver projected benefits or value, and integrations may not be successful, resulting in interruptions to the achievement of business strategy. Due diligence undertaken in making acquisitions may not have identified all liabilities and risks associated with the relevant business. This may divert management's attention and resources from Downer's day to day operations.

Downer is conducting a portfolio review of its business in order to determine whether to divest certain non-core assets and business units, particularly its mining and laundries business units. The laundries sale process has been paused and is intended to resume when investment market conditions improve. There is no guarantee that Downer will be able to dispose of these assets or business units at acceptable prices or successfully execute any such disposal opportunities.

Downer is seeking to move away from higher risk construction projects in Downer's engineering and construction and Spotless' infrastructure and construction divisions as remaining projects complete. The stadium and events business of Spotless Hospitality has been placed in hibernation as Downer determines which parts of that business or contracts will continue, be run off or sold as future market demand becomes clearer. The exiting of these projects and businesses may involve unanticipated costs and may impact the future financial performance of Downer.

(t) **Guarantees and indemnities**

Downer and certain of its controlled entities are called upon to give guarantees and indemnities in respect of the performance by counterparties, including controlled entities and related parties, of their contractual and financial obligations. These guarantees and indemnities are generally indeterminable in amount.

(u) **Litigation**

Downer is subject to the usual business risk that disputes or litigation may arise from time to time in the course of its business activities. Downer's FY20 Annual Financial Report and half-year report for the 6 months ended 31 December 2019 discloses a number of such disputes, claims and litigation such as those relating to the "leaky building" claims in New Zealand. If such issues are not resolved in line with Downer's expectations, there could be a material impact on Downer's financial position.

(v) **General risks**

(i) *General equity market and investment risk*

The price of Downer Shares will fluctuate due to various factors including movements in Australian equity markets, recommendations by brokers and analysts, interest rates, inflation, Australian and international economic conditions, changes in government, fiscal, monetary and regulatory policies, global and geo-political events and hostilities, natural disasters, changing climatic conditions, pandemics, public health emergencies, acts of terrorism, investor perceptions and other factors that may affect Downer’s financial position and earnings. Downer manages its exposure to these risks by undertaking, among other things, strategic partnerships and joint ventures to diversify revenue sources.

(ii) *Government policies and legislation*

Downer’s business is affected by a range of industry specific and general legal and regulatory controls. Changes in these types of controls can have an adverse effect on Downer’s financial performance. Further, any major shift in regulatory policy may impact on the profitability of Downer and its customers. Infrastructure projects, which are a key source of revenue for Downer, are subject to discretion by government departments and ministers.

(iii) *Business interruptions*

Significant business interruptions as a result of natural disasters (such as fire, earthquake, flood or cyclone), pandemics or public health emergencies, general periods of prolonged rain, unstable service sites or regulatory intervention may have a materially adverse impact on the business activities of Downer and its clients and may lead to a decrease in profitability and earnings.

(iv) *Taxation risk*

Future changes in the tax law of Australia or the investor's jurisdiction, including changes in interpretation or application of the law by courts or taxation authorities in Australia or the investor's jurisdiction, may affect the taxation treatment of an investment in Downer Shares or the holding and disposal of those shares.

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Further, changes in tax law, or changes in the way tax law is expected to be interpreted in the various jurisdictions in which Downer operates may impact the future tax liabilities of Downer.

(v) *Changes in accounting policy*

Changes to Australian Accounting Standards could affect Downer's reported earnings and its financial position from time to time.

The 21 July 2020 announcement, 21 July 2020 investor presentation and Downer's FY20 Annual Financial Report can be obtained by referring to www.asx.com.au. Copies can also be obtained free of charge by contacting the Offer Information Line on 1300 157 206 (for callers in Australia) and +61 3 9415 4087 (for international callers).

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8. SOURCES OF CONSIDERATION

8.1 Consideration under the Offer

The Cash Consideration component for the acquisition of the Spotless Shares to which the Offer relates will be satisfied by the payment by Downer Services of cash (in Australian dollars).

The Cash Consideration offered for each of Your Acceptance Shares is $1.00. The maximum cash amount which may be required by Downer Services to settle acceptances under the Offer is approximately $135 million (**Maximum Cash Consideration**).

The Maximum Cash Consideration has been calculated on the basis each Spotless Shareholder that is not Downer or its related bodies corporate either accepts the Offer, or otherwise has its Spotless Shares compulsorily acquired under Part 6A.1 of the Corporations Act.

In respect of the Scrip Consideration, Downer will issue the Scrip Consideration on the terms set out in Annexure A of the Takeover Booklet.

Anticipated costs and expenses to be incurred by Downer in connection with the Offer are expected to be approximately $2 million.

8.2 Sources of funds

Downer Services' acquisition of Spotless Shares under the Offer will be funded through available cash reserves. Such cash reserves include the proceeds of the Entitlement Offer to raise approximately $400 million. The institutional component of the Entitlement Offer completed on 22 July 2020 with gross proceeds of approximately $332 million raised. The retail component of the Entitlement Offer, which will close on 14 August 2020, is expected to additionally raise gross proceeds of approximately $68 million.

Downer has allocated a cash pool of approximately $135 million out of its existing cash reserves to satisfy the Cash Consideration payable by Downer Services under the Offer, to be advanced to Downer Finance under the Intercompany Facility, and by Downer Finance to Downer Services under the Holdings Facility as described below.

8.3 Intercompany Facility

A portion of the amounts raised under the Entitlement Offer have been allocated to satisfy the Cash Consideration and will be advanced to Downer Finance under a cash advance facility which Downer has entered into with Downer Finance (**Intercompany Facility**).

The terms of the Intercompany Facility are set out in a cash advance facility agreement dated 11 August 2020 between Downer and Downer Finance. In summary, the Intercompany Facility enables Downer's allocated proceeds of the Entitlement Offer to be advanced by Downer to Downer Finance, thereby enabling Downer Finance to advance to Downer Services the same funds under the Holdings Facility (described below), for the purposes of acquiring Spotless Shares under the Offer and paying associated transaction costs.

The Intercompany Facility is interest free (unless otherwise agreed between the parties on the terms of the Intercompany Facility) and unsecured. There are no conditions precedent to Downer Finance's drawdown of the funds under the Intercompany Facility.

8.4 Holdings Facility

The Cash Consideration for the Offer and the funds required to satisfy other obligations of Downer Services relating to the Offer (including stamp duty, advisor fees and other transaction costs) will be provided under a cash advance facility agreement which Downer Services has entered into with Downer Finance (**Holdings Facility**).

Downer Services and Downer Finance are each wholly owned subsidiaries of Downer.

Under the Holdings Facility, Downer Finance has agreed to advance to Downer Services the amounts raised under the Entitlement Offer which will be sufficient to cover the Maximum Cash Consideration and associated transaction costs.

The terms of the Holdings Facility are set out in a cash advance facility agreement dated 11 August 2020 between Downer Finance and Downer Services. The Holdings Facility is interest free (unless otherwise agreed between the parties on the terms of the Holdings Facility) and unsecured. There are no conditions precedent to Downer Services' drawdown of the funds under the Holdings Facility.

8.5 **Provision of Consideration**

On the basis of the arrangements described in this section 8, Downer Services is of the opinion that it has reasonable grounds for holding the view, and holds the view, that it will be able to provide the Consideration offered under the Offer.

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9. TAX CONSIDERATIONS FOR SPOTLESS SHAREHOLDERS

9.1 Introduction

This section does not constitute tax advice and You should obtain Your own specific professional tax advice as to the taxation implications for Your circumstances. Neither Downer nor Downer Services, nor any of their directors or advisers accept any liability or responsibility in respect of any statement concerning the taxation consequences to You from disposing of Your Spotless Shares pursuant to the Offer or having Your Spotless Shares compulsorily acquired by Downer Services under Part 6A.1 of the Corporations Act.

This section provides a general outline of the key Australian taxation implications from disposing of Your Spotless Shares pursuant to the Offer or having Your Spotless Shares compulsorily acquired by Downer Services under Part 6A.1 of the Corporations Act in return for Cash Consideration and Scrip Consideration. This section does not address the taxation implications of Downer or Downer Services compulsorily acquiring Your Spotless Shares under Part 6A.2 of the Corporations Act. If Downer or Downer Services decides to proceed with compulsory acquisition under Part 6A.2 of the Corporations Act, further comments on the taxation implications of Your Spotless Shares being compulsorily acquired under that part may be provided at that time.

The information in this section is based upon Australian taxation law and administrative practice in effect at the date of this Takeover Booklet. The taxation laws are complex and are subject to change, as is their interpretation by the courts and the taxation authorities.

The taxation consequences to You of disposing of Your Spotless Shares depend on a number of factors and will vary depending on Your particular circumstances. The outline provided in this section is of a general nature only and does not consider any specific facts or circumstances that may apply to You.

This outline only applies to Spotless Shareholders who hold their Spotless Shares on capital account for Australian taxation purposes and are either Australian residents or non-residents to whom section 9.3 applies.

In addition, this outline does not apply to Spotless Shareholders who:

(a) hold their Spotless Shares, Downer Contingent Share Options or any new Downer Shares issued upon exercise of the Downer Contingent Share Options (**New Downer Shares**) as trading stock (eg in the course of carrying on a business) or on revenue account (eg as part of a profit-making undertaking or scheme);

(b) acquired their Spotless Shares pursuant to an employee share, rights or option scheme; or

(c) are subject to the Taxation of Financial Arrangements provisions in Division 230 of the *Income Tax Assessment Act 1997* (Cth),

and does not deal with the taxation implications under laws of countries other than Australia.

9.2 Australian resident Spotless Shareholders

This section 9.2 applies to Spotless Shareholders who are residents of Australia for Australian income tax purposes.

(a) Disposal of Spotless Shares

(i) CGT event

A disposal of Your Spotless Shares pursuant to the Offer should constitute a CGT event. The CGT event should happen when You enter into the contract to dispose of Your Spotless Shares, or in the case of a compulsory acquisition under Part 6A.1 of the Corporations Act, when Downer becomes the owner of Your Spotless Shares.

No CGT roll-overs (eg scrip for scrip CGT roll-over) are available in respect of the disposal of Your Spotless Shares.

(ii) Calculation of capital gain or capital loss

You should make a capital gain to the extent that the capital proceeds from the disposal of Your Spotless Shares are more than their cost base. Conversely, You should make a capital loss to the extent that the capital proceeds from the disposal of Your Spotless Shares are less than their reduced cost base.

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(iii) Cost base

The cost base of Your Spotless Shares should include the purchase price of the shares and certain non-deductible incidental costs of their acquisition and disposal. The reduced cost base of Your Spotless Shares should be determined in a similar, but not identical, manner.

(iv) Capital proceeds

The capital proceeds from a disposal of Your Spotless Shares should include:

- the amount of Cash Consideration; and
- the market value of the Downer Contingent Share Options worked out at the time of the CGT event (see section (a) above).

(v) Calculation of net capital gain

If You make a capital gain from a disposal of Your Spotless Shares, the capital gain is aggregated with any other capital gains made by You in the same income year. Any available capital losses You have from the same or previous income years may then be offset against the capital gains (subject to satisfaction of loss recoupment tests). If there is a capital gain remaining after application of available capital losses, You may be entitled to apply a discount (see below). Any net capital gain after applying the discount (if applicable) is included in Your assessable income in that income year.

Individuals, complying superannuation entities and trusts that have held their Spotless Shares for at least 12 months before the CGT event may be entitled to discount the amount of the capital gain (after application of capital losses) by 50% in the case of individuals and trusts or by $33^{1/3}$% for complying superannuation entities. For trusts, the ultimate availability of the discount for beneficiaries of the trust in relation to distributions of capital gains by the trust will depend on the particular circumstances of the beneficiaries. No discount is available for Spotless Shareholders that are companies.

If You make a capital loss from the disposal of Your Spotless Shares, the capital loss may only be used to offset Your capital gains in the same or future income years (subject to satisfaction of loss recoupment tests) and may not be used to offset other income.

(b) Downer Contingent Share Options

(i) Grant of Downer Contingent Share Options

The grant of the Downer Contingent Share Options should not trigger a CGT event for You.

Your cost base (and reduced cost base) of the Downer Contingent Share Option should include the market value of the property that You gave to acquire the Downer Contingent Share Options (ie the excess of the market value of Your Spotless Shares above the Cash Consideration) and certain non-deductible incidental costs of their acquisition and disposal.

(ii) Exercise of Downer Contingent Share Options

If some or all of Your Downer Contingent Share Options are exercised, You will be issued New Downer Shares. In this case:

- the Downer Contingent Share Options will cease to exist and a CGT event will happen, but any capital gain or loss made on exercise of the Downer Contingent Share Options should be disregarded;
- the New Downer Shares acquired as a result of exercising the Downer Contingent Share Options should be treated for CGT purposes as having been acquired at the time of exercise; and
- the first element of the cost base (and reduced cost base) of the New Downer Shares should be equal to the market value of the property that You gave to acquire the Downer Contingent Share Options (ie the excess of the market value of Your Spotless Shares above the Cash Consideration).

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(iii) Downer Contingent Share Options not exercised

If some or all of Your Downer Contingent Share Options are not exercised, they will lapse and a CGT event will happen.

You should make a capital loss to the extent that the capital proceeds from the lapsing of the Downer Contingent Share Options (being nil) are more than their reduced cost base.

9.3 Non-resident shareholders

(a) Application

This section 9.3 applies to Spotless Shareholders who:

(i) are not residents of Australia for Australian income tax purposes;

(ii) do not hold their Spotless Shares, Downer Contingent Share Options or any New Downer Shares in carrying on a business through a permanent establishment in Australia; and

(iii) did not make an election to treat their Spotless Shares, Downer Contingent Share Options or any New Downer Shares as 'taxable Australian property' if and when they ceased to be an Australian resident.

(b) Disposal of Spotless Shares

The disposal of Your Spotless Shares will generally only have Australian CGT implications for You if Your Spotless Shares are 'indirect Australian real property interests' at the time of the CGT event.

Shares in a company should generally be indirect Australian real property interests if the shares meet the following conditions:

(i) the shareholder together with its associates held 10% or more of the total shares on issue at the time of the CGT event or for any 12 month period within two years preceding the CGT event (referred to as a 'non-portfolio interest'); and

(ii) the aggregate market value of the company's assets which are 'taxable Australian real property' (eg interests in Australian real property, including leases of Australian real property held directly or indirectly through interposed entities) exceeds the aggregate market value of the company's assets which are not taxable Australian real property (referred to as the 'principal asset test').

If You hold a 'non-portfolio interest' in Spotless You should obtain independent tax advice as to the tax implications of the disposal of Your Spotless Shares.

(c) Downer Contingent Share Options

The Downer Contingent Share Options will generally only have CGT implications for You if the Downer Contingent Share Options are 'taxable Australian property'.

The Downer Contingent Share Options will generally not be taxable Australian property if any Downer Shares You hold or may acquire under any rights or options are not indirect Australian real property interests (determined based on the conditions set out in section 9.3(b) above).

If You could hold a 'non-portfolio interest' in Downer before or after exercising Your Downer Contingent Share Options, You should obtain independent tax advice as to the tax implications of holding and exercising the Downer Contingent Share Options.

9.4 Non-resident CGT withholding rules

Purchasers that acquire indirect Australian real property interests (as described in section 9.3) in an off-market acquisition may, subject to certain exceptions, be required to withhold 12.5% of the consideration and pay that amount to the ATO. In certain circumstances, the ATO may agree to a lower withholding rate.

Under these rules, Downer Services may be required to make a withholding from the Cash and Scrip Consideration payable to You for the disposal of Your Spotless Shares where:

(a) Downer Services knows or reasonably believes that You are a non-resident or You have an overseas address or Downer Services is authorised to pay the consideration overseas (in the case where Downer Services does not reasonably believe that You are an Australian resident); and

(b) Your Spotless Shares are indirect Australian real property interests (as described in section 9.3 above).

In relation to this Offer, as at the date of this Takeover Booklet, Downer Services does not consider Spotless to satisfy the 'principal asset test' (as described in section 9.3 above), and on that basis, does not consider that withholding under these rules is required. Accordingly, subject to there being no material change in circumstances by the time You dispose of Your Spotless Shares Downer Services does not intend to make a withholding from any Consideration payable to You in accordance with these rules.

9.5 New Downer Shares

If some or all of Your Downer Contingent Share Options are exercised, You will acquire New Downer Shares for CGT purposes at the time of exercise. Any future dividends or other distributions made in respect of the New Downer Shares should generally be subject to the ordinary tax treatment of dividends or other distributions made in respect of shares held in an Australian resident company.

You may make a capital gain or loss in the future on the disposal of Your New Downer Shares. For Australian resident shareholders, Your capital gain is generally equal to the capital proceeds from the disposal of Your New Downer Shares less the cost base of the New Downer Shares. Conversely, Your capital loss is generally equal to the capital proceeds from the disposal of Your New Downer Shares less the reduced cost base of the New Downer Shares. Your net capital gain, including any entitlement to the CGT discount, should generally be determined in the same manner as in section 9.2(a)(v) above.

For non-resident shareholders covered by section 9.3 above, the New Downer Shares should generally only have CGT implications if they are indirect Australian real property interests (determined based on the conditions set out in section 9.3(b)). If You could hold a 'non-portfolio interest' in Downer before or after exercising Your Downer Contingent Share Options, You should obtain independent tax advice as to the tax implications of holding Downer Shares.

9.6 GST & stamp duty

No liability to GST should arise for You in respect of a disposal of Your Spotless Shares, the issue of the Downer Contingent Share Options or any issue of New Downer Shares.

If You incur GST on acquisitions (eg GST on legal, financial or tax advice), to the extent that Your acquisition relates to the disposal of Your Spotless Shares, the issue of the Downer Contingent Share Options or any issue of New Downer Shares, You may not be entitled to claim input tax credits or only entitled to reduced input tax credits in relation to that GST. You should seek independent tax advice in relation to Your individual circumstances.

Downer Services will pay any stamp duty payable on its acquisition of Spotless Shares from You pursuant to the Offer. No stamp duty should be payable on the issue of the Downer Contingent Share Options or the issue of New Downer Shares.

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10. ADDITIONAL INFORMATION

10.1 Compulsory acquisition

If Downer Services becomes entitled to compulsorily acquire outstanding Spotless Shares under the provisions of either Part 6A.1 or Part 6A.2 of the Corporations Act, Downer Services presently intends to proceed with compulsory acquisition of those Spotless Shares.

Downer Services may proceed with compulsory acquisition in one of two ways:

(a) Compulsory acquisition under Part 6A.1 of the Corporations Act

Part 6A.1 of the Corporations Act provides that if during or at the end of the Offer Period Downer Services and its associates have relevant interests in at least 90% (by number) of Spotless Shares, and Downer Services and its associates have acquired at least 75% (by number) of the Spotless Shares that Downer Services has offered to acquire under the bid (whether the acquisitions happened under the bid or otherwise), Downer Services may compulsorily acquire any remaining Spotless Shares not accepted into the Offer.

As a result of the entry into the Call Option Deed, Downer Services and its associates have relevant interests in at least 90% (by number) of Spotless Shares.

If Coltrane were to accept the Offer for all of the Spotless Shares it holds, Downer Services and its associates will acquire at least 75% (by number) of the Spotless Shares that Downer Services has offered to acquire under the bid.

If these two conditions to compulsory acquisition are satisfied Downer Services intends to proceed with compulsory acquisition of Spotless Shares as soon as practicable, whether or not that is during the Offer Period. That process requires, amongst other things, that Downer Services give a compulsory acquisition notice to remaining Spotless Shareholders in accordance with the requirements of the Corporations Act informing those Spotless Shareholders that Downer Services is entitled to acquire their Spotless Shares and of their rights under Part 6A.1 of the Corporations Act.

When that notice is given to Spotless Shareholders and lodged with ASIC, Downer Services may proceed with compulsory acquisition of Spotless Shares before the end of 14 days after the end of one month after the notice is lodged with ASIC (or a request has been made by Spotless Shareholders for details of other minority shareholders or a determination has been made of a Court application to stop the compulsory acquisition).

Compulsory acquisition under this regime would result in remaining Spotless Shareholders receiving the same consideration for their Spotless Shares as the Consideration paid under the Offer. However payment of that consideration would likely occur later than if the Offer had been accepted by a Spotless Shareholder.

(b) Compulsory acquisition under Part 6A.2 of the Corporations Act

Part 6A.2 of the Corporations Act provides that if a person is a "90% holder" in relation to a class of securities of a company they may compulsorily acquire all the securities in that class if either the holders of securities in that class who object to the acquisition hold less than 10% by value of the securities at the end of a specified notice period or the acquisition is approved by the Court.

As a result of the entry into the Call Option Deed and acceptance of the Call Option Shares into the Offer, Downer will become a 90% holder in relation to Spotless Shares. Downer and Downer Services will be entitled to give notices to compulsorily acquire Spotless Shares within 6 months of having become a 90% holder. Downer and Downer Services intend to exercise these rights if Downer Services could not proceed with compulsory acquisition under Part 6A.1 of the Corporations Act as described above.

The procedure for compulsory acquisition under these alternative provisions differ from the procedures referred to above in relation to Part 6A.1 of the Corporations Act. In particular, an expert nominated by ASIC must provide a report as to whether, amongst other things, the terms of compulsory acquisition give a fair value for the securities concerned.

Under these provisions, Downer may only acquire securities for a cash sum. As such, remaining Downer Shareholders would not receive Downer Contingent Share Options if compulsory acquisition proceeded under this alternative regime.

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10.2 Summary of terms of Downer Contingent Share Options

A summary of the terms of the Downer Contingent Share Options are set out below. The full terms of the Downer Contingent Share Options are set out in Annexure B.

Exercise Price	Nil.
Option Term	If the Target Price Condition is not satisfied within 4 years from the date the Offer Period commences, the Downer Contingent Share Options will lapse.
Entitlement upon Exercise	One ordinary share in Downer.
Exercise Conditions	Downer Contingent Share Options are allocated into and exercisable in three series (titled Tranche 1 Series, Tranche 2 Series and Tranche 3 Series, subject to rounding applied to Tranche 2 and/or Tranche 3 as the case may be).[17] The exercise of Downer Contingent Share Options in a series is subject to satisfaction of the Target Price Condition for that series. The Target Price Condition is satisfied when, in respect of a series, Downer's 5-day VWAP* is *equal to* or *exceeds* the relevant Target Price (as stipulated in the table below and subject to certain adjustments) for that Series. **Series** / **Target Price** / **Target Price post Entitlement Offer**[18] Tranche 1 Series / $6.50 / $6.382 Tranche 2 Series / $7.00 / $6.873 Tranche 3 Series / $7.50 / $7.364 *the average volume weighted average sale price of a Downer Share calculated over the prior five consecutive trading days of Downer Shares on ASX, excluding certain crossing transactions. Downer and Downer Services make no representation that these Target Price Conditions will be satisfied during the term of the Downer Contingent Share Options. In the seven years prior to the date of this Takeover Booklet, the highest recorded closing price for Downer Shares on ASX was $8.72 and the lowest recorded closing price for Downer Shares on ASX was $2.68.[19] Past share price performance is no guide as to future share price performance.
How to Exercise the Option	Downer Contingent Share Options in a series will be automatically exercised when a Target Price Condition for that series has been satisfied, unless a DCSO Holder has opted for Manual Exercise. A DCSO Holder may elect for Manual Exercise by giving Downer an Election Notice set out in the form accompanying this Takeover Booklet. If a DCSO Holder wishes to exercise the Downer Contingent Share Option: • For DCSO Holders who have not opted for Manual Exercise, automatic exercise takes place on the date when the Target Price Condition for the relevant series of Downer Contingent Share Options is satisfied. • For DCSO Holders who have opted for Manual Exercise, an Exercise Notice must be provided to Downer by no later than 5.00pm, Sydney time, on the date which is 20 business days after the target price condition for the relevant series of Downer Contingent Share Options has been satisfied. You should carefully consider whether or not You wish to choose Manual Exercise as You may lose the right to receive Downer Shares if You do not correctly give notice of exercise to Downer. You are not required to complete this Election Notice to receive Downer Contingent Share Options. You should consult Your financial or professional adviser before deciding to complete the Election Notice.

[17] Example: If 100 Downer Contingent Share Options are issued to a Spotless Shareholder, 33 will be allocated to Tranche 1 Series, 33 to Tranche 2 Series and 34 to Tranche 3 Series. If 101 Downer Contingent Share Options are issued to a Spotless Shareholder, 33 will be allocated to Tranche 1 Series, 34 to Tranche 2 Series and 34 to Tranche 3 Series.

[18] Target Price assuming the successful completion of the retail component of the Entitlement Offer.

[19] Historic prices have been adjusted for the impact of the Entitlement Offer.

Quotation and Transferability	Downer Contingent Share Options will not be quoted on ASX. Downer Contingent Share Options are transferable with Downer's consent (which is not to be unreasonably withheld or delayed).
Adjustments	Downer Contingent Share Options are subject to customary adjustment provisions in the event of a bonus issue or reorganisations of capital. Depending on the type of corporate action that triggers an adjustment, the Target Price or the number of Downer Shares which may be issued under a Downer Contingent Share Option may be varied accordingly.
Participation Rights	Downer Contingent Share Options do not confer on the holder: • any voting rights at a Downer general meeting; • any rights to participate in new issues of capital by Downer; nor • any right to a dividend or any entitlement to Downer assets on a winding up.

10.3 **Rights and liabilities attaching to Downer Shares**

(a) **Overview**

A Downer Share issued upon exercise of a Downer Contingent Share Option will be issued fully paid and will rank equally for dividends and other rights with existing Downer Shares except that they will not be eligible for the 2020 interim dividend of 14 cents per share to be paid on 25 September 2020 (which had a record date of 26 February 2020).

The rights and liabilities attaching to a Downer Share are set out in Downer's constitution (the **Constitution**) and in the Corporations Act. A copy of the Constitution can be obtained from Downer's website (www.downergroup.com) or from Downer on request (free of charge).

Under the Corporations Act, the Constitution has effect as a contract between Downer and each member and between a member of Downer and each other member. Accordingly, if You accept and satisfy the requirements of the Offer (and You are not an Ineligible Foreign Shareholder, unless Downer Services determines otherwise in its absolute discretion), You will receive Downer Contingent Share Options which, if exercised, will entitle You to one Downer Share and therefore You will become liable to comply with the Constitution.

Section 10.3(b)-(p) below provides a summary of the rights and the liabilities attaching to Downer Shares. It does not purport to be exhaustive or to constitute a definitive statement of the rights and liabilities of Downer Shareholders. Such rights and liabilities involve complex questions of law arising from the interaction of the Constitution, ASX Listing Rules, statutory and common law requirements. Shareholders should seek their own advice when trying to establish their rights and liabilities in specific circumstances.

(b) **General meetings and notices**

Downer Shareholders' rights to attend and vote at shareholder meetings are mostly prescribed by the Corporations Act. Each Downer Shareholder is entitled to receive notice of, attend and (except in certain circumstances) vote at, general meetings of Downer and to receive all notices, accounts and other documents required to be sent to Downer Shareholders under the Constitution, the Corporations Act and ASX Listing Rules.

Downer may serve notice on a Downer Shareholder in any manner permitted by the Corporations Act.

(c) **Voting rights**

Subject to any rights or restrictions for the time being attached to any class or classes of Downer Shares and the terms of the Constitution, at a general meeting, every Downer Shareholder present in person or by proxy, attorney or representative has:

(i) one vote on a show of hands (unless a member has appointed two or more proxies); and

(ii) one vote on a poll for each fully paid Downer Share held (with adjusted voting rights for partly paid Downer Shares).

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Where there are two or more joint shareholders of a Downer Share and more than one joint shareholder tenders a vote, the vote of the shareholder named first in the register who tenders the vote, or on behalf of whom the vote is tendered, will be counted.

Voting at any meeting of Downer Shareholders is by a show of hands unless a poll is demanded. A poll may be demanded (except on a resolution concerning the election of the chairman of a meeting) by (A) at least five members entitled to vote on the resolution, (B) members with at least 5% per cent of the votes that may be cast on the resolution on the poll, or (C) the chairman.

If votes are equal on a proposed resolution, the chairman has a casting vote (unless the chairman is not entitled to vote, in which case the matter is decided in the negative).

(d) **Dividend rights and distributions in kind**

The Downer Board may, subject to the Constitution and the Corporations Act, resolve to pay any dividend it thinks appropriate (including by way of a dividend in kind) and fix the time for payment.

(e) **Issue of further Downer Shares**

The Downer Board may (subject to the restrictions on the issue of shares imposed by the Constitution, the Corporations Act and the ASX Listing Rules) issue, grant options over or otherwise dispose of unissued shares to any person on the terms, with the rights, and at the times that the Downer Board decides.

(f) **Variation of class rights**

Subject to the Corporations Act, the rights attached to a class of shares may (unless their terms of issue state otherwise) be varied with the written consent of the holders of 75% of the issued shares of the affected class, or by special resolution passed at a separate meeting of the holders of the issued shares of the affected class. Subject to the terms of issue, the rights conferred on the holders of shares in a particular class are not varied by the issue of further shares in the same class.

(g) **Transfer of Downer Shares**

Subject to the Constitution, Downer Shareholders may transfer Downer Shares by any means permitted by the Corporations Act or by law. The Downer Board may refuse to register a transfer of shares only if that refusal would not contravene the ASX Listing Rules or the ASX Settlement Operating Rules.

(h) **Reduction of capital**

Downer may reduce its share capital by way of a reduction of capital, a buy-back or otherwise in accordance with the Constitution, the Corporations Act and the ASX Listing Rules.

(i) **Minimum shareholding**

Where a Downer Shareholder holds an 'unmarketable parcel' of Downer Shares (a parcel of shares of a single class which is less than a marketable parcel within the meaning of the ASX Listing Rules, or any number as determined by the Downer Board and subject to the Corporations Act, the ASX Listing Rules and the ASX Settlement Operating Rules), those shares may be sold by Downer subject to the terms set out in Downer's Constitution.

(j) **Capitalising profits**

Downer may capitalise profits, reserves or other amounts available for distribution to shareholders. Subject to the terms of issue of shares and the Constitution, Downer Shareholders are entitled to participate in a capital distribution in the same proportions in which they are entitled to participate in dividends.

(k) **Preference shares**

Downer may issue preference shares (including redeemable preference shares) with rights as set out in the Constitution, or other rights as approved by special resolution of the shareholders.

(l) **Officers' indemnity**

Subject to the Corporations Act and other applicable laws, Downer must, to the extent the person is not otherwise indemnified, indemnify every officer of Downer and its wholly owned subsidiaries, and may indemnify its auditor against a liability incurred as such an officer or auditor to a person (other than Downer or a related

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body corporate), unless the liability arises out of conduct involving a lack of good faith. Downer may make a payment in respect of legal costs incurred by an officer, employee or auditor in defending an action for a liability incurred as such an officer, employee or auditor or in resisting or responding to actions taken by a government agency or liquidator.

(m) **Proportional Takeover Provisions**

Proportional takeover provisions were adopted by Downer Shareholders in the Constitution and were most recently renewed at the 2019 Annual General Meeting. The provisions prohibit the registration of transfers of Downer Shares acquired under a proportional takeover bid unless a resolution is passed by Downer Shareholders approving the bid. The provisions cease to have effect on the third anniversary of their adoption or last renewal unless renewed.

(n) **Winding-up**

If Downer is wound up, the liquidator may, with the sanction of a special resolution, divide the assets of Downer among Downer Shareholders in kind and, for that purpose, fix the value of assets and decide how the division is to be carried out as between the Downer Shareholders and different classes of Downer Shareholders and vest Downer's assets in trustees on any trusts for the benefit of Downer Shareholders as the liquidator thinks appropriate.

(o) **Appointment of directors**

Subject to the minimum number of directors being three, and the maximum number of directors as fixed by the Downer Board (being a number not more than 15 unless otherwise resolved by the company in general meeting), Downer Shareholders may by ordinary resolution appoint any person as a director of Downer.

(p) **Amending the constitution of Downer**

The Corporations Act provides that the constitution of a company may be modified or repealed by a special resolution passed by the shareholders of the company (ie passed by at least 75% of the votes cast by shareholders entitled to vote on the resolution).

The Constitution does not provide any further requirements to be complied with to effect a modification of, or to repeal, the Constitution.

10.4 **Coltrane Call Option Deed**

On 21 July 2020, Downer and Coltrane entered into the Call Option Deed.

Pursuant to the Call Option Deed, Coltrane has irrevocably granted Downer an option to acquire 33,067,196 Spotless Shares in which Coltrane had a relevant interest, representing c.2.99% of the issued Spotless Shares, for the Consideration and subject to the terms of the Call Option Deed. There is no premium payable for the grant of the call option. The exercise price payable by Downer and the timing of payment of the exercise price on exercise of the call option will be on the terms set out in the Offer.

The Call Option Deed provides that Downer may exercise the call option at any time during the Offer Period by delivering a duly completed exercise notice. Downer intends to do so when the Offer Period commences. When a duly completed exercise notice has been delivered, Coltrane must as soon as practicable and in any event no later than 2 business days from delivery of the exercise notice irrevocably and duly accept the Offer in respect of the Call Option Shares. Coltrane must not exercise any withdrawal right it may have or that may become available to it in respect of the Call Option Shares under the Offer. For the avoidance of doubt these provisions do not require Coltrane to take any action under the Offer in respect of Spotless Shares held by Coltrane other than the Call Option Shares. Regardless of whether Downer Services exercises the call option, Coltrane may, in its absolute discretion, accept the Offer in respect of any or all of its Spotless Shares.

Pursuant to the Call Option Deed, Downer agreed to announce its intention to make a takeover bid substantially on the terms that are now provided for in the Offer by no later than 1 business day after 21 July 2020.

Pursuant to the Call Option Deed Coltrane has agreed not to deal with the Call Option Shares otherwise than in accordance with the terms and conditions of the Call Option Deed or otherwise with the prior written consent of Downer, not to approach or solicit inquiries from or initiate discussions with any person in relation to a potential dealing in the Call Option Shares or participate in any discussions or negotiations, not to provide any information or take any other action to facilitate any such dealings and to vote the Call Option Shares in accordance with all written instructions provided to Coltrane by Downer.

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The Call Option Deed contains customary representations and warranties given by Coltrane concerning its corporate capacity to enter the Call Option Deed and its ownership of the Call Option Shares. The Call Option Deed contains acknowledgements that, other than in respect of the Call Option Shares, Downer has no power to exercise rights to vote, dispose of or prevent dealings in Spotless Shares in which Coltrane has a relevant interest and that the parties are not associates in relation to Spotless.

10.5 Modifications to and exemptions from the Corporations Act

Downer and Downer Services have not obtained from ASIC any modifications of, or exemptions from, the Corporations Act in relation to the Offer. However, ASIC has published various instruments providing for modifications and exemptions that apply generally to all persons, including Downer and Downer Services.

10.6 Prospectus Exposure Period

This Takeover Booklet is lodged with ASIC as a prospectus under Division 4, Part 6D.2 of the Corporations Act for purposes of the issue of Downer Contingent Share Options. The subsequent issue of Downer Shares upon exercise of the Downer Contingent Share Options will be undertaken in reliance on note 1 to section 702 of the Corporations Act and category 2 of section 707(3) (as amended by ASIC Corporations (Sale Offers That Do Not Need Disclosure) Instrument 2016/80).

In accordance with section 727(3) of the Corporations Act, Downer must not accept an application for or issue Downer Contingent Share Options until the period of seven days after lodgement of the Takeover Booklet has ended. ASIC may extend the Exposure Period to no more than 14 days (**Exposure Period**).

Downer will not issue Downer Contingent Share Options pursuant to the Acceptance and Transfer Form until that Exposure Period has expired. If for any reason the Downer Contingent Share Options cannot be issued on the basis of the Takeover Booklet being lodged as a prospectus under Division 4, Part 6D.2 of the Corporations Act, Downer will proceed with the issue of the Downer Contingent Share Options in reliance on the provisions of section 708(18) of the Corporations Act.

Where the Downer Contingent Share Options have been exercised in accordance with their terms as set out in Annexure B and the holders of the Downer Contingent Share Options have been issued Downer Shares, those Downer Shares may, subject to the terms of Downer's Constitution, be sold off-market or upon quotation, be sold on-market.

10.7 Ineligible Foreign Shareholders

Spotless Shareholders who are Ineligible Foreign Shareholders will not be entitled to receive Downer Contingent Share Options as Scrip Consideration for their Acceptance Shares pursuant to the Offer, unless Downer Services otherwise determines in its absolute discretion. However, Spotless Shareholders who are Ineligible Foreign Shareholders may accept the Offer and receive the Cash Consideration for their Acceptance Shares. The Downer Contingent Share Options, which the Ineligible Foreign Shareholders would have otherwise received, will be provided to the Nominee who will sell the Downer Contingent Share Options in accordance with section 619(3) of the Corporations Act and distribute to each Ineligible Foreign Shareholder their proportion of the proceeds of the sale (net of expenses). Please see section 1.18(d) of Annexure A for further information.

A Spotless Shareholder is an Ineligible Foreign Shareholder for the purposes of the Offer if their address as it appears in the Spotless Register at the close of business on the Register Date is in a jurisdiction other than Australia or its external territories or New Zealand. A Spotless Shareholder is also an Ineligible Foreign Shareholder for the purposes of the Offer if they or a beneficial owner of their Spotless Shares is incorporated in, a citizen of or a resident of a jurisdiction other than Australia or its external territories or New Zealand.

However, such a person will not be an Ineligible Foreign Shareholder if Downer is satisfied, in its sole discretion, that it is not unlawful, not unduly onerous and not unduly impracticable to make the Offer to a Spotless Shareholder in the relevant jurisdiction and to issue Downer Contingent Share Options to such a Spotless Shareholder on acceptance of, and on the terms of, the Offer, and that it is not unlawful for such a Spotless Shareholder to accept the Offer in such circumstances in the relevant jurisdiction.

Notwithstanding anything else in this Takeover Booklet, Downer nor Downer Services are not under any obligation to spend any money, or undertake any action, in order to satisfy itself concerning any of these matters. Furthermore, the amount which may be realised on the Nominee's sale of Downer Contingent Share Options depends on the price that can be realised for the Downer Contingent Share Options at the time of the sale process having regard to the fact there is no ready market for those unlisted securities. None of Downer, Downer Services or the Nominee provide any guarantee that the sale process will result in proceeds being realised for distribution to Ineligible Foreign Shareholders.

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10.8 **Consents**

This Takeover Booklet is authorised and issued by Downer and Downer Services and the Offer is made by Downer Services.

The following persons have given and not withdrawn their consent to being named in this Takeover Booklet and the inclusion of the following information in the form and context in which it is included. None of those persons has caused or authorised the issue of this Takeover Booklet or the making of the Offer.

(a) Ashurst Australia in being named as legal and tax adviser to Downer and Downer Services;

(b) UBS AG, Australia Branch in being named as financial adviser to Downer and Downer Services; and

(c) KPMG Transaction Services in being named as investigating accountant to Downer and Downer Services.

This Takeover Booklet includes or is accompanied by statements which are made in or based on statements made in documents lodged with ASIC or on the company announcement platform of ASX. Under the terms of ASIC Class Order 13/521 and section 712 of the Corporations Act, the parties making those statements are not required to consent to, and have not consented to, those statements being included in this Takeover Booklet.

As required by ASIC Class Order 13/521 and section 712 of the Corporations Act, if You would like to receive a copy of any of these documents please contact the Offer Information Line on 1300 157 206 (for callers in Australia) and +61 3 9415 4087 (for international callers) and You will be sent copies free of charge.

In addition, as permitted by ASIC Corporations (Consents to Statements) Instrument 2016/72, this Takeover Booklet contains trading data sourced from IRESS without their consent and statements from official persons without their consent.

10.9 **Disclosure of interests of certain persons**

(a) **Interested Persons**

For the purposes of this section 10.9, an **Interested Person** is:

(i) a director or proposed director of Downer;

(ii) a person named in this Takeover Booklet as performing a function in a professional, advisory or other capacity in connection with preparing or distributing this Takeover Booklet;

(iii) a promoter of Downer; or

(iv) a broker or underwriter to the issue of Downer Contingent Share Options under the Offer.

(b) **Interests**

Except as disclosed in this Takeover Booklet no Interested Person holds or held at any time during the two years before the date of this Takeover Booklet any interest in:

(i) forming or promoting Downer;

(ii) property acquired or proposed to be acquired by Downer in connection with:

(A) forming or promoting Downer; or

(B) the offer of Downer Contingent Share Options; or

(iii) the offer of Downer Contingent Share Options under the Offer.

(c) **Benefits**

Except as disclosed in this Takeover Booklet no one has paid or agreed to pay fees or give or agreed to give any benefit to:

(i) a director or proposed director of Downer to induce that person to become or qualify as a director of Downer; or

(ii) any Interested Person for services provided by that person in connection with:

(A) forming or promoting Downer; or

(B) the offer of Downer Contingent Share Options under the Offer.

Total fees to advisers in relation to the offer of Downer Contingent Share Options under the Offer are expected to comprise:

- UBS AG, Australia Branch as financial adviser – UBS has been engaged by Downer to advise it in connection with the Takeover Bid. As a separate matter UBS has been engaged by Downer to advise on the Entitlement Offer and is acting as an underwriter in connection with the Entitlement Offer. UBS is not charging Downer a separate fee for advising Downer in connection with the offer of Downer Contingent Share Options pursuant to the Takeover Bid;

- an estimated amount of $100,000 payable to KPMG Transaction Services as investigating accountant. Additional amounts are payable to KPMG Transaction Services as accounting adviser in connection with the Takeover Bid and Entitlement Offer; and

- an estimated amount of $400,000 payable to Ashurst Australia as legal and tax adviser. Additional amounts are payable to Ashurst, Australia as legal and tax adviser in connection with the Takeover Bid and the Entitlement Offer.

The aggregate underwriting costs, management fees and legal and accounting fees relating to the Takeover Bid and Entitlement Offer (including the offer of Downer Contingent Share Options) are estimated at approximately $10.3 million.

10.10 **Expiry date**

No securities will be issued on the basis of this Takeover Booklet after the date that is 12 months after the date of lodgement of this Takeover Booklet.

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11. DEFINITIONS AND INTERPRETATION

11.1 Definitions

The following definitions apply in interpreting this Takeover Booklet and the Acceptance and Transfer Form, except where the context makes it clear that a definition is not intended to apply:

Acceptance Shares means those of Your Spotless Shares for which You accept the Offer in Annexure A of this Takeover Booklet.

Acceptance and Transfer Form means the form with that title that accompanies this Takeover Booklet or, as the context requires, any replacement or substitute acceptance and transfer form provided by or on behalf of Downer Services.

Announcement Date means 21 July 2020, the date Downer announced its intention to make the Offer.

ASIC means the Australian Securities and Investments Commission.

ASX means ASX Limited (ABN 98 008 624 691) and, where the context requires, its related bodies corporate (as defined in the Corporations Act), or the financial market operated by ASX Limited.

ASX Listing Rules means the listing rules of ASX as waived or modified by ASX in respect of Downer or the Downer Contingent Share Options in any particular respect.

ASX Operating Rules means the operating rules of ASX.

ASX Settlement means ASX Settlement Pty Limited (ABN 49 008 504 532).

ASX Settlement Operating Rules means the operating rules of ASX Settlement.

ATO means the Australian Taxation Office.

Australian Accounting Standards means the accounting standards set by the Australian Accounting Standards Board under the *Australian Securities and Investments Commission Act 2001* (Cth).

Business Day has the same meaning as in the ASX Listing Rules.

Call Option Deed means the pre-bid Call Option Deed between Coltrane and Downer dated 21 July 2020.

Call Option Shares means the call option relating to 33,067,196 Spotless Shares in which Coltrane had a relevant interest in, the subject of the Call Option Deed.

Cash Consideration means the cash consideration referred to in clause 1.3(a) of Annexure A.

CGT means Australian capital gains tax.

Coltrane means Coltrane Master Fund, L.P. acting by its general partner, Coltrane GP, LLC.

Consideration means together, the Cash Consideration payable pursuant to clause 1.3(a) of Annexure A and subject to clause 1.18(d) of Annexure A, the Scrip Consideration payable pursuant to clause 1.3(b) of Annexure A.

Corporations Act means the *Corporations Act 2001* (Cth) as modified by any relevant exemption or declaration by ASIC.

DCSO Holder means a registered holder of Downer Contingent Share Options.

Dollars or $ is a reference to Australian dollars.

Downer means Downer EDI Limited (ABN 97 003 872 848).

Downer Board means the board of directors of Downer.

Downer Contingent Share Option means a contingent share option issued by Downer as Scrip Consideration under the Offer, the terms of which are set out in Annexure B.

Downer Finance means Downer Group Finance Pty Limited (ACN 072 473 913).

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Downer Group means Downer and its related bodies corporate.

Downer Services means Downer EDI Services Pty Ltd (ABN 71 137 732 042).

Downer Services Board means the board of directors of Downer Services.

Downer Share means a fully paid ordinary share in Downer.

Downer Shareholder means a registered holder of a share in the issued capital of Downer.

EBIT means earnings before interest and tax.

EBITA means earnings before interest and tax, adjusted to add back acquired intangible asset amortisation expense.

Election Notice means the election notice to have the Manual Exercise provisions of the terms of issue of a Downer Contingent Share Option apply to all three Series of a DCSO Holder's Downer Contingent Share Options, in the form enclosed with this Takeover Booklet.

Encumbrance means:

(a) a security interest;

(b) an easement, restrictive covenant, caveat or similar restriction over property;

(c) any other interest or arrangement of any kind that in substance secures the payment of money or the performance of an obligation, or that gives a creditor priority over unsecured creditors in relation to any property (including a right to set off or withhold payment of a deposit or other money);

(d) a right of any person to purchase, occupy or use an asset (including under an option, agreement to purchase, licence, lease or hire purchase);

(e) any other thing that prevents, restricts or delays the exercise of a right over property, the use of property or the registration of an interest in or dealing with property; or

(f) an agreement to create anything referred to above or to allow any of them to exist,

except where any of (a) to (f) have been granted in favour of Downer.

Entitlement Offer means the accelerated non-renounceable pro rata entitlement offer announced on 21 July 2020 described in section 4.3.

Exposure Period has the meaning given to that term in section 10.6.

Fitch Ratings means the U.S. credit rating agency headquartered in New York City.

Foreign Law means a law of a jurisdiction other than an Australian jurisdiction.

FY19 means the financial year ended 30 June 2019.

FY20 means the financial year ended 30 June 2020.

FY20 Annual Financial Report means Downer's Annual Financial Report dated 12 August 2020.

GST has the same meaning as in *A New Tax System (Goods and Services Tax) Act 1999* (Cth).

Holdings Facility has the meaning given to that term in section 8.4.

Ineligible Foreign Shareholder means a Spotless Shareholder as described in section 10.7.

Intercompany Facility has the meaning given to that term in section 8.3.

Investigating Accountant's Report is the report prepared by KPMG Transaction Services and dated 12 August 2020 and annexed as Annexure C.

KPMG Transaction Services means KPMG Financial Advisory Services (Australia) Pty Ltd ACN 007 363 215.

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Manual Exercise means exercise of a Downer Contingent Share Option in the manner provided for in clause 2.4 of Annexure B.

New Downer Shares has the meaning given to that term in section 9.1.

Nominee means the nominee for Ineligible Foreign Shareholders approved by ASIC in accordance with section 619(3) of the Corporations Act.

NPATA means net profit after tax, adjusted to add back the acquired intangible asset amortisation expense.

NPAT means net profit after tax.

NZX means New Zealand's Exchange.

Offer means, as the context requires, the offer for Spotless Shares set out in Annexure A of this Takeover Booklet or, the unconditional, off-market takeover bid constituted by that offer and each other offer by Downer Services for Spotless Shares in the form of that offer, including in each case it may be varied in accordance with the Corporations Act.

Offer Period means the period referred to in clause 1.9 of Annexure A.

Offer Terms means the terms of the Offer as set out in Annexure A.

Public Authority means any government or any governmental, semi-governmental, administrative, statutory or judicial entity, authority or agency or any minister, department, office or delegate of government, whether in Australia or elsewhere. It also includes any self-regulatory organisation established under statute or any stock exchange.

Register Date means 8:00am (Sydney time) on Wednesday, 12 August 2020, being the date set by Downer Services under section 633(2) of the Corporations Act.

Related Body Corporate has the meaning given by the Corporations Act.

Rights means all accretions, rights and benefits of whatever kind attaching to or arising from the Spotless Shares directly or indirectly at or after the Register Date (including all rights to receive dividends and all rights to receive or subscribe for shares, notes, bonds, options or other securities or entitlements declared, paid or issued by Spotless or any subsidiary of Spotless).

Scrip Consideration means the scrip consideration referred to clause 1.3(b) of Annexure A.

Series has the meaning given in Annexure B.

Spotless means Spotless Group Holdings Limited (ABN 27 154 229 562).

Spotless Board means the board of directors of Spotless.

Spotless Register means the members register maintained by Spotless.

Spotless Share means a fully paid ordinary share in Spotless.

Spotless Shareholder means a registered holder of a Spotless Share.

Subsidiary has the meaning given by the Corporations Act.

Takeover Bid means the takeover bid constituted by the Offers.

Takeover Booklet means this document, being the statement made by Downer Services under Part 6.5 Division 2 of the Corporations Act relating to the Takeover Bid and a prospectus lodged by Downer under Part 6D Division 4 of the Corporations Act.

Target Price Conditions means the target price conditions to the exercise of Downer Contingent Share Options as defined in Annexure B.

Target's Statement means the target's statement to be prepared by Spotless under Part 6.5 Division 3 of the Corporations Act in relation to the Takeover Bid.

Urban Services means Downer's businesses within the Transport, Utilities, Facilities and Asset Services service lines.

VWAP means the volume weighted average trading price on ASX.

You means a holder of a Spotless Share to whom the Offer is made, excluding Downer and any of its related bodies corporate.

Your Spotless Shares means, subject to Annexure A, the Spotless Shares:

(a) of which You are registered or entitled to be registered as the holder in the Spotless Register at the Register Date, and in respect of which no other person becomes registered or entitled to be registered as a holder before You accept the Offer; and

(b) any other Spotless Shares, to which You are able to give good title at the time You accept this Offer during the Offer Period (including any new Spotless Shares to which You are the registered holder).

Zero Harm means sustaining a work environment that supports the health and safety of Downer's people, allows it to deliver its business activities in an environmentally sustainable manner, and advance the communities in which Downer operates.

11.2 **Interpretation**

(a) Words and phrases which are defined by the Corporations Act have the same meaning in this Takeover Booklet and the Acceptance and Transfer Form and, if a special meaning is given for the purposes of Chapter 6, 6A or 6D or a provision of Chapter 6, 6A or 6D of the Corporations Act, have that special meaning.

(b) Headings are for convenience only and do not affect interpretation.

(c) Mentioning anything after "includes", "including", "for example" or similar expressions does not limit what else might be included.

(d) The following rules also apply in interpreting this Takeover Booklet and the Acceptance and Transfer Form, except where the context makes it clear that a rule is not intended to apply:

(i) a singular word includes the plural, and vice versa;

(ii) a word which suggests one gender includes all genders;

(iii) a reference to *You* is a person to whom the Offer is made;

(iv) a reference to a person includes a reference to the person's executors, administrators, successors, substitutes (including persons taking by novation) and assigns;

(v) a reference to a person includes a body corporate, trust, partnership, unincorporated body or association or other entity;

(vi) if a word is defined, another part of speech has a corresponding meaning;

(vii) annexures, appendices and attachments to this Takeover Booklet form part of this Takeover Booklet;

(viii) unless otherwise stated references in this Takeover Booklet to sections, clauses, paragraphs and sub-paragraphs are to sections, paragraphs, clauses and sub-paragraphs of this Takeover Booklet;

(ix) a reference to any legislation or any provision of any legislation includes any modification or re-enactment of it, any legislative provision substituted for it and all regulations and statutory instruments issued under it;

(x) a reference to any instrument or document includes any variation or replacement of it;

(xi) a reference to rounding of whole numbers includes zero;

(xii) a reference to $ is to the lawful currency in Australia unless otherwise stated; and

(xiii) a reference to time is to Sydney, Australia time.

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Dated 12 August 2020

Signed by Robert Regan as a director on behalf of Downer EDI Services Pty Ltd and as a company secretary on behalf of Downer EDI Limited, authorised to sign by a unanimous resolution passed at a meeting of the directors of Downer EDI Services Pty Ltd and Downer EDI Limited.

Director / Company Secretary

This Takeover Booklet is also a disclosure document where the lodgement of the disclosure document for the offer of Downer Contingent Share Options has been consented to by every director of Downer EDI Limited for the purposes of section 720 of the Corporations Act.

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ANNEXURE A

OFFER TERMS

1. OFFER

1.1 **Offer for Your Spotless Shares**

Downer Services offers to acquire all or some of Your Spotless Shares on and subject to the terms and conditions set out in this Offer.

1.2 **Offer includes Rights**

If Downer Services acquires Your Spotless Shares under this Offer, Downer Services is also entitled to any Rights attached to those Spotless Shares.

1.3 **Consideration**

Subject to clause 1.18(d) of this Annexure A, the consideration under the Offer You will receive is:

(a) for each Acceptance Share You own, cash consideration of $1.00; and

(b) for every 17.92741 Acceptance Shares You own, one Downer Contingent Share Option, subject to rounding as provided for in clause 1.5 of this Annexure A.

1.4 **Eligibility**

(a) The Offer is being made to each person, except for Downer and Downer Services, registered as the holder of Spotless Shares in the Spotless Register at 8:00am (Sydney time) on the Register Date. The Offer also extends to any person who becomes registered, or entitled to be registered, as the holder of Your Spotless Shares during the Offer Period.

(b) If, at the time the Offer is made to You, or at any time during the Offer Period, another person is, or is entitled to be, registered as the holder of some or all of Your Spotless Shares, then:

(i) a corresponding offer on the same terms and conditions as this Offer will be deemed to have been made to that other person in respect of those Spotless Shares; and

(ii) a corresponding offer on the same terms and conditions as this offer will be deemed to have been made to You in respect of any other Spotless Shares You hold to which the Offer relates; and

(iii) this Offer to You in respect of those Spotless Shares will be deemed to have been withdrawn immediately at that time.

(c) If You are an Ineligible Foreign Shareholder at the time this Offer is made to You and You accept the Offer (and Downer Services has not determined otherwise), You will not receive any Downer Contingent Share Options pursuant to clause 1.3(b) of this Annexure A. Instead, You are offered and will be paid a cash amount determined in accordance with clause 1.18(d) of this Annexure A for Your Acceptance Shares.

(d) The Downer Contingent Share Options have the rights and are subject to the terms set out in Annexure B.

1.5 **Rounding**

(a) If You become entitled to a fraction of a Downer Contingent Share Option under this Offer, the number of Downer Contingent Share Options You are entitled to will be rounded down to the nearest whole number (including to zero).

(b) You will be paid the Cash Consideration, but will not be paid the value of any fractional entitlement in respect of any Downer Contingent Share Option.

1.6 **Entitled to be registered as trustee or nominee**

(a) If at any time during the Offer Period You are registered or entitled to be registered as the holder of one or more parcels of Spotless Shares as trustee or nominee for, or otherwise on account of, another person, You may accept the Offer as if a separate and distinct offer on the same terms and conditions as if this Offer had been made in relation to each of those distinct parcels and any distinct parcel You hold in Your own right.

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(b) To validly accept the Offer for each parcel of Spotless Shares, You must comply with the procedure in section 653B(3) of the Corporations Act. If, for the purposes of complying with that procedure, You require additional copies of this Takeover Booklet and/or the Acceptance and Transfer Form, please call 1300 157 206 (for callers inside Australia) or +61 3 9415 4087 (for callers outside Australia) to request those additional copies.

1.7 **Shares registered with broker**

If Your Spotless Shares are registered in the name of a broker, investment dealer, bank, trust company or other nominee You should contact that nominee for assistance in accepting the Offer.

1.8 **Offer date**

The Offer is dated [●] 2020.

1.9 **Offer Period**

(a) Unless withdrawn or extended, this Offer is open during the period that begins on the date of this Offer and ends at 7.00pm (Sydney time) on the later of:

(i) [●]; or

(ii) any date to which the period of this Offer is extended, whether in accordance with clause 1.9(b) of this Annexure A or as required by the Corporations Act.

(b) Downer Services reserves the right, exercisable in its discretion, to extend the Offer Period in accordance with the Corporations Act.

1.10 **How to accept this Offer**

(a) **Accept for all or some of Your Spotless Shares**

You may accept this Offer for all or some of Your Spotless Shares.

If You accept the Offer for some of Your Spotless Shares You can still subsequently accept the Offer for more or all of Your Spotless Shares during the Offer Period. You will be taken to have accepted the Offer for all Your Spotless Shares if You do not specify a lesser number on the Acceptance and Transfer Form.

(b) **Your Spotless Shares**

If You are a registered holder of Spotless Shares on the Spotless Register, or if at the time of Your acceptance You are entitled to be (but are not yet) registered on the Spotless Register as the holder of, or are otherwise able to give good title to, Your Spotless Shares, to accept this Offer You must:

(i) **complete and sign** the Acceptance and Transfer Form in accordance with the instructions on it; and

(ii) **return** the Acceptance and Transfer Form together with all other documents required by the instructions on it to the address specified on the form (using the addressed envelope provided if You wish) so that they are received by Downer Services before the end of the Offer Period.

(c) **Risk in Acceptance and Transfer Form**

The transmission of an Acceptance and Transfer Form and any documents that accompany that form to Downer Services is at Your risk. Neither Downer Services, nor anyone on its behalf, will acknowledge receipt of those documents to You.

1.11 **Foreign Laws**

This Offer is not registered in any jurisdiction outside Australia (unless an applicable Foreign Law treats it as registered as a result of the Takeover Booklet being lodged with ASIC).

It is Your sole responsibility to satisfy Yourself that You are permitted by any Foreign Law applicable to You to accept this Offer.

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1.12 **Effect of Acceptance and Transfer Form**

By signing and returning the Acceptance and Transfer Form or otherwise accepting this Offer, You irrevocably authorise Downer Services and each of its officers and agents to:

(a) alter the Acceptance and Transfer Form on Your behalf by inserting correct details of Your Spotless Shares and filling in any blanks remaining on the form;

(b) correct any errors in, or omissions from, the Acceptance and Transfer Form necessary to:

(i) make it an effective acceptance of this Offer; and

(ii) enable the transfer of Your Acceptance Shares to Downer Services.

1.13 **Your agreement**

By carrying out the instructions in clause 1.10 of this Annexure A on how to accept this Offer:

(a) You irrevocably accept this Offer in respect of all Your Acceptance Shares, including all Acceptance Shares held by You at the date Your acceptance is processed, despite any difference between that number and the number of Acceptance Shares specified in the Acceptance and Transfer Form;

(b) You represent and warrant to Downer Services as a fundamental condition going to the root of the contract resulting from Your acceptance of this Offer that, at the time of Your acceptance of this Offer and at the time of transfer of Your Acceptance Shares to Downer Services:

(i) all Your Acceptance Shares are and will upon registration be fully paid up;

(ii) Downer Services will acquire good title to and beneficial ownership of Your Acceptance Shares, free from Encumbrances or restrictions on transfer of any kind;

(iii) You are not an Ineligible Foreign Shareholder and acknowledge and agree that if You are a Ineligible Foreign Shareholder, or Downer Services believes You are an Ineligible Foreign Shareholder, clause 1.18(d) of this Annexure A applies to You;

(iv) You have full power and capacity to sell and transfer Your Acceptance Shares (including any associated Rights) and that You have paid all amounts which at the time of acceptance have fallen due for payment in respect of Your Acceptance Shares (including any Rights); and

(v) if Your address is in a jurisdiction other than Australia or its external territories or New Zealand or You or a beneficial owner of Your Acceptance Shares is incorporated in, a citizen of or a resident of a jurisdiction other than Australia or its external territories or New Zealand, and Downer agrees that You will not be an Ineligible Foreign Shareholder, it is not unlawful for You to accept the Offer in the relevant jurisdiction;

(c) You transfer, or consent to the transfer of Your Acceptance Shares to Downer Services in accordance with this Offer and subject to the terms as set out in the constitution of Spotless applicable as at the time immediately before Your acceptance of this Offer;

(d) even where Downer Services has not yet paid or provided the Consideration due to You, You irrevocably appoint Downer Services and each director of, and any nominee of, Downer Services jointly and each of them severally as Your attorney (with full powers of substitution) to exercise all powers and rights which You could lawfully exercise as the registered holder of Your Acceptance Shares or in exercise of any right derived from the holding of Your Acceptance Shares, including, without limiting the generality of the foregoing:

(i) requesting Spotless to register Your Acceptance Shares in the name of Downer Services or its nominee;

(ii) attending and voting in respect of Your Acceptance Shares at all general and class meetings of Spotless, demanding a poll for any vote taken at or proposing or seconding any resolutions to be considered at any general or class meeting of Spotless and requisitioning or convening any general or class meeting of Spotless;

(iii) executing all forms, notices, documents (including a document appointing a director of Downer Services as a proxy for any of Your Acceptance Shares) and resolutions relating to Your Acceptance Shares;

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(iv) perform such actions as may be appropriate in order to vest good title in Your Acceptance Shares in Downer Services; and

(v) doing all things incidental or ancillary to any of the foregoing.

You will have, or will be deemed to have, acknowledged and agreed that in exercising such powers the attorney may act in the interests of Downer or Downer Services as the intended registered holder of those Acceptance Shares. This appointment, being given for valuable consideration to secure the interest acquired in Your Acceptance Shares, is irrevocable and terminates upon registration of a transfer to Downer Services or its nominee of Your Acceptance Shares;

(e) You agree that in exercising the powers conferred by the power of attorney in this clause 1.13 of this Annexure A, Downer Services and each of its directors and its nominees are entitled to act in the interests of Downer or Downer Services;

(f) even where Downer Services has not yet paid or provided the Consideration due to You, You agree not to attend or vote in person at any general meeting of Spotless or to exercise, or to purport to exercise, (in person, by proxy or otherwise) any of the powers conferred on Downer Services and any director or nominee of Downer Services by or under this clause 1.13 of this Annexure A;

(g) You agree to do all such acts, matters and things that Downer Services may require to give effect to the matters the subject of this clause 1.13 of this Annexure A (including the execution of a written form of proxy to the same effect as this clause 1.13 of this Annexure A which complies in all respects with the requirements of the constitution of Spotless) if requested by Downer Services;

(h) You agree to indemnify Downer Services and each of its agents and nominees in respect of any claim or action against it or any loss, damage or liability incurred by it in consequence of the transfer of Your Acceptance Shares being registered by Spotless;

(i) You irrevocably authorise and direct Spotless (on receipt of a written request from Downer Services) to pay to Downer Services or to account to Downer Services for all Rights, except to the extent that Downer Services elects to waive its entitlement to receive those Rights;

(j) except where Downer Services has received the value of a Right or otherwise waived its entitlement to receive a Right, You irrevocably authorise Downer Services to deduct from the Consideration payable in respect of Your Acceptance Shares, the value of any Rights paid to You in respect of Your Acceptance Shares which, where the Rights take a non-cash form, will be the value of those Rights as reasonably assessed by Downer Services;

(k) You irrevocably authorise Downer Services to notify Spotless on Your behalf that Your address for the purpose of serving notices upon You in respect of Your Acceptance Shares is the address specified by Downer Services;

(l) You have represented and warranted to Downer Services that, if You are the legal owner but not the beneficial owner of Your Acceptance Shares:

(i) the beneficial owner has not sent a separate acceptance of the Offer in respect of the Acceptance Shares;

(ii) the number of Acceptance Shares You have specified as being the entire holding of Acceptance Shares You hold on behalf of a particular beneficial owner is in fact the entire holding; and

(iii) that You are irrevocably and unconditionally entitled to transfer Your Acceptance Shares, and to assign all of the beneficial interest therein, to Downer Services;

(m) unless You are an Ineligible Foreign Shareholder (and Downer Services has not determined otherwise in its absolute discretion), You agree to accept the Downer Contingent Share Options to which You become entitled to by accepting this Offer, You agree to accept the Downer Shares to be issued to You and to become a member of Downer if such Downer Contingent Share Options are exercised in accordance with the terms set out in Annexure B and, subject to the constitution of Downer authorise Downer to place Your name on its register of optionholders and members for those Downer Contingent Share Options and Downer Shares, as the case may be; and

(n) You represent and warrant to Downer that Downer has made no representation or warranty to You, express or implied, that the Target Price Conditions will be satisfied or that Downer Shares will be issued to You as a result of acceptance of the Offer.

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1.14 **Revocation of acceptance**

Once You have accepted this Offer, You will be unable to withdraw Your acceptance except in accordance with the requirements of the Corporations Act.

1.15 **Powers of attorney and deceased estates**

(a) If the Acceptance and Transfer Form is signed under power of attorney, the attorney declares that the attorney has no notice of revocation of the power of attorney and is empowered to delegate powers under the power of attorney under clause 1.13 of this Annexure A.

(b) If the Acceptance and Transfer Form is signed by the executor of a will or the administrator of the estate of a deceased Spotless Shareholder, the executor or administrator declares that they hold the relevant grant of probate or letters of administration.

1.16 **Validation of Acceptance and Transfer Form**

(a) Subject to this clause 1.16 of this Annexure A, Your acceptance of the Offer will not be valid unless it is made in accordance with the procedures set out in clause 1.10 of this Annexure A.

(b) Downer Services will determine, in its sole discretion, all questions as to the form of documents, eligibility to accept the Offer and time of receipt of an acceptance of the Offer. Downer Services is not required to communicate with You prior to making this determination. The determination of Downer Services will be final and binding on all parties.

(c) Notwithstanding any other term or condition to the contrary, Downer Services may treat the receipt by it of a signed Acceptance and Transfer Form as valid even though it does not receive the other documents required by the instructions on the Acceptance and Transfer Form or there is non-compliance with any one or more of the other requirements for acceptance.

(d) If Downer Services treats such an Acceptance and Transfer Form as valid, subject to clause 1.18 of this Annexure A, Downer Services will not be obliged to give the Consideration to You until Downer Services receives all those documents and all of the requirements for acceptance referred to in clause 1.18 of this Annexure A and in the Acceptance and Transfer Form have been met (other than the requirement of Your Acceptance and Transfer Form to be received before the end of the Offer Period).

(e) If Downer Services is required to provide the Consideration to You, such Consideration will be provided in accordance with clause 1.18 of this Annexure A.

1.17 **No conditions**

This Offer and the contract that results from acceptance of this Offer is not subject to any conditions.

1.18 **Payment of Consideration**

(a) **When will Downer Services pay You?**

Subject to the terms of this Offer and the Corporations Act, if You accept this Offer and Your acceptance is valid, Downer Services will pay You the Consideration for Your Acceptance Shares to which Downer Services acquires good title on or before the earlier of:

(i) in respect of the Cash Consideration, within seven days of receiving Your acceptance of this Offer; and

(ii) in respect of the Scrip Consideration, within seven days of the end of the Offer Period.

(b) **Acceptance and Transfer Form requires additional documents**

Where documents are required to be given to Downer Services with Your acceptance to enable Downer Services to become the holder of Your Acceptance Shares (such as a power of attorney, grant of probate or letters of administration):

(i) if the documents are given after Your acceptance and before the end of the Offer Period, Downer Services will pay You the following consideration by the end of whichever of the following periods ends first:

(A) in respect of the Cash Consideration, seven days after Downer Services is given the documents; or

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(B) in respect of the Scrip Consideration, seven days after the end of the Offer Period.

(ii) if those documents are given to Downer Services after the end of the Offer Period, Downer Services will pay You the Consideration within seven days after the documents are given.

(c) **Delivery of Consideration**

(i) In respect of the Cash Consideration to which You are entitled under this Offer, payment will be made:

(A) by cheque drawn in Australian currency in Your favour. The cheque will be sent to You, at Your risk, by ordinary mail (or, in the case of Spotless Shareholders with addresses outside Australia, by airmail) to Your address shown on the Acceptance and Transfer Form or Your address last notified to Downer Services by Spotless. For the purpose of this subparagraph (A), payment will be deemed to have been made at the time the cheque is delivered to Australia Post for delivery or placed in an Australia Post box; or

(B) if You have separately requested in writing to Downer Services to do so and have provided Downer Services with details of Your financial institution account held in Your name or the name of your nominee (**Your Nominated Account**), by electronic funds transfer in Australian dollars to Your Nominated Account. The electronic funds transfer will be made to Your Nominated Account only if Downer Services is satisfied that sufficient security checks have been undertaken prior to doing so and (net of any transaction or foreign exchange fees or expenses) at Your risk. If Downer Services does not consider that an electronic funds transfer can be made in accordance with this subparagraph (B), the payment will be made by cheque.

(ii) In respect of the Scrip Consideration, Downer will issue the Scrip Consideration and enter Your name (or Your nominee's name) into its register of option holders in accordance with section 170 of the Corporations Act and send to You, at Your risk, by ordinary mail (or, in the case of Spotless Shareholders with addresses outside Australia, by airmail) to Your address shown on the Acceptance and Transfer Form or Your address last notified to Downer Services by Spotless, an option certificate.

(d) **Ineligible Foreign Shareholders**

If You are an Ineligible Foreign Shareholder (and Downer Services has not determined otherwise in its absolute discretion) and You accept this Offer, You will not be entitled to receive Downer Contingent Share Options as consideration for Your Acceptance Shares. Instead Downer will:

(i) arrange for the issue to the Nominee of the number of Downer Contingent Share Options to which You and all other Ineligible Foreign Shareholders would have been entitled but for this clause and the equivalent clause in each of the Offers;

(ii) cause those Downer Contingent Share Options to be offered for sale as soon as practicable after the end of the Offer Period and otherwise in such manner, at such price and on such terms as are determined by the Nominee in its absolute discretion; and

(iii) cause the amount ascertained in accordance with the formula below to be paid to You:

$$\text{net proceeds of sale} \times \frac{Your\ DCSOs}{total\ DCSOs}$$

net proceeds of sale is the amount remaining after deducting the expenses of sale and of appointing the Nominee from the total proceeds of sale of the Downer Contingent Share Options issued to the Nominee under this clause and the equivalent clause in each of the Offers;

Your Downer Contingent Share Options is the number of Downer Contingent Share Options which would, but for this clause, have been issued to You; and

total Downer Contingent Share Options is the total number of Downer Contingent Share Options issued to the Nominee under this clause and the equivalent clause in each of the Offers.

You will be paid by cheque or if You have separately requested in writing to Downer Services, by way of electronic funds transfer (net of any transaction or foreign exchange fees or expenses) in Australian currency in the manner described and on the terms set out in clause 1.18(c) of this Annexure A.

(iv) Under no circumstances will interest be paid on the proceeds of the sale of Downer Contingent Share Options, regardless of any delay in remitting these proceeds to You.

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(e) **Tax or jurisdictional clearance**

If, at the time You accept this Offer or at the time the Consideration is provided under it:

(i) any authority or clearance of the Reserve Bank of Australia or the ATO or other Public Authority is required for You to receive any Consideration under this Offer;

(ii) You are located in or a resident of a place to which, or You are a person to whom any of the following applies:

(A) the *Autonomous Sanction Regulations 2011* (Cth);

(B) the *Charter of the United Nations Act 1945* (Cth), the *Charter of the United Nations (Dealing with Assets) Regulations 2008* (Cth) or any other law or regulation made under that act; or

(C) any other law of Australia or elsewhere that would make it unlawful for Downer Services to provide Consideration for Your Acceptance Shares,

then Your acceptance of this Offer does not create or transfer to You any right (contractual or contingent) to receive the Consideration specified in this Offer unless and until You obtain all requisite authorities or clearances.

(f) **Withholding required by law**

If any amount (**withholding amount**) is determined by Downer Services as being required under any law or by any Public Authority to be:

(i) withheld from any Consideration otherwise payable to You under this Offer and paid to a Public Authority; or

(ii) retained by Downer Services out of any Consideration otherwise payable to You under this Offer,

Downer Services may withhold or retain the withholding amount and the withholding or retention by Downer Services of the withholding amount (as applicable) will constitute full discharge of Downer Services' obligation to pay the Consideration to You to the extent of the withholding amount.

(g) **Acceptance constitutes an offer**

Acceptance of the Acceptance and Transfer Form will constitute an offer by You to receive Downer Contingent Share Options that may only be accepted by Downer following the expiry of the Exposure Period provided for in section 727(3) of the Corporations Act. If for any reason the Scrip Consideration cannot be issued on the basis of the Takeover Booklet being lodged as a prospectus under Division 4, Part 6D.2 of the Corporations Act by the date specified in clause 1.18(a)(ii) of this Annexure A, Downer will proceed with the issue of the Scrip Consideration in reliance on the provisions of section 708(18) of the Corporations Act.

1.19 **Return of documents**

If any contract arising from this Offer is rescinded by Downer Services on the grounds of a breach of a condition of that contract, Downer Services will, at its election, either return by post to You at the address shown on the Acceptance and Transfer Form any Acceptance and Transfer Form and any other documents sent with it by You, or destroy those documents and notify You of this.

1.20 **Rights**

If Downer Services becomes entitled to any Rights as a result of Your acceptance of this Offer, it may require You to give to Downer Services all documents necessary to vest title to those Rights in Downer Services. If You do not give those documents to Downer Services, or if You have received the benefit of those Rights, You must pay the amount (or value as reasonably assessed by Downer Services) of such Rights to Downer Services.

1.21 **Costs and stamp duty**

Downer Services will pay all costs and expenses of the preparation and circulation of the Offer and any stamp duty payable on the transfer of any Acceptance Shares to Downer Services.

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1.22 **Offerees**

(a) **Registered holders**

Downer Services is making an offer in the form of this Offer to each person registered as a holder of Spotless Shares in the Spotless Register as at the Register Date.

(b) **Transferees**

This Offer extends to any person who is able during the Offer Period to give good title to a parcel of Your Spotless Shares and has not accepted the Offer for those Spotless Shares. That person may accept as if an Offer on terms identical to this Offer has been made to that person for those Spotless Shares.

(c) **Trustees and nominees**

If, during the Offer Period and before You accept the Offer, Your Spotless Shares consist of one or more separate parcels within the meaning of section 653B of the Corporations Act (for example, because You hold Your Spotless Shares as trustee or nominee for, or otherwise on account of, another person), section 653B of the Corporations Act will apply so that:

(i) Downer Services is taken to have made a separate Offer to You for each separate parcel of Spotless Shares; and

(ii) acceptance by You of the Offer for any distinct parcel of Spotless Shares is ineffective unless:

(A) You give Downer Services notice in accordance with section 653B of the Corporations Act stating that Your Spotless Shares consist of separate parcels; and

(B) Your acceptance specifies the number of Spotless Shares in each separate parcel to which the acceptance relates.

(d) **Notices by trustees and nominees**

The notice required under section 653B of the Corporations Act must be in writing.

(e) **Spotless Shares subject to Spotless transfer restrictions**

(i) If at any time during the Offer Period some of Your Acceptance Shares are subject to transfer restrictions imposed by Spotless then You may accept as if a separate offer in the form of this Offer had been made in relation to the balance of Your Acceptance Shares.

(ii) Acceptance for the balance of Your Acceptance Shares is ineffective unless You give Downer Services notice stating the number of Your Acceptance Shares that are subject to a transfer restriction and explaining the nature of the restriction, and Your acceptance specifies the balance of Your Acceptance Shares.

1.23 **Variation and withdrawal of Offer**

(a) **Variation**

Downer Services may vary this Offer in accordance with the Corporations Act.

(b) **Withdrawal**

In accordance with section 652B of the Corporations Act, Downer Services may withdraw this Offer with the written consent of ASIC and subject to the conditions (if any) which apply to that consent.

1.24 **Notices**

Any notices to be given by Downer or Downer Services to You under the Offer may be given to You by sending them by pre-paid ordinary post or courier, or if Your address is outside Australia, by prepaid airmail or courier, to Your address as shown in the Spotless Register.

1.25 **Governing law**

This Offer and any contract resulting from acceptance of it are governed by the law in force in New South Wales.

ANNEXURE B

DOWNER CONTINGENT SHARE OPTION TERMS

1. DOWNER CONTINGENT SHARE OPTION

1.1 **Nature of Downer Contingent Share Option**

A Downer Contingent Share Option is an irrevocable offer by Downer for a DCSO Holder to subscribe for a Downer Share, subject to the terms set out in these terms of issue.

2. EXERCISE OF DOWNER CONTINGENT SHARE OPTION

2.1 **Entitlement upon exercise**

Subject to:

(a) the Target Price Condition in respect of the relevant Series being satisfied; and

(b) any adjustment in accordance with the Adjustment Terms,

one Downer Contingent Share Option entitles the DCSO Holder, upon exercise, to be issued one Downer Share.

2.2 **Exercise in Series**

(a) The aggregate number of Downer Contingent Share Options held by each DCSO Holder will be treated as being divided into, and will be exercisable in, three Series (or two or one Series, as the case may be), with Downer Shares being issued in relation to each of those Series if:

(i) the relevant Target Price Condition for that Series is satisfied; and

(ii) the irrevocable offer under the Downer Contingent Share Option is accepted by a DCSO Holder through the exercise of the Downer Contingent Share Option in accordance with clause 2.4 or 2.5 of these terms of issue.

After dividing the number of Downer Contingent Share Options held by three (which will be exercisable in equal portions in three Series), any remaining number of Downer Contingent Share Options:

(iii) that is not divisible by three, is exercisable only in equal portions as part of the Tranche 3 Series and Tranche 2 Series; and

(iv) that is not divisible by two, is exercisable only as part of the Tranche 3 Series.

By way of illustration of the operation of this clause, if a DCSO Holder held the aggregate number of Downer Contingent Share Options in the table below, those Downer Contingent Share Options would be treated as being divided into Series as specified in the table:

Aggregate number of Downer Contingent Share Options held by a DCSO Holder	1	2	3	99	100	101
Tranche 1 Series	0	0	1	33	33	33
Tranche 2 Series	0	1	1	33	33	34
Tranche 3 Series	1	1	1	33	34	34

(b) No Downer Contingent Share Option may be exercised unless the relevant Target Price Condition for that Series has been satisfied.

(c) The terms of each Series are identical except for the relevant Target Price Condition or as otherwise provided in these terms of issue.

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2.3 **Nil exercise price**

The exercise price of each Downer Contingent Share Option is $0.

2.4 **Manual Exercise**

(a) A DCSO Holder may elect for Manual Exercise to apply to that DCSO Holder by providing Downer an Election Notice. The Election Notice must be received by Downer no later than 5:00pm on the day that is 30 days after the date of a compulsory acquisition notice issued by Downer Services in connection with the Offer.

(b) If a DCSO Holder provides Downer an Election Notice in accordance with clause 2.4(a) of these terms of issue (**Manual Exercise DCSO Holder**), the Downer Contingent Share Options of that Manual Exercise DCSO Holder will not be automatically exercised under clause 2.5 of these terms of issue in relation to a Series, even where the relevant Target Price Condition has been satisfied, and will only be exercisable if the Manual Exercise DCSO Holder gives an Exercise Notice in writing to Downer in accordance with clause 2.4(d) of these terms of issue.

(c) Where a Target Price Condition in relation to a Series has been satisfied, Downer must notify each Manual Exercise DCSO Holder of that fact by either:

(i) mailing or sending an electronic communication to that Manual Exercise DCSO Holder; or

(ii) making an announcement on ASX,

within two Business Days of the Target Price Condition being satisfied in relation to a Series.

(d) Where a Manual Exercise DCSO Holder wishes to exercise its Downer Contingent Share Options in respect of a Series, that Manual Exercise DCSO Holder must provide to Downer a valid Exercise Notice, advising Downer that it wishes to exercise the relevant Downer Contingent Share Options held by that Manual Exercise DCSO Holder:

(i) in accordance with clause 2.4(g) of these terms of issue; and

(ii) by 5.00pm on the Manual Exercise Date.

(e) Any Downer Contingent Share Option for which a valid Exercise Notice has been given to Downer in accordance with clause 2.4(d) of these terms of issue will be taken to have been exercised on the Manual Exercise Date for that Series of Downer Contingent Share Options.

(f) If Downer does not receive a valid Exercise Notice in accordance with clause 2.4(d) of these terms of issue, the right to exercise the Downer Contingent Share Options held by that Manual Exercise DCSO Holder in relation to that Series will lapse and will not thereafter be exercisable.

(g) An Election Notice or Exercise Notice (as the case may be) must be:

(i) in writing and signed by the DCSO Holder;

(ii) sent to Downer, or sent by email to Downer, at the below address or email address (as applicable):

Address:	Downer EDI Limited c/o Computershare Investor Services Pty Limited GPO Box 52 Melbourne VIC 3001 Australia
Email Address:	corpactprocessing@computershare.com.au
Attention:	Company Secretary, Downer EDI Limited

(h) A notice is regarded as given and received for the purposes of this clause 2.4 of these terms of issue:

(i) if it is sent by mail, three Business Days after it is posted;

(ii) if it is sent in electronic form, when sent by the sender unless the sender receives a delivery failure notification indicating that the email has not been delivered to the addressee. A person's addresses are those set out above, or as the person notifies the sender.

2.5 **Automatic Exercise**

If a DCSO Holder is not a Manual Exercise DCSO Holder, that DCSO Holder's Downer Contingent Share Options will be automatically exercised in relation to a Series, without any further actions being required by the DCSO Holder, on the Exercise Date for that Series if the Target Price Condition applicable to that Series is satisfied.

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3. TIMING OF ISSUE AND QUOTATION OF DOWNER SHARES

3.1 Issue of Downer Shares

If one or more Downer Contingent Share Options are exercised in respect of a Series:

(a) Downer will issue the Downer Shares referable to the Downer Contingent Share Options that have been exercised in the Series on the later of:

(i) the Business Day after the relevant Exercise Date or Manual Exercise Date (as the case may be) for the Downer Contingent Share Options that have been exercised in that Series; and

(ii) if clause 3.2 of these terms of issue applies:

(A) the date on which Downer determines to issue the Downer Shares on exercise of the Downer Contingent Share Options that have been exercised in that Series in accordance with clause 3.2(b)(i) of these terms of issue;

(B) the first Business Day on which Downer is permitted to issue the Downer Shares on exercise of the Downer Contingent Share Options that have been exercised in that Series after lodgement of the prospectus referred to in clause 3.2(b)(ii) of these terms of issue; or

(C) the Business Day after Downer receives an undertaking from an Exercising DCSO Holder under clause 3.2(c) of these terms of issue.

(b) Downer will apply to ASX for a Downer Share issued on exercise of a Downer Contingent Share Option in respect of a Series to be officially quoted on ASX no later than one Business Day after that Downer Share is issued.

3.2 Requirement for disclosure on exercise of Downer Contingent Share Option

(a) If the sale of a Downer Share issued on the exercise of a Downer Contingent Share Option in respect of a Series would require disclosure under section 707(3) of the Corporations Act, subject to clauses 3.2(b) and 3.2(c) of these terms of issue, Downer will give to ASX a Cleansing Notice after the issue of those Downer Shares and before 10.00am on the date of issue of those Downer Shares, which confirms that Downer has no Excluded Information.

(b) If clause 3.2(a) of these terms of issue applies and Downer has Excluded Information and considers (acting reasonably) that disclosure of that Excluded Information would be commercially detrimental to Downer, then by no later than 51 days after the Exercise Date or Manual Exercise Date (as the case may be), Downer must either:

(i) issue the Downer Shares to be issued on the exercise of the Downer Contingent Share Options that have been exercised in that Series and issue a Cleansing Notice in respect of the Downer Shares issued on exercise of those Downer Contingent Share Options in accordance with clause 3.2(a) of these terms of issue; or

(ii) issue a prospectus in respect of the Downer Shares to be issued on exercise of the Downer Contingent Share Options that have been exercised in that Series so that section 708A(11) of the Corporations Act will apply such that the sale of the Downer Shares issued on exercise of those Downer Contingent Share Options will not require disclosure under section 707(3) of the Corporations Act.

(c) If this clause 3.2 of these terms of issue applies, then at any time after the exercise of the Downer Contingent Share Options until the issue of Downer Shares on exercise of those Downer Contingent Share Options, the Exercising DCSO Holder may elect to give an undertaking to Downer that the Downer Shares issued on exercise of the Downer Contingent Share Options will not be sold by that Exercising DCSO Holder in a transaction that requires disclosure to investors pursuant to section 707(3) of the Corporations Act.

3.3 Lapse and Cancellation of Downer Contingent Share Options

(a) A Downer Contingent Share Option will lapse and will not thereafter be exercisable on the Expiry Date if:

(i) no Target Price Condition has been satisfied by the Expiry Date; or

(ii) in relation to any Series, if the Target Price Condition for that Series has not been satisfied by the Expiry Date.

(b) For the avoidance of doubt, if the Target Price Condition has been met for any Series of Downer Contingent Share Options held by a Manual Exercise DCSO Holder, the relevant Downer Contingent Share Options will also lapse as provided for in clause 2.4(f) of these terms of issue.

(c) When a Downer Contingent Share Option has been exercised it shall be cancelled and cease to be outstanding.

4. TARGET PRICE CONDITION

4.1 Target Price Condition for each Series

(a) Each of the following is a **Target Price Condition** applicable to a relevant Series:

(i) in respect of the Tranche 1 Series, the Downer VWAP *equals or exceeds* the Target Price for the Tranche 1 Series;

(ii) in respect of the Tranche 2 Series, the Downer VWAP *equals or exceeds* the Target Price for the Tranche 2 Series; and

(iii) in respect of the Tranche 3 Series, the Downer VWAP *equals or exceeds* the Target Price for the Tranche 3 Series.

(b) Subject to any Target Price Variation and the Adjustment Terms (if applicable to the Target Price), the Target Price for each Series are as follows:

Series	Target Price	Target Price post Entitlement Offer[20]
Tranche 1 Series	$6.50	$6.382
Tranche 2 Series	$7.00	$6.873
Tranche 3 Series	$7.50	$7.364

4.2 Target Price Variations

(a) **Share issuances**

Except in the case of:

(i) a Bonus Issue;

(ii) a Reorganisation of Capital; or

(iii) pursuant to an agreement, arrangement or understanding to which Downer is a party in relation to the acquisition of any entity, asset or business for scrip consideration,

if Downer issues any Downer Shares or securities convertible or exercisable into Downer Shares (other than under any Employee Incentive Scheme or a Dividend or Distribution Plan after 12 August 2020) (**New Issue**) and such New Issue is either:

(iv) a Pro rata Issue; or

(v) an issue of Downer Shares which when aggregated with all New Issues (not including Pro rata Issues) since 12 August 2020, increases the number of Downer Shares on issue as at 12 August 2020 by 2% or more,

the Target Price applicable to each Series that then remains outstanding will be reduced by multiplying the Target Price in force immediately before each such New Issue by the following fraction:

$$\frac{A}{B}$$

[20] Target Price assuming the successful completion of the retail component of the Entitlement Offer.

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where:

"A" is the theoretical price of a Downer Share post the New Issue (**Theoretical Ex-issue Price**) calculated by the following formula:

$$\frac{\textit{Downer's Market Capitalisation prior to the New Issue} + \textit{Gross proceeds from the New Issue}}{\textit{Total Downer Shares on issue post the New Issue}}$$

Where:

Downer's Market Capitalisation prior to the New Issue *is calculated as follows*:

Closing share price of a Downer Share on ASX on the Business Day immediately before (A) the completion of the New Issue (that is not a Pro rata Issue), or (B) in the case of a Pro rata Issue, immediately before the announcement of the Pro rata Issue x (Downer Shares on issue on that Business Day)

Gross proceeds from the New Issue *is the total proceeds raised from the New Issue, and in the case of a Pro rata Issue that is an accelerated Pro rata Issue, includes proceeds from both the institutional and retail components of the Pro rata Issue.*

Total Downer Shares on issue post the New Issue *is the total number of Downer Shares on issue following the completion of the New Issue or, in the case of a Pro rata Issue that is an accelerated Pro rata Issue, the total number of Downer Shares on issue following completion of the Pro rata Issue.*

"B" is the closing share price of a Downer Share on ASX on the Business Day immediately before the completion of the New Issue or, in the case of a Pro rata Issue, immediately before the announcement of the Pro rata Issue.

(b) **Special dividends**

If:

(i) Downer pays a Special Dividend on Downer Shares on or prior to the Expiry Date; and

(ii) the value of the Special Dividend when aggregated with all other Special Dividends paid on Downer Shares since 12 August 2020 is greater than or equal to 2% of the closing price of a Downer Share on ASX on 12 August 2020, the Target Price applicable to each Series that then remains outstanding will be reduced (subject to the minimum size threshold) by multiplying the Target Price in force by the following fraction:

$$\frac{C - D}{C}$$

where:

C is the last price at which a Downer Share traded on ASX cum Special Dividend; and

D is the Special Dividend per Downer Share.

For the avoidance of doubt, adjustments will not be made if the value of the Special Dividend when aggregated with the value of all other Special Dividends paid on Downer Shares since 12 August 2020 is less than 2% of the Downer closing price of a Downer Share on ASX on 12 August 2020.

(c) **Demerger**

In the event of a Demerger, the Target Price applicable to each Series that then remains outstanding will be adjusted by multiplying the Target Price in force immediately before the implementation of the Demerger by the share price adjustment factor which is applied by the ASX in respect of the Demerger to the pre-Demerger price of Downer Shares.

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5. ADJUSTMENT TERMS

5.1 Bonus Issues

If Downer issues any Downer Shares under a Bonus Issue, then the number of Downer Shares issued on exercise of a Downer Contingent Share Option that then remains outstanding will be increased by the number of Downer Shares which the DCSO Holder would have received under the Bonus Issue if the Exercise Date or Manual Exercise Date (if applicable) was before the record date for the Bonus Issue in accordance with the applicable ASX Listing Rule applicable to options in force at the time of the Bonus Issue (the ASX Listing Rule at the time of these terms of issue being adopted being ASX Listing Rule 6.22.3).

5.2 Reorganisations of Capital

(a) If Downer undertakes any Reorganisation of Capital, the rights of a DCSO Holder of Downer Contingent Share Options that then remain outstanding will be changed to the extent necessary to comply with the applicable ASX Listing Rules governing Reorganisations of Capital involving options in force at the time of the Reorganisation of Capital (the ASX Listing Rule at the time of these terms of issue being adopted being ASX Listing Rule 7.22), as if references to the exercise price in the applicable ASX Listing Rule were references to the Target Price and on the basis that the Downer Shares to be issued on exercise of the Downer Contingent Share Option is adjusted as contemplated by the applicable ASX Listing Rule.

(b) For the avoidance of doubt, this does not include Demergers, which will be adjusted for as per clause 4.2(c) of these terms of issue above.

6. OTHER TERMS OF THE DOWNER CONTINGENT SHARE OPTIONS

6.1 Participation in new issues

(a) There are no participation rights or entitlements inherent in a Downer Contingent Share Option.

(b) Unless a Downer Contingent Share Option has been exercised and the DCSO Holder has been issued the corresponding Downer Share, the DCSO Holder of a Downer Contingent Share Option will not be entitled to participate in new issues of capital offered to existing holders of Downer Shares.

6.2 Transferability

(a) A Downer Contingent Share Option is personal to the DCSO Holder and will not be transferable, transmissible, assignable nor chargeable, except:

(i) as required by law; or

(ii) with the prior written consent of Downer, such consent not to be unreasonably withheld or delayed for any off-market transfer of a Downer Contingent Share Option that complies with all relevant legal requirements applicable to the transfer.

(b) A Downer Contingent Share Option will not be quoted by the ASX or any other securities exchange.

6.3 Dividends and Voting

A Downer Contingent Share Option carries no dividend rights or voting rights at a meeting of Downer Shareholders, nor does it give its DCSO Holder any entitlement to the assets of Downer on a winding up.

6.4 Governing Law

Each Downer Contingent Share Option and these terms of issue are governed by the law in force in New South Wales.

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7. DEFINITIONS AND INTERPRETATION

7.1 Definitions

The following definitions apply in interpreting these terms of issue, except where the context makes it clear that a definition is not intended to apply:

Adjustment Terms means the provisions of clause 5 of these terms of issue.

ASIC means the Australian Securities and Investments Commission.

ASX means ASX Limited (ABN 98 008 624 691) and, where the context requires, its related bodies corporate (as defined in the Corporations Act), or the financial market operated by ASX Limited.

ASX Listing Rules means the listing rules of ASX as waived or modified by ASX in respect of Downer or the Downer Contingent Share Options in any particular respect.

Bonus Issue has the same meaning as in the ASX Listing Rules.

Business Day has the same meaning as in the ASX Listing Rules.

Cleansing Notice means a notice given under section 708A(5) of the Corporations Act that complies with section 708A(6) of the Corporations Act.

Corporations Act means the *Corporations Act 2001* (Cth) (as modified by ASIC), as in force from time to time.

DCSO Holder means a registered holder of Downer Contingent Share Options.

Demerger means a distribution by Downer, by in specie distribution to its shareholders, of securities in a business Downer controls or has a substantial interest in where those securities will become quoted on a securities exchange.

Dividend or Distribution Plan has the same meaning as in the ASX Listing Rules.

Dollars or $ is a reference to Australian dollars.

Downer means Downer EDI Limited (ABN 97 003 872 848).

Downer Contingent Share Option means a contingent share option issued by Downer in accordance with these terms of issue.

Downer Share means a fully paid ordinary share in Downer.

Downer Shareholder means a registered holder of a share in the issued capital of Downer.

Downer VWAP means the average of the daily volume weighted average sale prices (such average being rounded to the nearest full cent) of Downer Shares sold on ASX over the prior 5 consecutive trading days but does not include any "Crossing" transacted outside the "Open Session State" or any "Special Crossing" transacted at any time, each as defined in the ASX Operating Rules, or trades pursuant to the exercise of options over Downer Shares.

Election Notice means the election notice to have the Manual Exercise provisions of the terms of issue of a Downer Contingent Share Option apply to all three Series of a DCSO Holder's Downer Contingent Share Options, in the form enclosed with this Takeover Booklet.

Employee Incentive Scheme has the same meaning as in the ASX Listing Rules.

Entitlement Offer means the accelerated non-renounceable pro rata entitlement offer announced by Downer on 21 July 2020.

Excluded Information has the meaning given to that expression by section 708A(7) of the Corporations Act.

Exercise Date means, in relation to each Series of Downer Contingent Share Option, the date that the relevant Target Price Condition for that Series has been satisfied.

Exercising DCSO Holder means in respect of a Series, the DCSO Holder of a Downer Contingent Share Option in that Series which has been exercised.

Exercise Notice means the notice given by a DCSO Holder to Downer in accordance with clause 2.4(d) of these terms of issue.

Expiry Date means the date that is the fourth anniversary of the first date on which the Offer Period opens.

Manual Exercise means exercise of a Downer Contingent Share Option in the manner provided for in clause 2.4 of these terms of issue.

Manual Exercise Date means, in relation to each Series of Downer Contingent Share Option, the date that is 20 Business Days after the date the relevant Target Price Condition for that Series has been satisfied.

Manual Exercise DCSO Holder has the meaning given in clause 2.4(b) of these terms of issue.

New Issue has the meaning given in clause 4.2(a) of these terms of issue.

Offer Period has the meaning given in clause 1.9 of Annexure A.

Pro rata Issue has the meaning given to that expression in the ASX Listing Rules.

Reorganisation of Capital means a corporate event described in ASX Listing Rule 7.22, as amended or replaced from time to time.

Series means the relevant Tranche 1 Series, Tranche 2 Series or Tranche 3 Series, as the case may be, that a Downer Contingent Share Option is treated as being divided into in accordance with the provisions of clause 2.2(a) of these terms of issue.

Special Dividend is a cash dividend paid on Downer Shares that is not paid in the ordinary course, and does not include ordinary course interim dividends and final dividends paid in respect of each financial year and any dividend paid to facilitate a distribution of assets in specie or to facilitate a demerger.

Target Price means the relevant target price specified in the table in clause 4.1(b) of these terms of issue, as it may be adjusted by any Target Price Variations or Adjustment Terms.

Target Price Conditions means the Tranche 1 Target Price Condition, the Tranche 2 Target Price Condition or the Tranche 3 Target Price Condition, as the case may be.

Target Price Variations means any variations to the Target Price made in accordance with the provisions of clause 4.2 of these terms of issue.

Tranche 1 Series means Downer Contingent Share Options that have the Tranche 1 Target Price Condition attaching to them.

Tranche 1 Target Price Condition means the Target Price Condition for the Tranche 1 Series specified in clause 4.1(b) of these terms of issue.

Tranche 2 Series means Downer Contingent Share Options that have the Tranche 2 Target Price Condition attaching to them.

Tranche 2 Target Price Condition means the Target Price Condition for the Tranche 2 Series specified in clause 4.1(b) of these terms of issue.

Tranche 3 Series means Downer Contingent Share Options that have the Tranche 3 Target Price Condition attaching to them.

Tranche 3 Target Price Condition means the Target Price Condition for the Tranche 3 Series specified in clause 4.1(b) of these terms of issue.

7.2 **Interpretation**

(a) Headings are for convenience only and do not affect interpretation.

(b) Mentioning anything after "includes", "including", "for example" or similar expressions does not limit what else might be included.

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(c) The following rules also apply in interpreting these terms of issue, except where the context makes it clear that a rule is not intended to apply:

(i) a singular word includes the plural, and vice versa;

(ii) a word which suggests one gender includes all genders;

(iii) a reference to a person includes a reference to the person's executors, administrators, successors, substitutes (including persons taking by novation) and assigns;

(iv) a reference to a person includes a body corporate, trust, partnership, unincorporated body or association or other entity;

(v) if a word is defined, another part of speech has a corresponding meaning;

(vi) a reference to any legislation or any provision of any legislation includes any modification or re-enactment of it, any legislative provision substituted for it and all regulations and statutory instruments issued under it;

(vii) a reference to any instrument or document includes any variation or replacement of it;

(viii) a reference to rounding of whole numbers includes zero;

(ix) a reference to $ is to the lawful currency in Australia unless otherwise stated; and

(x) a reference to time is to Sydney, Australia time.

7.3 **Non-Business Day**

If the day on or by which a person must do something under these terms of issue is not a Business Day, the person must do it on or by the next Business Day.

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ANNEXURE C

INVESTIGATING ACCOUNTANT'S REPORT

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KPMG Transaction Services
A division of KPMG Financial Advisory Services
(Australia) Pty Ltd
Australian Financial Services Licence No. 246901
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NSW 2113

12 August 2020

Dear Directors

Limited Assurance Investigating Accountant's Report and Financial Services Guide

Investigating Accountant's Report

Introduction

KPMG Financial Advisory Services (Australia) Pty Ltd (of which KPMG Transaction Services is a division) ("KPMG Transaction Services") has been engaged by Downer EDI Limited ("Downer") to prepare this report for inclusion in the takeover booklet to be dated 12 August 2020 (the "Takeover Booklet"), and to be issued by Downer, in connection with the proposed acquisition of the minority interests in Spotless Group Holdings Limited currently held by third parties (the "Transaction").

Expressions defined in the Takeover Booklet have the same meaning in this report.

This Investigating Accountant's Report should be read in conjunction with the KPMG Transaction Services Financial Services Guide included in the Takeover Booklet.

Scope

Downer has requested KPMG Transaction Services to perform a limited assurance engagement in relation to the pro forma historical statement of financial position as at 30 June 2020, described below and disclosed in the Takeover Booklet (the "Pro Forma Historical Statement of Financial Position").

The Pro Forma Historical Statement of Financial Position is presented in the Takeover Booklet in an abbreviated form, insofar as it does not include all of the presentation and disclosures required by Australian Accounting Standards and other mandatory

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professional reporting requirements applicable to general purpose financial reports prepared in accordance with the *Corporations Act 2001*.

Our limited assurance engagement has not been carried out in accordance with auditing or other standards and practices generally accepted in jurisdations outside of Australia, and accordingly should not be relied upon as if it had been carried out in accordance with any such standards and / or practices.

Pro Forma Historical Statement of Financial Position

The Pro Forma Historical Statement of Financial Position has been derived from Downer's historical statement of financial position as at 30 June 2020 (the "Historical Statement of Financial Position"), and after adjusting for the effects of pro forma adjustments described in section 7.1 of the Takeover Booklet. The stated basis of preparation is the recognition and measurement principles contained in Australian Accounting Standards applied to the Historical Statement of Financial Position and the event(s) or transaction(s) to which the pro forma adjustments relate, as described in section 7.1 of the Takeover Booklet.

The Pro Forma Historical Statement of Financial Position has been compiled by Downer to illustrate the impact of the event(s) or transaction(s) (as described in section 7.1 of the Takeover Booklet) on Downer's financial position as at 30 June 2020. Due to its nature, the Pro Forma Historical Statement of Financial Position does not represent the company's actual or prospective financial position.

The financial statements of Downer for the year ended 30 June 2020, including the Historical Statement of Financial Position, were audited by KPMG in accordance with Australian Auditing Standards. The audit opinions issued to the members of Downer relating to those financial statements were unqualified.

For the purposes of preparing this report we have performed limited assurance procedures in relation to the Pro Forma Historical Statement of Financial Position in order to state whether, on the basis of the procedures described, anything comes to our attention that would cause us to believe that the Pro Forma Historical Statement of Financial Position is not prepared or presented fairly, in all material respects, by the directors in accordance with the stated basis of preparation as set out in section 7.1 of the Takeover Booklet.

We have conducted our engagement in accordance with the Standard on Assurance Engagements ASAE 3450 *Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information*.

The procedures performed in a limited assurance engagement vary in nature from, and are less in extent than for, an audit. As a result, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had we performed an audit. Accordingly, we do not express an audit opinion about whether the Pro Forma Historical Statement of Financial Position is

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prepared, in all material respects, by the directors in accordance with the stated basis of preparation.

Directors' responsibilities

The directors of Downer are responsible for the preparation of the Pro Forma Historical Statement of Financial Position, including the selection and determination of the pro forma transactions and/or adjustments made to the Historical Statement of Financial Position and included in the Pro Forma Historical Statement of Financial Position.

The directors' responsibility includes establishing and maintaining such internal controls as the directors determine are necessary to enable the preparation of financial information that is free from material misstatement, whether due to fraud or error.

Review statement on the Pro Forma Historical Statement of Financial Position

Based on our procedures, which are not an audit, nothing has come to our attention that causes us to believe that the Pro Forma Historical Statement of Financial Position, as set out in section 7.1 of the Takeover Booklet, is not prepared or presented fairly, in all material respects, on the basis of the pro forma transactions and/or adjustments described in section 7.1 of the Takeover Booklet, and in accordance with the recognition and measurement principles prescribed in Australian Accounting Standards, and Downer's accounting policies.

Independence

KPMG Transaction Services does not have any interest in the outcome of the proposed Transaction, other than in connection with the preparation of this report and participation in due diligence procedures for which normal professional fees will be received. KPMG is the auditor of Downer and, from time to time, KPMG also provides Downer with certain other professional services for which normal professional fees are received.

General advice warning

This report has been prepared, and included in the Takeover Booklet, to provide investors with general information only and does not take into account the objectives, financial situation or needs of any specific investor. It is not intended to take the place of professional advice and investors should not make specific investment decisions in reliance on the information contained in this report. Before acting or relying on any information, an investor should consider whether it is appropriate for their circumstances having regard to their objectives, financial situation or needs.

Restriction on use

Without modifying our conclusions, we draw attention to section 7.1 of the Takeover Booklet, which describes the purpose of the financial information, being for inclusion in the Takeover Booklet. As a result, the financial information may not be suitable for use for another purpose. We disclaim any assumption of responsibility for any reliance on

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this report, or on the financial information to which it relates, for any purpose other than that for which it was prepared.

KPMG Transaction Services has consented to the inclusion of this Investigating Accountant's Report in the Takeover Booklet in the form and context in which it is so included, but has not authorised the issue of the Takeover Booklet. Accordingly, KPMG Transaction Services makes no representation regarding, and takes no responsibility for, any other statements, or material in, or omissions from, the Takeover Booklet.

Yours faithfully

Tim Bryan
Authorised Representative

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KPMG Financial Advisory Services (Australia) Pty Ltd

ABN 43 007 363 215
Australian Financial Services Licence No. 246901

Financial Services Guide

Dated 12 August 2020

What is a Financial Services Guide (FSG)?

This FSG is designed to help you to decide whether to use any of the general financial product advice provided by **KPMG Financial Advisory Services (Australia) Pty Ltd ABN 43 007 363 215**, Australian Financial Services Licence Number 246901 (of which KPMG Transaction Services is a division) ('**KPMG Transaction Services**'), and Tim Bryan as an authorised representative of KPMG Transaction Services, authorised representative number 000470648 (**Authorised Representative**).

This FSG includes information about:

- KPMG Transaction Services and its Authorised Representative and how they can be contacted;
- The services KPMG Transaction Services and its Authorised Representative are authorised to provide;
- How KPMG Transaction Services and its Authorised Representative are paid;
- Any relevant associations or relationships of KPMG Transaction Services and its Authorised Representative;
- How complaints are dealt with as well as information about internal and external dispute resolution systems and how you can access them; and
- The compensation arrangements that KPMG Transaction Services have in place.

The distribution of this FSG by the Authorised Representative has been authorised by KPMG Transaction Services.

This FSG forms part of an Investigating Accountant's Report (Report) which has been prepared for inclusion in a disclosure document or, if you are offered a financial product for issue or sale, a Product Disclosure Statement (PDS). The purpose of the disclosure document or PDS is to help you make an informed decision in relation to a financial product. The contents of the disclosure document or PDS, as relevant, will include details such as the risks, benefits and costs of acquiring the particular financial product.

Financial services that KPMG Transaction Services and the Authorised Representative are authorised to provide

KPMG Transaction Services holds an Australian Financial Services Licence, which authorises it to provide, amongst other services, financial product advice for the following classes of financial products:

- Deposit and non-cash payment products;
- Derivatives;
- Foreign exchange contracts;
- Government debentures, stocks or bonds;
- Interests in managed investments schemes including investor directed portfolio services;
- Securities;
- Superannuation;

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- Carbon units;
- Australian carbon credit units; and
- Eligible international emissions units,

  to retail and wholesale clients.

We provide financial product advice when engaged to prepare a report in relation to a transaction relating to one of these types of financial products. The Authorised Representative is authorised by KPMG Transaction Services to provide financial product advice on KPMG Transaction Services' behalf.

KPMG Transaction Services and the Authorised Representative's responsibility to you

KPMG Transaction Services has been engaged by Downer EDI Limited (the "Client") to provide general financial product advice in the form of a Report to be included in the Takeover Booklet (the "Document") prepared by Downer in connection with the proposed acquisition of the minority interests in Spotless Group Holdings Limited currently held by a third parties (the "Transaction").

You have not engaged KPMG Transaction Services or the Authorised Representative directly but have received a copy of the Report because you have been provided with a copy of the Document. Neither KPMG Transaction Services nor the Authorised Representative are acting for any person other than the Client.

KPMG Transaction Services and the Authorised Representative are responsible and accountable to you for ensuring that there is a reasonable basis for the conclusions in the Report.

General advice

As KPMG Transaction Services has been engaged by the Client, the Report only contains general advice as it has been prepared without taking into account your personal objectives, financial situation or needs.

You should consider the appropriateness of the general advice in the Report having regard to your circumstances before you act on the general advice contained in the Report.

You should also consider the other parts of the Document before making any decision in relation to the Transaction.

Fees KPMG Transaction Services may receive and remuneration or other benefits received by our representatives

KPMG Transaction Services charges fees for preparing reports. These fees will usually be agreed with, and paid by, the Client. Fees are agreed on either a fixed fee or a time cost basis. In this instance, the Client has agreed to pay KPMG Transaction Services approximately $100,000 (excluding GST) for preparing the Report. KPMG Transaction Services and its officers, representatives, related entities and associates will not receive any other fee or benefit in connection with the provision of the Report.

KPMG Transaction Services officers and representatives (including the Authorised Representative) receive a salary or a partnership distribution from KPMG's Australian professional advisory and accounting practice (the KPMG Partnership). KPMG Transaction Services' representatives (including the Authorised Representative) are eligible for bonuses based on

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overall productivity. Bonuses and other remuneration and benefits are not provided directly in connection with any engagement for the provision of general financial product advice in the Report.

Further details may be provided on request.

Referrals

Neither KPMG Transaction Services nor the Authorised Representative pay commissions or provide any other benefits to any person for referring customers to them in connection with a Report.

Associations and relationships

Through a variety of corporate and trust structures KPMG Transaction Services is controlled by and operates as part of the KPMG Partnership. KPMG Transaction Services' directors and Authorised Representatives may be partners in the KPMG Partnership. The Authorised Representative is a partner in the KPMG Partnership. The financial product advice in the Report is provided by KPMG Transaction Services and the Authorised Representative, and not by the KPMG Partnership.

From time to time KPMG Transaction Services, the KPMG Partnership and related entities (KPMG entities) may provide professional services, including audit, tax and financial advisory services, to companies and issuers of financial products in the ordinary course of their businesses.

No individual involved in the preparation of this Report holds a substantial interest in, or is a substantial creditor of, the Client or has other material financial interests in the transaction.

Complaints resolution

Internal complaints resolution process

If you have a complaint, please let either KPMG Transaction Services or the Authorised Representative know. Formal complaints should be sent in writing to The AFSL Complaints Officer, KPMG, PO Box H67, Australia Square, Sydney NSW 1213. If you have difficulty in putting your complaint in writing, please telephone the Complaints Officer on 02 9335 7000 and they will assist you in documenting your complaint.

Written complaints are recorded, acknowledged within 5 days and investigated. As soon as practical, and not more than **45 days** after receiving the written complaint, the response to your complaint will be advised in writing.

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External complaints resolution process

If KPMG Transaction Services or the Authorised Representative cannot resolve your complaint to your satisfaction within 45 days, you can refer the matter to the Australian Financial Complaints Authority (AFCA). AFCA is an independent company that has been established to provide free advice and assistance to consumers to help in resolving complaints relating to the financial services industry.

Further details about AFCA are available at the AFCA website www.afca.org.au or by contacting them directly at:

Address: Australian Financial Complaints Authority Limited, GPO Box 3, Melbourne Victoria 3001

Telephone: 1300 56 55 62

Facsimile: (03) 9613 6399

Email: info@afca.org.au.

The Australian Securities and Investments Commission also has a freecall infoline on 1800 931 678 which you may use to obtain information about your rights.

Compensation arrangements

KPMG Transaction Services has professional indemnity insurance cover in accordance with section 912B of the *Corporations Act 2001(Cth)*.

Contact details

You may contact KPMG Transaction Services or the Authorised Representative using the contact details:

KPMG Transaction Services
A division of KPMG Financial Advisory
Services (Australia) Pty Ltd
Level 38, Tower Three
300 Barangaroo Avenue
Sydney NSW 2000
PO Box H67
Australia Square
NSW 1213
Telephone: (02) 9335 7000
Facsimile: (02) 9335 7200

Tim Bryan
C/O KPMG
PO Box H67
Australia Square
NSW 1213

Telephone: (02) 9335 7000
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1300 157 206 (for callers in Australia) and
+61 3 9415 4087 (for international callers)