

# McMillanShakespeareGroup

## ASX ANNOUNCEMENT

### Sale of Options Issued Pursuant to Employee Incentive Plan

McMillan Shakespeare Limited (the 'Company') advises that Michael Kay, Managing Director and Chief Executive Officer, and a number of other members of the senior executive team of the Company (The Team) have disposed of 2,041,529 vested options held in McMillan Shakespeare Limited which were issued pursuant to an employee share option plan issued by the Company. These options have been exercised by the purchaser of the options resulting in 2,041,529 shares being issued to the purchaser which represents 2.9% of the total shares on issue in the Company. The 2,041,529 shares have been on sold to a range of institutions under a book build process.

The vesting conditions attached to these options at the time of issue were as follows:

The achievement of predetermined targets, of which, 75% for Mr Kay and 100% of the other executives were based on earnings per share ("EPS") targets over a three year period, including a cumulative EPS target over the three year period in the event that the maximum EPS target was not achieved in any one year. The EPS growth target was based on the actual FY08 EPS achieved as the base year. The EPS targets were as follows:

Performance Hurdles	Weighting	
	Michael Kay	Other Executives
Achievement of FY2009 EPS growth of not less than 15.0%	12.50%	25.00%
Achievement of FY2009 EPS growth of not less than 17.5%	6.25%	5.00%
Achievement of FY2009 EPS growth of not less than 20.0%	6.25%	3.34%
Achievement of FY2010 EPS growth of not less than 15.0%	12.50%	25.00%
Achievement of FY2010 EPS growth of not less than 17.5%	6.25%	5.00%
Achievement of FY2010 EPS growth of not less than 20.0%	6.25%	3.33%
Achievement of FY2011 EPS growth of not less than 15.0%	12.50%	25.00%
Achievement of FY2011 EPS growth of not less than 17.5%	6.25%	5.00%
Achievement of FY2011 EPS growth of not less than 20.0%	6.25%	3.33%

(50,253 of the options disposed of were only subject to the FY10 and FY11 EPS hurdles)

As the cumulative EPS performance over this period was 36.8% the EPS hurdles were achieved in full.

For Mr Kay, the vesting of the balance of the options (25%) was based on the undertaking by the Company of a transformational event resulting in a major diversification for the Company. The transformational event is regarded as having been met through the acquisition of Interleasing (Australia) Limited.

The market capitalisation of the Company at the time of the option issue to Mr Kay was approximately \$166 million and for the other executives ranged between \$129 million to \$220 million compared to yesterday's market capitalisation of \$605.9 million. Mr Kay's exercise price was set a 91% premium to the Company's share price at the time of the issue and for the other executives the premium ranged between 45% and 146%. The options disposed of by The Team represent 35% of their total vested option holding. The Team has provided undertakings to the purchaser that the remaining unsold vested options will not be disposed of during the Company's current trading window which expires on 24 November 2011.

The Board believes that the use of options is the most appropriate form of performance incentive to reinforce alignment with shareholder interests, and to encourage long term performance and retention of key executives. Mr Kay (following approval by the shareholders of the Company at the 2011 Annual General Meeting of the Company) and members of the senior executive team have been granted further options pursuant to a long term incentive plan, subject to meeting relevant performance targets set by the Board. The financial performance targets for Mr Kay's options, as disclosed in the 26 October 2011 AGM notice of meeting, relate to the three year period ending 30 June 2014 as follows:

Vesting Date	Exercise Price	Performance Hurdles	Expiry
Upon the adoption of the MMS Annual Report for FY2014	\$7.31	<ul style="list-style-type: none"> <li>The vesting of up to 33.34% of the Performance Options is subject to FY12 Net Profit After Tax (NPAT) growth being not less than 12.5%</li> <li>The vesting of up to 33.33% of the Performance Options is subject to FY13 Net Profit After Tax (NPAT) growth being not less than 15%</li> <li>The vesting of up to 33.33% of the Performance Options is subject to FY14 Net Profit After Tax (NPAT) growth being not less than 15%</li> </ul>	30 September 2015

The NPAT growth is based on the actual FY11 NPAT achieved (the 'Base Year'). The NPAT growth target will be based on compounding growth targets from the Base Year.

In the event that the NPAT target in any one year is not achieved, at the end of the three year period ending 30 June 2014 the actual compound NPAT over the three year period will be calculated, and if the total exceeds the compound EPS target for the three year period, then the executive will be entitled to exercise all Options which have not been forfeited.

The right to exercise the Performance Options is subject to continued employment at the Company as at 31 August 2014. The Board retains the discretion to adjust the NPAT targets in the event of a change in the capital structure of the Company that impacts earnings per share. Any change to the NPAT targets will be made having regard to the actual NPAT impact of the change to the capital structure.

The Company also announced on 9 September 2011 that Mr Kay entered into a fixed term contract for a fixed term ending 31 August 2014, the details of which are included in that announcement.

For more information please contact:

**Mark Blackburn**  
**CFO and Company Secretary**  
**McMillan Shakespeare Limited**  
**Telephone: +61 3 9097 3273**  
**E-mail: [mark.blackburn@mmsg.com.au](mailto:mark.blackburn@mmsg.com.au)**

McMillan Shakespeare Limited A.B.N. 74 107 233 983 AFSL No. 299054  
Level 19, 360 Elizabeth Street, Melbourne, Victoria 3000  
Tel: +61 3 9097 3273 Fax: +61 3 9097 3060 Web: [www.mcms.com.au](http://www.mcms.com.au)

#### About McMillan Shakespeare

McMillan Shakespeare is considered a market leader in the provision of remuneration programs. Its services include remuneration policy design, salary packaging benefit administration and motor vehicle lease management backed by expertise in FBT management, tax and compliance. McMillan Shakespeare also provides a complementary fleet management service, including the procurement of motor vehicles and finance and the management of fuel card and service maintenance programs.