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ASX/NZSX RELEASE

SPOTLESS 2010 INTERIM RESULTS

- Reported EBIT up 13.4% to \$47.3 million, reported NPAT up 40.8% to \$24.5 million
- Reported earnings per share (EPS) up 25% to 10.0 cents per share
- Underlying EBIT growth of 9.5% (pre-NRIs and asset sales in the pcp)
- Interim dividend of 5.0 cents per share franked to 60%
- EBIT growth in both Facility Services and Braiform over pcp
- Significant new business won in the first half
- Strategic acquisition of CE Property Services
- Transformation continues in line with strategic plan
- Balance sheet in excellent shape with gearing at 30.1%
- Second half revenue and earnings expected to exceed first half

2010 INTERIM RESULTS HIGHLIGHTS

Spotless Group Limited (ASX/NZSX: SPT) today reported NPAT of \$24.5 million in the first half of 2010 (1H10), an increase of 40.8 per cent on the prior corresponding period (pcp). Reported EPS increased 25.0 per cent to 10.0 cents per share. Underlying NPAT (prior to NRIs and asset sales in the pcp) increased 29.6 per cent over the pcp to \$24.5 million. Underlying EPS rose 14.9 per cent on pcp to 10.0 cents per share. Group sales revenue prior to pass-through revenue rose 5.4 per cent over the pcp as early signs of a demand recovery has emerged in some areas.

Spotless delivered a strong financial result based on the pcp, despite significant volatility and continued economic uncertainty. Facility Services (food, cleaning, laundries and facilities management and asset maintenance) delivered EBIT growth of 4.3 per cent on pcp to \$44.1 million (prior to NRIs and asset sales). Retailer Services (operating under the brand Braiform) EBIT rose 255.6 per cent on pcp to \$3.2 million.

According to Managing Director and CEO, Mr Josef Farnik, the group's first half performance underscores the company's ability to deliver organic growth across its service lines. Several new wins demonstrate a strong client response to the Group's integrated 'multi-service' offer tailored to key market sectors.

"Spotless delivered a strong result in the first half of 2010. A number of large and strategically important contracts were secured in all geographies and our pipeline of contract opportunities has strengthened. The quality and value of contract wins in the first half, combined with the strong new business pipeline, demonstrates the value of our deep service expertise and relevance of our specialist market knowledge."

"The ability to seamlessly deliver and manage a broad range of services on behalf of clients provides Spotless with a significant competitive advantage. In the first half our Facility Services business secured a number of major contracts, including wins in the resources and government sectors. Braiform, in addition to European closed loop reuse contracts already announced, won new business in the UK and the US combining garment hangers with print and packaging solutions. These contracts demonstrate the supply chain efficiencies that can be delivered through a complete service offering," said Mr Farnik.

The group's solid first half performance also reflects ongoing financial discipline particularly in the areas of improved contract management and tighter cost control through efficiency

initiatives. Meanwhile, the company continues to reinvest on a range of fronts that are critical to the future of the business, such as safety training and systems, environmental management, and in technology platforms that will provide efficiencies and improved operating performance.

In terms of the continuing impact of economic conditions, Facility Services is still experiencing areas of demand weakness, particularly across the hospitality sector where discretionary spending remains soft. Additionally, reduced Government fiscal stimulus spending is expected. However, early signs of general economic recovery are evident in the resources and industrial sectors.

Braiform's earnings growth in the first half was underpinned by restructuring efforts and a continued focus on improving distribution and administration. The business is well positioned to take advantage of market opportunities when retail conditions improve. The business has regionally focused sales teams, consolidated moulding and warehouse facilities and new IT systems, which enhance communication and streamline back office processes.

The group has strong free cash flows and a robust balance sheet to support future investment. During the period Spotless raised \$86 million through an institutional placement and Share Purchase Plan. Subsequent to the equity raising, Spotless successfully acquired all the shares in Taylors Group Limited (Spotless' Laundry Services business in New Zealand) that it did not already own.

In early February 2010 Spotless signed a conditional agreement to acquire privately owned international cleaning and related services company CE Property Services Group, widely known for the Cleanevent and CleanDomain brands. CE Property Services has revenue of over \$140 million, with approximately 60 per cent of revenue generated in Australia. The principal condition precedent relates to the novation of contracts, which is progressing.

CE Property Services provides cleaning, environmental waste management, housekeeping and security services in over six countries and employs approximately 4,000 people, primarily in Australia, United Kingdom, United States, France and the United Arab Emirates.

"CE Property Services Group is a natural fit with Spotless and would enable us to offer additional services to existing and potential clients, improve outsourcing efficiencies and ultimately increase value for our clients. Importantly, its international footprint would deliver an important building block in our growth plans," said Mr Farnik.

"Our organic growth continues to be supported by an active acquisitive agenda with strict strategic and financial filters. We will continue to identify and assess opportunities that provide Spotless with a competitive advantage in terms of scale, geographical expansion or technical expertise," said Mr Farnik.

Spotless also became a Dual Listed Issuer on NZSX during the period. The listing demonstrates Spotless' long-term commitment to New Zealand, and provides a broader group of investors with an opportunity to own part of a growing global services business with close links to New Zealand.

"In the absence of major unforeseen events, Spotless expects that second half revenue and earnings will exceed the first half. We remain confident that we have the right strategy to enable Spotless to fully realise its potential and remain committed to delivering sustainable value for our clients, shareholders and people," said Mr Farnik.

OPERATIONAL SUMMARY

Sales Revenue			
A\$ million	1H10	1H09	Change
Cleaning Services	133.1	124.4	7.0%
Food Services	271.7	282.7	(3.9)%
Laundry Services	118.4	113.4	4.4%
Managed Services ¹	513.2	407.6	25.9%
Facility Services¹	1,036.4	928.1	11.7%
Braiform	118.6	167.5	(29.2)%
Group¹	1,155.0	1,095.6	5.4%

1. Excludes pass-through revenue

EBIT			
A\$ million	1H10	1H09	Change
Cleaning Services	6.9	7.6	(9.2)%
Food Services	10.7	12.1	(11.6)%
Laundry Services	14.8	13.7	8.0%
Managed Services	16.3	14.9	9.4%
Corporate Administration	(4.6)	(6.0)	(23.3)%
Facility Services EBIT (prior to NRIs and asset sales)	44.1	42.3	4.3%
Braiform	3.2	0.9	255.6%
Group EBIT (prior to NRIs and asset sales)	47.3	43.2	9.5%
Impaired assets and onerous contracts	-	(4.4)	(100.0)%
NRIs (pre-tax)	-	(4.4)	(100.0)%
Asset sales (pre-tax)	-	2.9	(100.0)%
NRIs and asset sales (pre-tax)	-	(1.5)	(100.0)%
Group EBIT (post-NRIs and asset sales)	47.3	41.7	13.4%

NPAT			
A\$ million	1H10	1H09	Change
Group EBIT (prior to NRIs and asset sales)	47.3	43.2	9.5%
Net interest expense	(11.5)	(13.0)	(11.5)%
Profit Before Tax (prior to NRIs and asset sales)	35.8	30.2	18.5%
Tax Expense (prior to NRIs and asset sales)	(10.8)	(10.8)	0.0%
Minorities	(0.5)	(0.5)	0.0%
NPAT after minorities (prior to NRIs and asset sales)	24.5	18.9	29.6%
NRIs (post-tax)	-	(4.4)	(100.0)%
Asset sales (post-tax)	-	2.9	(100.0)%
Reported NPAT after minorities	24.5	17.4	40.8%
Reported EPS (cents)	10.0	8.0	25.0%

Notes:

(1) NRIs - No NRIs in 1H10. NRIs of \$4.4m in 1H09 (non-cash PMS investment impairment (AASB139)).

(2) Asset sales - No asset sales in 1H10. One-off profit on sale of asset in 1H09 of \$2.9m.

(3) Pass-through revenue is revenue generated by Spotless at zero profit margin.

FACILITY SERVICES

1H10 Results Highlights

Total Facility Services sales revenue, excluding pass-through revenue, rose by 11.7 per cent on pcp to \$1,036.4 million. Pass-through revenue is revenue generated by Spotless at zero profit margin. Including pass-through revenue, the Facility Services sales revenue increase of 7.4 per cent on pcp to \$1,087.7 million was the result of significant new business wins across all divisions, and the impact of recent bolt-on acquisitions. These effects were offset by reduced scope of existing contracts and several contract losses directly attributed to challenging economic conditions.

Facility Services EBIT prior to NRIs and asset sales increased 4.3 per cent on pcp to \$44.1 million as a result of the increased demand coupled with successful cost reduction initiatives. This was offset by some margin compression across the business, as a number of clients sought ways to reduce their cost base. Soft demand was evident in corporate hospitality sales and industrial garment laundering.

Order Book

As at 31 December 2009 Managed Services had a forward revenue order book of \$8.2 billion, with over 96 per cent of contracted revenue in the health, government and industry, defence and Public-Private Partnership (PPP) sectors.

Growth Opportunities

The unique blend of service capabilities, sector knowledge and geographical coverage provides a compelling platform for continued growth in 2H10 and beyond. In particular the focus for Spotless' Facility Services business includes:

- full contribution from recent contract wins
- growth from existing contracts
- continued trend toward outsourcing and multi-service contracts
- acquisition of CE Property Services which provides increased scale in cleaning services, a broader geographical footprint and strategic growth opportunities
- operation of the new \$20 million commercial laundry in Brisbane to commence during 2010
- strategic acquisitions

BRAIFORM

In US dollar terms, sales revenue declined 16.9 per cent on pcp to US\$104.1 million. When reported in Australian dollars, sales revenue fell 29.2 per cent to \$118.6 million. The revenue decline reflects lower sales volumes, selling prices and some changes in product mix. Despite the continued softness in retail demand within the United States and Europe, Braiform has secured sales volume increases from several key customers. As a result, the business is experiencing full factory utilisation of manufacturing partners in China for the first time in more than five years.

In US dollar terms, EBIT increased 212.8 per cent on pcp to US\$2.9 million. When reported in Australian dollars, EBIT increased 255.6 per cent on pcp to \$3.2 million. This strong EBIT growth, despite the decline in revenue on pcp, was driven by the positive impacts of recent restructuring work and a continued focus on efficiency; including cost savings from the

closure of manufacturing facilities, the streamlining of distribution facilities and other elements of the supply chain and a reduction in global staffing levels.

The impact of resin price increases was minimised during the period although not all of the resin cost increases experienced in the first half were able to be passed on during the period.

Improved operational performance and enhanced supply chain visibility means Braiform is well positioned to take advantage of market opportunities when retail conditions improve. Growth opportunities for Braiform include:

- full contribution from garment hanger contract wins in the first half
- full impact of several new closed loop reuse contracts, expected to impact late in the second half of 2010
- increased retailer interest in new closed loop reuse contracts
- expansion of the print and packaging offer (items such as swing tags, labels, security tags and packaging required for garments) in the North American market
- completion of the global roll out of Braiform IT systems, which will produce significant performance improvements and efficiencies
- continued focus on lowering the cost base through efficiency improvements

CASH FLOW, GEARING AND TAX

Net operating cash flow rose 55.6 per cent on pcp to \$37.8 million, a result of improved working capital performance, a decrease in interest paid on debt and a decrease in tax paid when compared to the pcp. The ratio of gross operating cash flow to EBITDA, adjusted for the impact of NRIs and asset sales, was 63 per cent, up on the pcp of 51 per cent. Spotless typically has a seasonal investment in working capital at 31 December when compared to 30 June.

Net debt as at 31 December 2009 fell 22.2 per cent to \$192.2 million from 30 June 2009, resulting in gearing (net debt to debt plus equity) at 31 December 2009 of 30.1 per cent, a significant improvement on gearing as at 30 June 2009 of 40.5 per cent. This reflects the equity raising completed during the period as well as strong free cash flow generation.

The effective tax rate (prior to NRIs and asset sales) was 30.2 per cent, below the pcp of 35.8 per cent. The largest drivers of the change in tax rate were the Federal Government investment allowance and the mix of profits by country within Braiform.

DIVIDEND

The Directors have declared an interim dividend of 5.0 cents per share, franked to 60 per cent, which compares to 5.0 cents per share in the pcp (franked to 100 per cent).

The level of franking for the 2010 interim dividend reflects the lower tax rate, Spotless' low level of surplus franking credits and the impact of additional shares on issue from the recent equity raising. The interim dividend is consistent with Spotless' previously stated dividend policy, which targets a payout ratio of between 50 per cent and 60 per cent of EPS prior to NRIs.

OUTLOOK

Facility Services

The business is competitively positioned to support clients with a unique breadth and depth of services. Spotless' strong integrated services offering to clients resulted in significant new business wins during the period and the pipeline of new contract opportunities has strengthened over the course of the first half.

The impact on clients of more subdued economic conditions has varied across Spotless' diverse range of clients and service offerings. Facility Services continues to experience some demand softness, but in areas has shown early signs of a potential demand recovery, supported by the award of new business during the first half. Notwithstanding an expectation for Government fiscal stimulus withdrawal, Facility Services is expected to generate improved revenue and EBIT in the second half.

Braiform

For Braiform, the timing and extent of a global economic recovery remains less clear. Additionally, when compared with the prior corresponding period, current foreign exchange rates and resin prices are less favourable.

Notwithstanding these external headwinds, cost and operating efficiency initiatives are in place and Braiform expects to produce improved revenue and EBIT results in the second half of the year, consistent with the business' typical mix of earnings and the impact of previously announced European reuse contracts won in 2009.

Group

In the absence of major unforeseen events, Spotless expects that second half revenue and earnings will exceed the first half.

We remain confident that we have the right strategy to enable Spotless to fully realise its potential and remain committed to delivering sustainable value for our clients, shareholders and people.

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