Spotless Management Presentation to Pacific Equity Partners

21 December 2011

Disclaimer

This presentation (Management Presentation) is for information purposes only and is being given for the primary purpose of ensuring that Pacific Equity Partners Pty Limited (PEP) and Spotless' investors have a full understanding of the Spotless Directors' view on each of the Spotless businesses.

The information in this Management Presentation does not constitute financial product advice. This Management Presentation does not take into account an individual's investment objectives, financial situation, taxation position or particular needs. The information in this Management Presentation should not be relied on as the sole basis for any decision in relation to Spotless shares. Individuals should seek independent professional advice before making any investment decision in relation to their Spotless shares.

This Management Presentation contains forward looking statements which are not based solely on historical facts but are based on current expectations about future events and results. These forward looking statements have been prepared on the basis and assumptions set out in Appendix A to this Management Presentation, and should be read in conjunction with all information that Spotless has released to the ASX and NZX. These forward looking statements are subject to inherent risks and uncertainties. Such risks and uncertainties include factors and risks specific to the industries in which Spotless operates as well as general economic conditions, prevailing exchange rates and interest rates, conditions in the financial markets, government policies and regulations, competitive pressures and changes in technology. Actual events or results may differ materially from the expectations expressed or implied in such forward looking statements.

ASIC's policy in relation to the inclusion of prospective financial information in disclosure documents is set out in ASIC RG 170. Spotless has had regard to this policy (to the extent applicable) in preparing this Management Presentation. However, due to the Transformation Program that Spotless is currently undertaking, and the timeframes involved in that process, the Spotless Directors believe it is necessary to give their views on the earnings potential of Spotless over the medium-term to demonstrate their views of the impact on earnings of this process. Spotless has conducted a thorough due diligence process in relation to the Management Presentation and the forward looking information, including reports by its advisers KPMG and Clayton Utz. While all due care and attention has been taken in the preparation of this Management Presentation, and the Spotless Directors believe that there are reasonable grounds to support this information in the circumstances of the Management Presentation and the purpose for which it has been prepared, investors should be aware of the inherent risks and uncertainties involved in estimating future financial performance over such time frames.

None of Spotless, its respective related bodies corporate or their respective Directors, officers, employees and advisers makes any representation or warranty (express or implied) as to the accuracy or likelihood of fulfillment of any forward looking statement, or any events or results (expressed or implied) in any forward looking statement, except to the extent required by law. The forward looking statements in this Management Presentation will not be updated for events that occur after the date of this Management Presentation. Accordingly, undue reliance should not be placed on forward looking statements contained in this Management Presentation.

Unless otherwise indicated, all references to estimates, targets and forecasts and derivations of the same in this presentation are references to estimates, targets and forecasts by Spotless management. Management estimates, targets and forecasts are based on views held only at the date of this Management Presentation, and actual events and results may be materially different from them.

Agenda

Section 1

INTRODUCTION

Context

Spotless Management Presentation to Pacific Equity Partners

- This Management Presentation has been prepared as part of Spotless Group Limited's ("Spotless" or "the Company") engagement with Pacific Equity Partners Pty Limited ("Pacific Equity Partners" or "PEP") as a result of PEP's indicative, non-binding and conditional proposal to acquire 100 per cent of the shares of Spotless via a scheme of arrangement at an indicative price of up to $2.68 per share, which was announced to the market by Spotless on 1 December 2011

- Spotless' engagement with PEP may or may not lead to a proposal that the Spotless Directors ("Directors") would support and ultimately recommend to Spotless shareholders

- This Management Presentation will be released on the ASX and NZX for the benefit of all shareholders

- Refer to the Glossary on page 55 for description of defined terms that appear throughout this Management Presentation

Context

Purpose of this Management Presentation

- This Management Presentation has been prepared as part of Spotless' engagement with PEP, to provide the Directors' view on each of Spotless' businesses
- To facilitate this objective, set out in this Management Presentation is the following information:
  - Information on each of Spotless' businesses (Facility Services and Braiform) including the strategy of each business
  - Information on key drivers of current and future performance, including:
    - The comprehensive Transformation Program that Spotless is currently undertaking
    - Facility Services' exposure to attractive Integrated Facility Services and PPP markets
    - Current and future investment in the Business and IT platform
    - An acceleration of the Braiform restructuring program and the leverage the business has to a cyclical recovery and an increase in garment on hanger ("GOH") volumes
  - The Directors' view on the earnings potential of Spotless once the Transformation Program investment is complete and benefits are fully realised in the medium-term including
    - An estimate of Spotless' expected medium-term[1] (i.e. in 3-4 years from now) EBIT performance
    - A sensitivity analysis to illustrate the leverage of Braiform to an increase in garment on hanger volumes[2]
  - Information on other due diligence matters relating to a change of control, including matters specifically requested by PEP

1. Throughout this Management Presentation "medium-term" refers to 3-4 years from now
2. The quantum and timing of the impact of an increase in garment on hanger volumes is subject to inherent uncertainty, and consistent with ASIC guidance, this restricts the ability of the Spotless Board to publicly disclose its view on the expected medium-term EBIT performance of Braiform

Executive summary

Spotless Management Presentation to Pacific Equity Partners

- Spotless is nearing completion of a comprehensive Transformation Program that started in FY08
  - The Company has achieved significant milestones to date and delivered strong revenue and EBIT growth in the Facility Services business despite tough economic conditions
  - Progress to achieve strategic goals remains on track
  - Spotless reiterates the FY12 outlook previously provided at the 2011 AGM and expects full year Group Reported EBIT (prior to any engagement costs) to be in the range of $90-94m
- Facility Services forms the core of Spotless and is a valuable asset with strong growth potential
  - The strategic benefit of the migration of Facility Services from a largely single-service, geographically focused business to one that now also offers multi-service and fully integrated solutions is significant
  - The future of the Facility Services business is to go even further down this path by emphasising preferred sectors and using Spotless' current leading market positions and scale to drive greater value for the business and its clients
  - Spotless' integrated service offering means that it is well placed to capture the significant benefits of an expected acceleration in the Integrated Facility Services market, and continue to secure high value PPP contracts that will deliver medium and long-term value
- The final leg of the Transformation Program is the investment in the Business and IT platform
  - Capital spend expected to conclude by the end of FY13 and net financial benefits will flow in the medium-term and beyond
  - Project is currently running to schedule and on budget
- Braiform has undertaken its own restructuring program and endured multiple external shocks, but will benefit from a cyclical recovery and an increase in garment on hanger volumes
  - Current focus is on accelerating the final stages of the restructuring program that commenced in 2008

Executive summary

Facility Services Transformation

The Transformation Program is transforming Facility Services from an ex-growth, low-margin business to a higher growth and more profitable business delivering strong free cash flows

	From…	…To
Growth	▸ GDP growth or less – focus on single service lines	▸ Higher growth – focus on Integrated Facility Services
Contract margin	▸ Low contract margin	▸ Higher contract margins and longer average contract length
EBIT margin	▸ Low EBIT margin	▸ Higher EBIT margin closer to international peers ▸ 5% long-term target
Business model	▸ Ex-growth “cash cow” operated in silos	▸ Integrated, profitable growth business delivering strong free cash flows

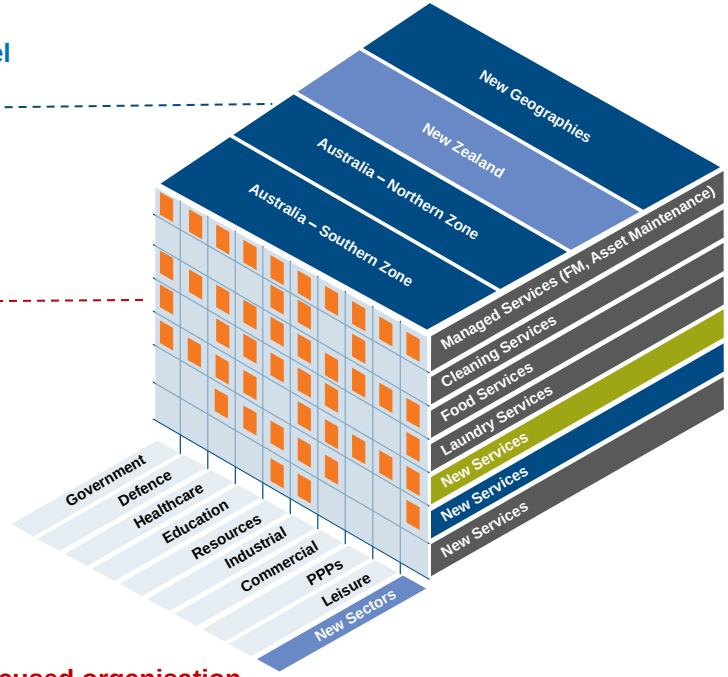
Executive summary

Evolution of the Facility Services business model

The business model has evolved since 2007 to capitalise on service line expertise and sector knowledge and benchmarking. Spotless' vision is to be a leading provider of contract management services and supply chain solutions across single, multi and fully managed outcomes

2007 – Organisation / business model focused around geography

- Replicated skills
- Low economies of scale
- Spotless strategy not articulated
- Contract-centric with low focus on integrated services



2008 – Organisation / business model focused on service lines

- Economies of scale (e.g. Trans-Tasman)
- Divisions empowered to grow with bottom line accountability
- Early cross-sell progress
- Starting to define value of Spotless' strategy

2010 onwards – Sector focused organisation

- Business plans / account plans
- Divisional organisational structure ensures accountability and ownership
- Market sector needs now addressed by customer-focused sector expertise
- Business plans / account plans are developed / delivered at divisional level with embedded sector and geographic objectives
- Sector-specific capability bringing together the whole of Spotless

Section 2

THE SPOTLESS TRANSFORMATION JOURNEY

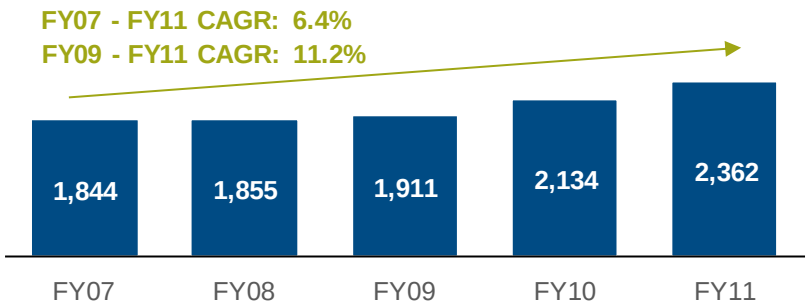
The Spotless Transformation journey

Two distinct businesses

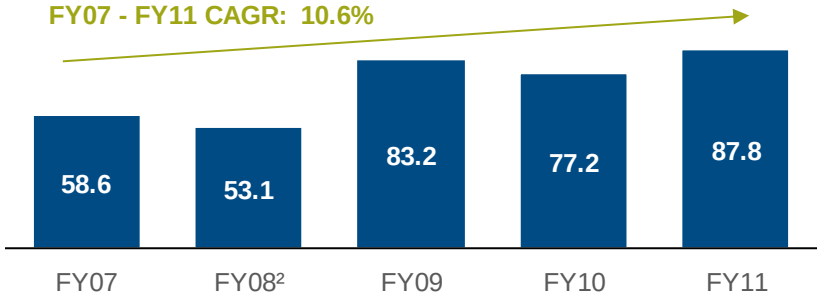
Spotless comprises two distinct businesses, Facility Services and Braiform. Facility Services has generated revenue and EBIT growth from FY07-FY11, while Braiform has been impacted by market factors (which led to the implementation of a business restructuring program) and has been experiencing difficult global macroeconomic conditions

ANZ Facility Services ($m)[1]

Revenue (ex-Pass-Through)

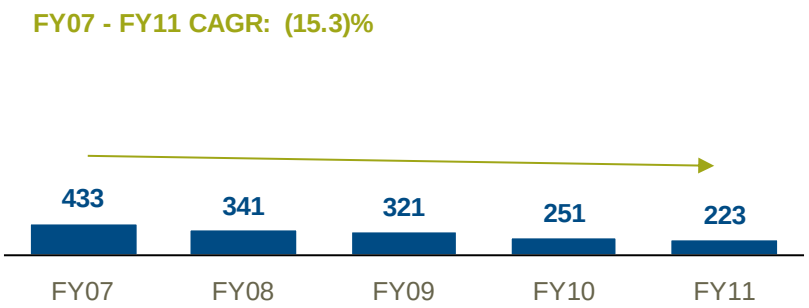


Reported EBIT

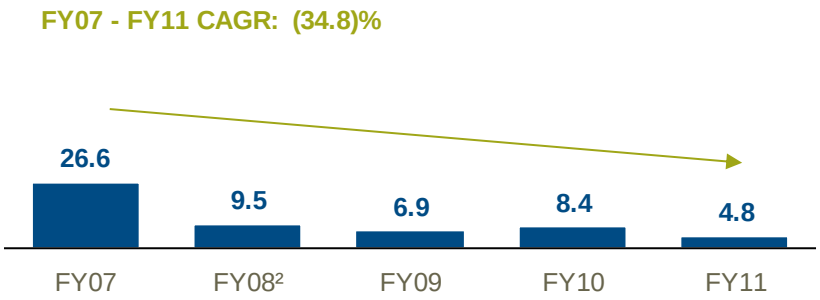


Braiform ($m)

Revenue



Reported EBIT



Note: Unless stated otherwise, all dollar amounts in this Management Presentation are in A$
1. Excludes contribution from International Services segment
2. Reported EBIT in FY08 is after deducting restructuring costs allocated to Facility Services and Braiform. All transaction costs for FY08 have been allocated to Facility Services

The Spotless Transformation journey

ANZ Facility Services

Facility Services is now the cornerstone of the business and has an increasing sector focus. Spotless has invested in capability, business development, safety and now business processes

Where we started

FY07

- Business organised by geography
- Disparate service lines (silos)
- Lack of capability:
  - no articulated strategy
  - no internal audit function
  - no IT strategy
  - no group HR function / processes
- Limited proactive engagement with investors, government and media

Transformation to date

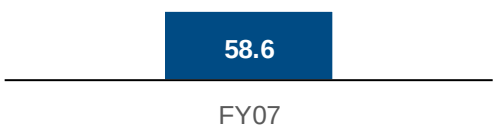
FY08 to FY09

- Transformation commenced with governance and accountability frameworks
- Geographic business model realigned around service-based divisions
- Business re-focused around Integrated Facility Services
- Business development function rebuilt
- Initial cost reduction initiatives

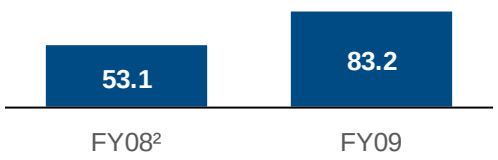
FY10 to today

- Strong growth in Facility Services
- Increasing traction of Integrated Facility Services model with a number of PPP contract wins
- Increasing sector focus
- Reinvestment in systems, safety and risk management
- Implementation of Business and IT platform on time and on budget (expected to be completed by the end of FY13)

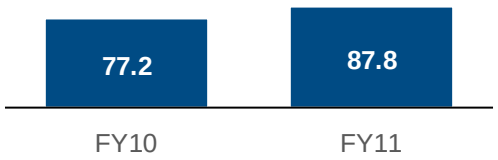
FY07 Reported EBIT ($m)[1]



FY08 – FY09 Reported EBIT ($m)[1]



FY10 – FY11 Reported EBIT ($m)[1]



1. Excludes contribution from International Services segment
2. Reported EBIT in FY08 is after deducting restructuring costs allocated to Facility Services. All transaction costs for FY08 have been allocated to Facility Services

SPOTLESS

The Spotless Transformation journey

Braiform

In 2008 Braiform was restructured from three independent operations into one global integrated business, which now has a lower and more flexible cost base. The restructuring process continues in response to the external environment

Where we started

FY07

- Operated as 3 separate businesses / brands / R&D functions
- Combined self / contract manufacturing model
- Multiple IT systems with limited integration
- 3 re-use customers
- 3 re-use facilities with excess capacity of 20%[1]
- Industry trend to a globalisation of the garment supply chain, leading to lower global input costs and price deflation, impacting gross profit contribution

Transformation to date

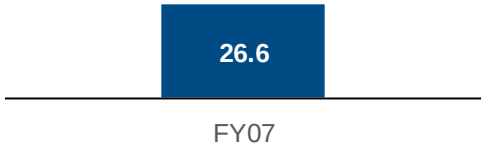
FY08 to FY09

- Initiated restructuring program
- Combined into single integrated business with centralised management and support services under a single brand
- Commenced implementation of single, integrated B2B IT and ERP systems
- Moved to a flexible contract manufacturing / licensee model and closed manufacturing facilities
- Faced difficult operating conditions throughout global financial crisis

FY10 to today

- Continued focus on restructuring in response to an ongoing subdued demand environment
- 7 re-use customers and a strong pipeline of new opportunities
- 4 re-use facilities with excess capacity of ~50%[1]
- Third party logistics in most locations
- Potential for EBIT growth is leveraged to a cyclical recovery and an increase in garment on hanger volumes

FY07 EBIT ($m)



FY08 – FY09 EBIT ($m)

FY10 – FY11 EBIT ($m)

1. Assumes operational capacity 24 hours a day, 365 days per year
2. Reported EBIT in FY08 is after deducting restructuring costs allocated to Braiform

SPOTLESS

The future of Spotless

The Company's vision and strategic direction is clear

Once the Transformation Program is complete (by the end of FY13), Spotless will be well positioned to deliver substantial financial growth arising from the benefits of investment in the Business and IT platform and more profitable organic growth in preferred sectors in the medium-term[1]

ANZ Facility Services growth drivers[1]

- ✓ Ongoing growth in the ANZ Facility Services market
- ✓ Accelerated growth of Integrated Facility Services market compared to single-service market
- ✓ Spotless to emphasise preferred sectors
- ✓ Capitalising on a strong PPP pipeline
- ✓ Benefits from the investment in the Business and IT platform – and further long-term upside as Spotless targets EBIT margins closer to international peers

Braiform growth drivers[1]

- ✓ Completion of restructuring program currently being accelerated
- ✓ Benefits of a cyclical recovery and an increase in garment on hanger volumes
- ✓ Further upside from conversion to re-use

1. Refer to Section 6 for further financial information and Appendix A for details of the assumptions underlying the forward looking financial information and the basis of its preparation

SPOTLESS

Section 3

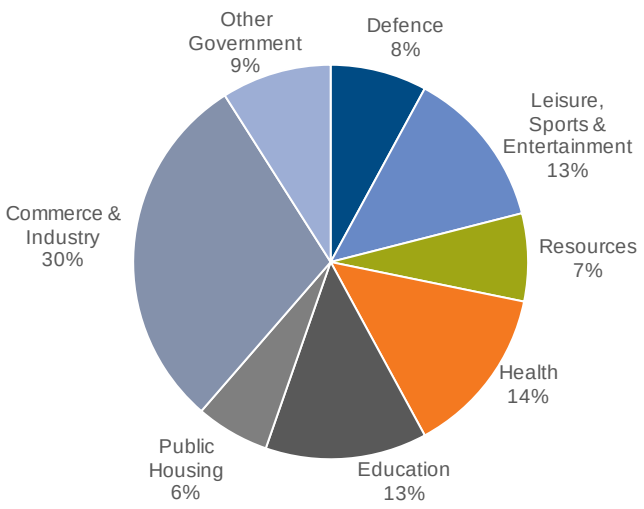
FACILITY SERVICES

ANZ Facility Services

Business overview

ANZ Facility Services accounted for 95% of Group EBIT in FY11. The business provides single, multi and fully integrated services throughout Australia and New Zealand

Spotless ANZ FY11 revenue by sector



Spotless Integrated Facility Services

- ✓ Structural growth expected in outsourcing of Facility Services
- ✓ Stronger demand expected for Integrated Facility Services
- ✓ Spotless has a strong Integrated Facility Services model
- ✓ Direct delivery capability provides competitive advantage
- ✓ Significant scale across Australia and New Zealand
- ✓ Diversified exposure by client sector

Spotless' Integrated Facility Services capability

Spotless delivers integrated services through directly delivering services and re-engineering and tailoring these services to client needs. True integration delivers value to buyer and seller, unlike bundling multiple services

Comparison of service delivery models

Aspect	SPOTLESS Integrated	Aggregated	Single Service
Can provide a range of services under one contract / relationship?	✓	✓	✗
Single OHS&E system and culture?	✓	✗	✓
Ability to re-design processes to remove cost and create value?	✓	✗	✗
Reliance on sub-contracting?	*Flexible*	*Heavy*	*NA*
Profit "margin on margin" from contracting layers?	*Minimised*	*Heavy*	*Nil*
Ability to leverage service delivery experience to innovate future service models?	✓	*Limited*	*Limited*

Recent integrated contract wins[1]

Client	Sector	Managed Services: Facility management	Managed Services: Asset maintenance	Cleaning	Food	Laundry
Presidents Cup	*Leisure*			■	■	
Anglo American	*Resources*	■	■	■	■	■
Adelaide Hospital	*Health*	■	■	■	■	■
V8 Supercars	*Leisure*			■	■	
BHP Billiton	*Resources*	■		■	■	■
NZ Defence	*Defence*	■	■	■		
Central Alliance	*Health*	■	■	■	■	
Coca-Cola Amatil	*Industrial*	■		■	■	
Energy Resources Australia	*Resources*	■		■	■	■

Source: Spotless management

1. In the ordinary course of business Spotless will both win and lose contracts through a financial year. This table sets out recent integrated contract wins only

Facility Services industry outlook

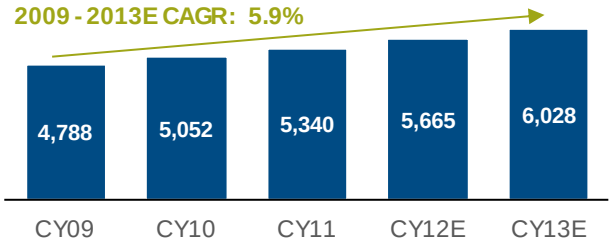
Integrated Facility Services the growth driver

There is an increasing trend towards outsourcing and independent industry observers believe the 'integrated' market will grow faster than single service outsourcing, confirming Spotless' experience

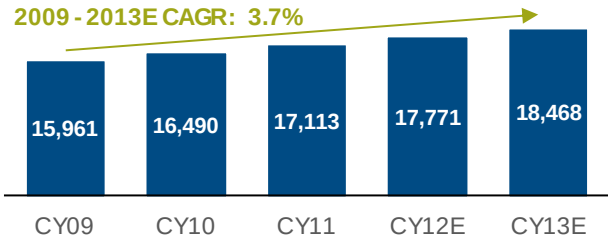
Australian Facility Services market growth

Frost & Sullivan market size ($m) and growth estimates

Integrated Facility Services ("IFS")



Total Facility Services (including IFS)

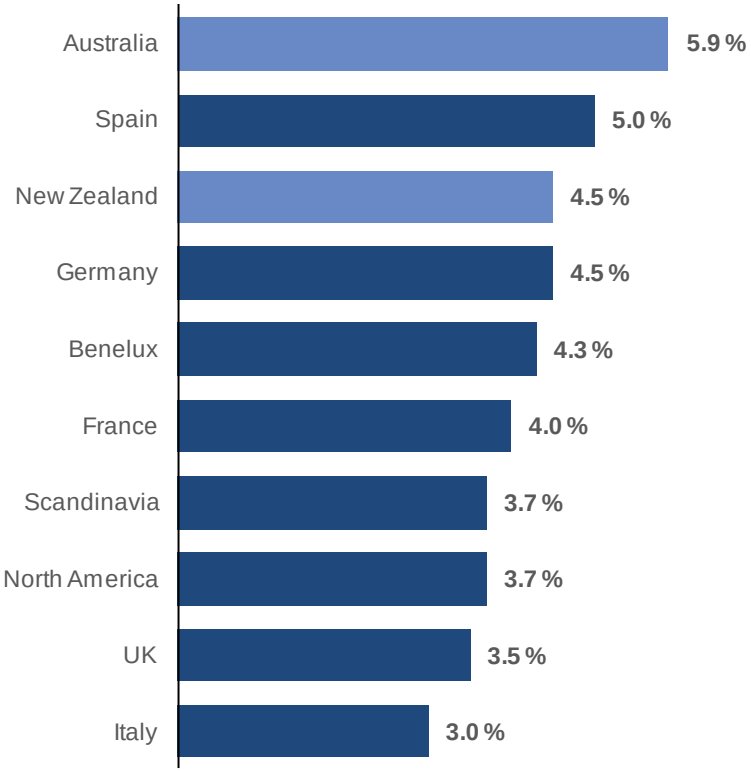


Estimated medium-term revenue growth for Spotless ANZ Facility Services[1]

~6% compound annual growth

~4% compound annual growth[2]

Integrated Facility Services growth (CY09A-CY13E CAGR) – Frost & Sullivan estimates



Source: Frost & Sullivan report, "Australia and New Zealand FM & IFM market" dated March 2011, Spotless estimates

1. Refer to Section 6 for further financial information and Appendix A for details of the assumptions underlying the forward looking financial information and the basis of its preparation

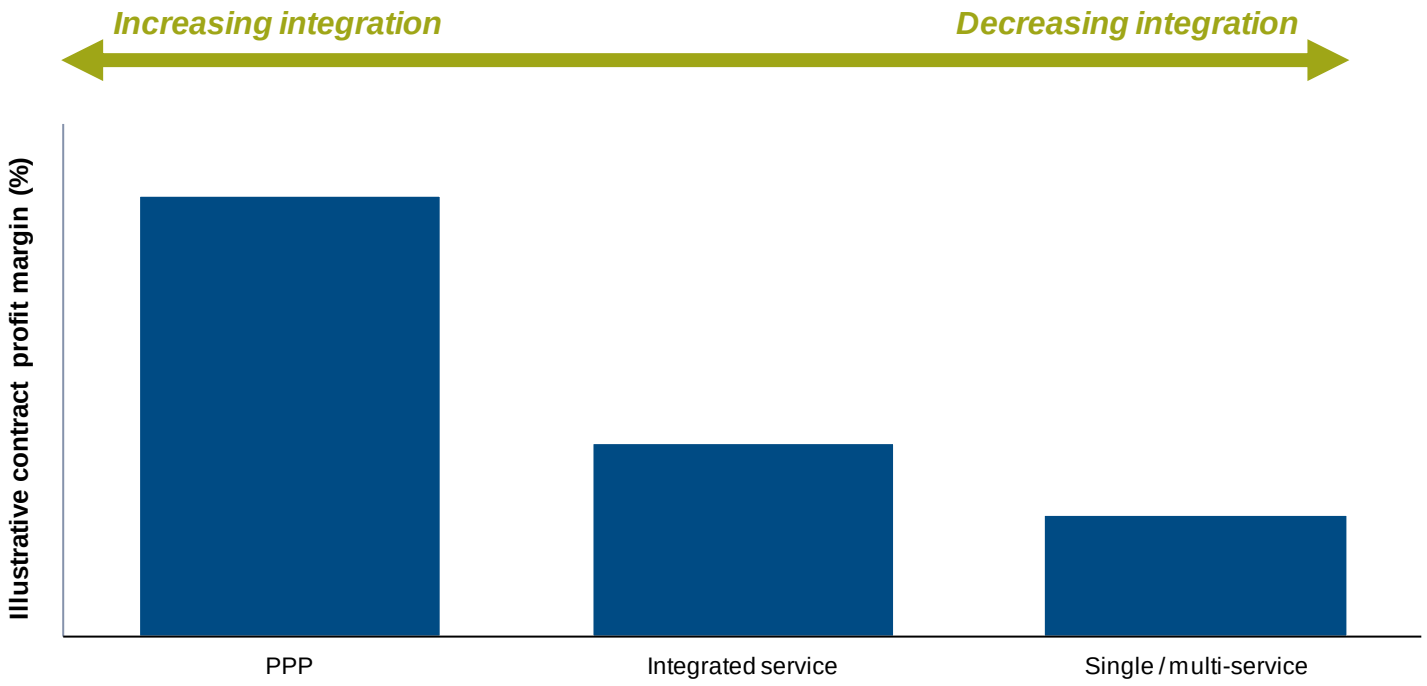
2. Represents the estimated ANZ Facility Services revenue growth excluding PPPs

SPOTLESS

Value of Integrated Facility Services

Illustrative Spotless contract comparison

In Spotless' experience, contracts with increased service integration and duration generally deliver higher contract profit margin



Illustrative duration	*Up to 30 years*	*Up to 5 years*	*~1-3 years*

Public Private Partnerships (PPPs)

A highly attractive sector

Spotless is a leading services provider to social infrastructure assets under PPP contracts in Australia. These projects are contracted to provide revenue for decades and create a wealth of knowledge that can be transferred across contracts

Overview of PPPs

- Since 2004 Spotless has been a successful part of 9 PPP consortia
- Spotless' focus is centered around social infrastructure assets (facilities in health care and education) as well as defence and public housing
- Spotless participates in PPP consortia with financiers, constructors and other applicable stakeholders
  - Spotless' role is typically to provide a range of Facility Services over a period of ~30 years

Key features of PPPs

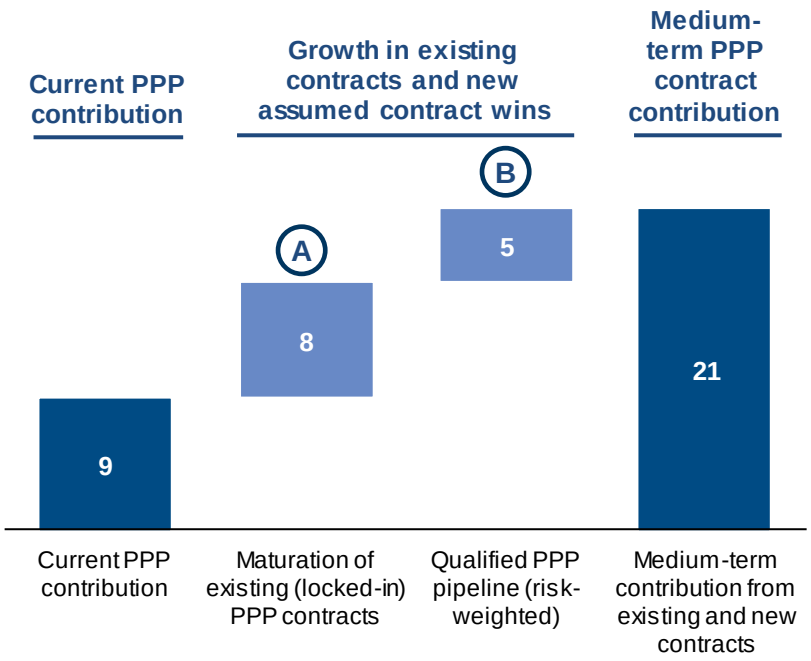
- PPP contracts differ from other integrated services contracts due to the focus on outcomes for facility users and stakeholders rather than inputs
  - Includes risk / reward for performance / non-performance
- Multiple service offering generally required and focus on total cost of ownership and whole of life outcomes
- Development of intellectual property
- Long duration contracts
- Barriers to entry high given inherent complexity and significant bid costs
- Amongst highest margin contracts for Spotless

PPPs financial impact on Spotless

A key driver of medium-term financial performance

Existing signed PPP contracts will continue to grow in profitability as they mature. Spotless has a strong PPP pipeline and has specifically identified PPP contracts that it is targeting over the medium-term

Contract margin impact ($m)[1]



Commentary

A Existing PPP contracts

- Spotless has had significant success in securing long-term PPP contracts
- Revenues from PPPs already secured represent ~69% of the Managed Services Order Book, but only 5% of FY11 revenue for Managed Services (reflecting long-term nature of PPP contracts and the fact that a number of contracts are yet to mature)
- Existing PPP contracts will continue to grow in earnings as contracts mature
- Most notably, the New Royal Adelaide Hospital PPP commences in FY16 and will provide a significant earnings benefit

B Qualified PPP pipeline

- Total annualised revenue of new ANZ PPPs that are currently in varying stages of development exceeds $110m (not probability adjusted)
- PPP contract wins are expected to contribute incremental contract margin of $5m based on probability weighted basis
- Learnings from PPPs such as integrated services and outcome-based contracting are being applied to Spotless' offering to other clients

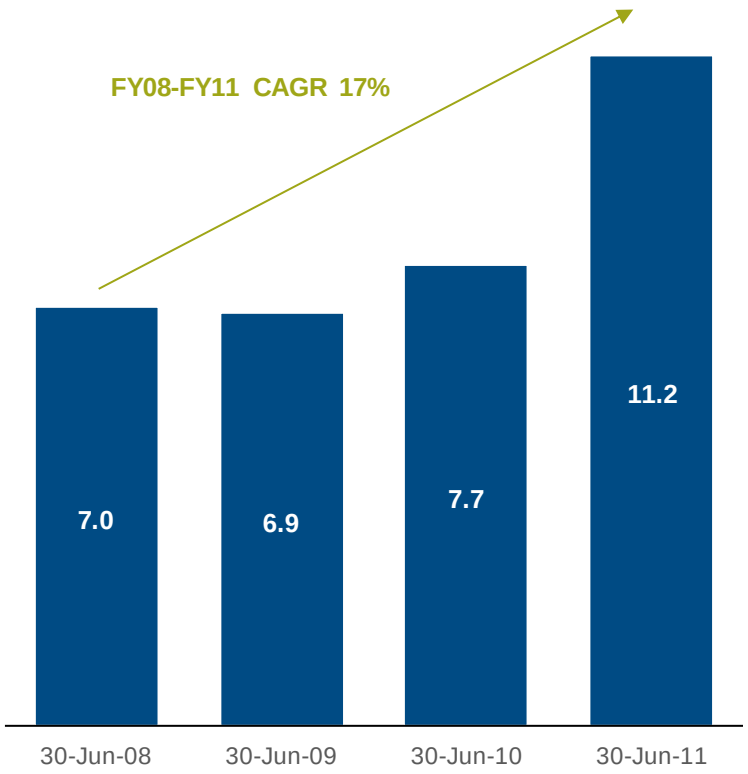
Note: Numbers above do not add due to rounding
Source: Spotless estimates
1. Refer to Section 6 for further financial information and Appendix A for details of the assumptions underlying the forward looking financial information and the basis of its preparation

Order book

Managed Services segment

Managed Services has an order book of $11.2bn (as at 30 June 2011). Approximately 69% of the order book is attributed to the growing PPP portfolio

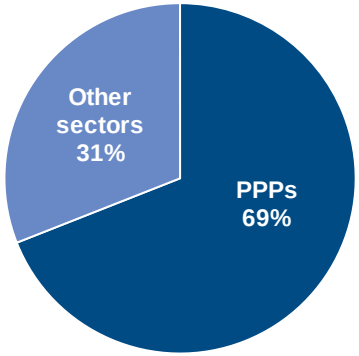
Managed Services order book[1] ($bn)



Commentary

- Spotless' position as a leading managed services operator in PPPs has helped it secure a strong order book
- Significant new business wins in FY11 saw the order book grow to $11.2bn as at 30 June 2011
- Notable recent wins include New Royal Adelaide Hospital PPP, Anglo American, BHP Nickel West and ERA

FY11 Managed Services order book



1. Excludes Pass-Through Revenue

Business development

Investment in future growth

Internal capability was rebuilt from 2008 to ensure expertise and capability (across mobilisation, risk management, benchmarking and pricing) was leveraged across the Company. Organic revenue growth has increased significantly as a result of the business development focus

Spotless business development overview

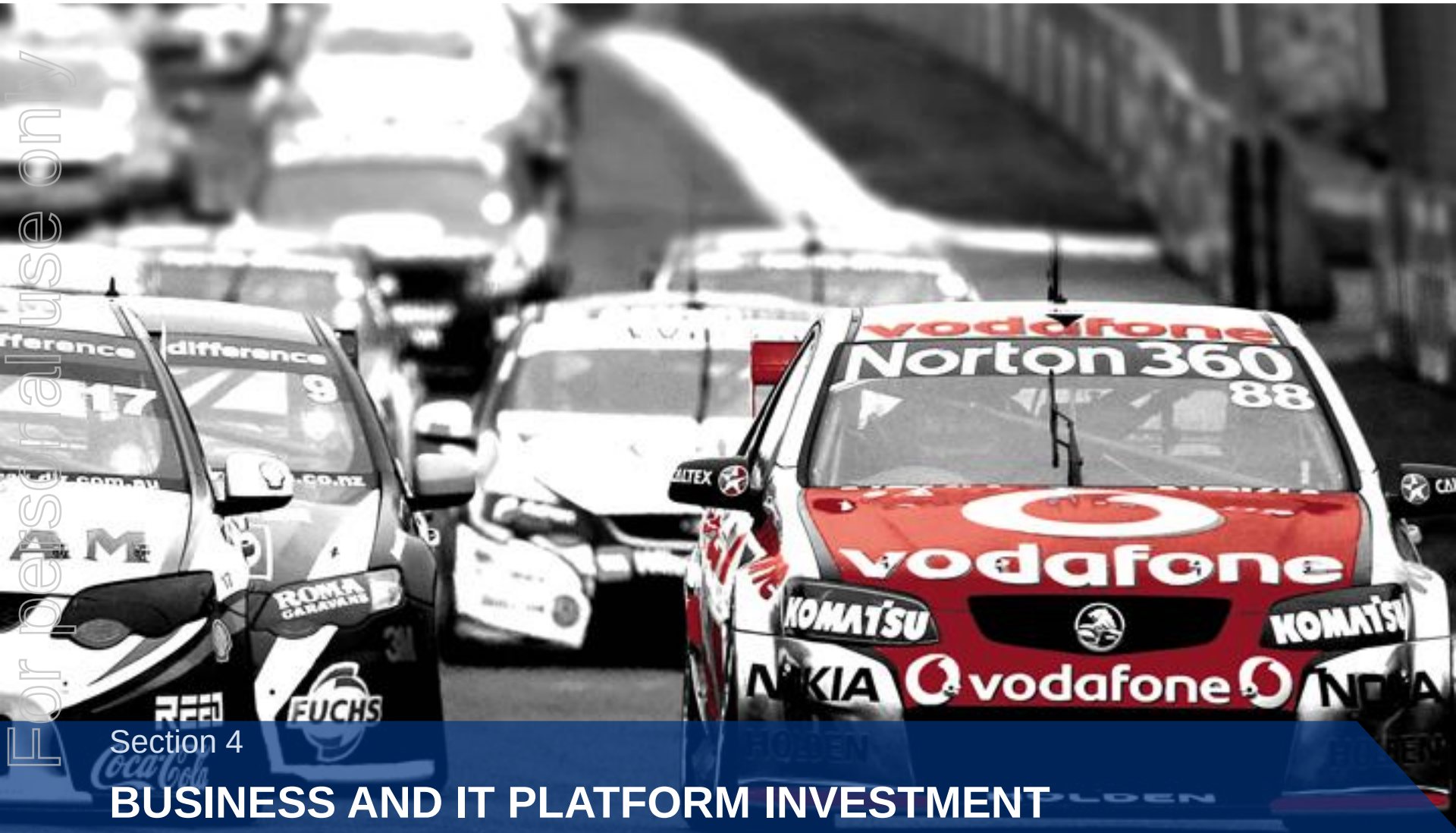
- Spotless has a dedicated business development capability
  - Business development function fundamentally rebuilt in 2008 and a dedicated internal team is now in place
  - Shift in focus from reactive tender management to genuine opportunity development
  - Now implementing the Integrated Facility Services business development approach across all Facility Services divisions
- Spotless invests over $10m per year on business development – a substantial investment made for future revenue benefits
  - Central business development costs are expensed (not capitalised) in the year incurred
- Spotless has a strong pipeline across the Group, in particular Managed Services integrated contracts and PPPs

Current Spotless Managed Services business pipeline ($m)

	Definition	Annualised revenue[1]
Qualified pipeline (non-PPPs)	New business bids either submitted or in development (excluding PPPs)	~$890m
Qualified PPP pipeline	Australian and New Zealand PPPs currently in varying stages of development	~$110m

1. Pipeline annualised revenue is not weighted for expected probability of success. The forward looking financial information in Section 6 is prepared on a probability weighted basis

SPOTLESS



Section 4

BUSINESS AND IT PLATFORM INVESTMENT

Business and IT platform

Summary

- The investment in the Business and IT platform is the final leg in Spotless' Transformation Program
- A review of Spotless' existing processes and IT systems suggested that most have not kept pace with changing business requirements and are in need of re-engineering
  - Certain systems are over 30 years old and carry potential business continuity risks
  - Disparate range of IT systems and business processes contributing to current low EBIT margins
  - Inefficient, inflexible and generally unsuitable for current and future business needs
- Spotless' investment in its Business and IT platform is expected to bring benefits to Spotless' cost structure as well as its ability to grow
  - Expected net EBITDA benefits of ~$26m over the medium-term[1]
  - Benefits expected to rise with the scale of the business and facilitate achievement of Spotless' long-term target EBIT margin of 5% for ANZ Facility Services (in-line with international peers)[1]
- Project is on track
  - Capital spend expected to conclude by the end of FY13 and net financial benefits will flow in the medium-term and beyond
  - Project is currently running to schedule and on budget – ready for first implementation in March 2012

1. Refer to Section 6 for further financial information and Appendix A for details of the assumptions underlying the forward looking financial information and the basis of its preparation

Business and IT platform

Legacy issues requiring action

Spotless has ~135 IT systems, many of which duplicate functions, are not integrated and have not kept pace with changing business requirements. In the medium-term the investment in the Business and IT platform will progressively unlock margins and help manage risk and business continuity

Legacy issue	Implications for Spotless if not addressed
Processes not defined or codified	▸ Management review identified central overheads to be close to 50% of total overheads when assessing the total cost of end-to-end processes – partly driven by inefficient and manual systems
~20 different customer billing / accounts receivable systems	▸ Inconsistent billing, lack of standard financial processing disciplines, inconsistent contract management model, varied processes and a complex financial controls framework
Core Financials system is custom-developed	▸ Limited disaster recovery capability ▸ System is over 30 years old ▸ Requisite skills in the market are scarce and retention of knowledgeable staff is increasingly difficult
Microsoft Excel and Microsoft Access are extensively used to compensate for deficiencies in the core systems	▸ Results in significant fragmentation of controls; processes are difficult to change or standardise ▸ Poor procurement spend management: over 80% of ~$1.2bn spend not managed centrally
~6 different payroll systems across ANZ which have significant functionality gaps and scalability concerns	▸ Significant cost to pay ~40,000 staff; costs of payroll processing previously assessed as ~66% above external benchmarks ▸ No single source of employee master data, wage calculation, roster definition or time capture ▸ Major payroll systems require consolidation and enhancement so as to address the Industrial Relations complexity Spotless needs to manage (180 Awards and EBAs)
Systems predominantly built in-house – around 70%	▸ Agility is low and the costs of change are high – e.g. recent GST changes in New Zealand from 10.0% to 12.5% cost Spotless over $0.5m

Capitalising on significant value opportunities by addressing these issues and constraints

Overview of financial impact

The investment in the Business and IT platform is expected to provide annual net financial benefits of ~$26m EBITDA (~$17m EBIT)[1] once completed and fully commissioned. The financial benefits of the Project will accrue in the medium-term

Annual financial impact ($m)[1]

Gross benefits	$m	% total
Billing	~11	*~35%*
Procurement	~12	*~39%*
Labour management	~5	*~16%*
Other cost efficiencies	~3	*~10%*
Total gross benefits	**~31**	***~100%***
Incremental operating costs		
Technical support	~(1)	*~20%*
Software licensing & maintenance	~(1)	*~20%*
Infrastructure	~(3)	*~60%*
Total incremental costs	**~(5)**	***~100%***
Total net EBITDA benefits	**~26**	
Amortisation of capex	~(9)	
Total net EBIT benefits	**~17**	

Commentary

Financial benefits

- Billing – avoidance of billing leakage, increased billing accuracy and price compliance (estimated savings of ~$11m compare to total ANZ Facility Services revenue of ~$2.4bn (ex-Pass-Through) in FY11)
- Procurement cost and demand savings – reduction in number of suppliers, improved governance over supplies and compliance with preferred suppliers (estimated savings of ~$12m compare to FY11 procurement spend of ~$1.2bn)
- Labour management – improved labour cost management, reduction in rostering effort (estimated savings of ~$5m compare to FY11 labour costs of ~$1.1bn)
- Other operating cost efficiencies including inventory management and removal of existing systems

Incremental operating costs

- Increased cost relating to ongoing technical support, licensing and infrastructure

Source: Spotless estimates

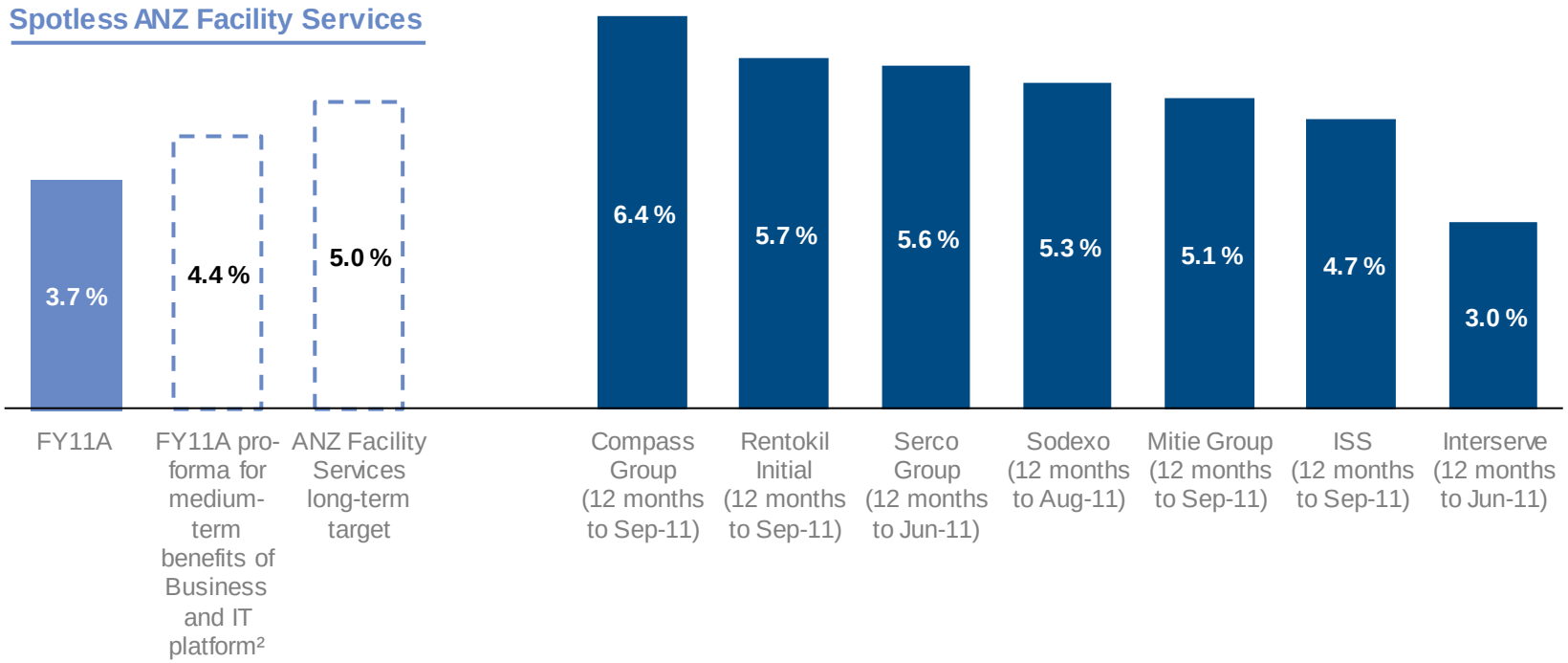
1. Refer to Section 6 for further financial information and Appendix A for details of the assumptions underlying the forward looking financial information and the basis of its preparation

Potential long-term upside

EBIT margin target

Benefits of the Business and IT platform are expected to increase as the business grows as a result of operating leverage. Spotless expects to achieve additional margin uplift and is targeting a 5% EBIT margin for the Facility Services business over the long-term

EBIT margin comparison to international peers (last twelve months)[1]



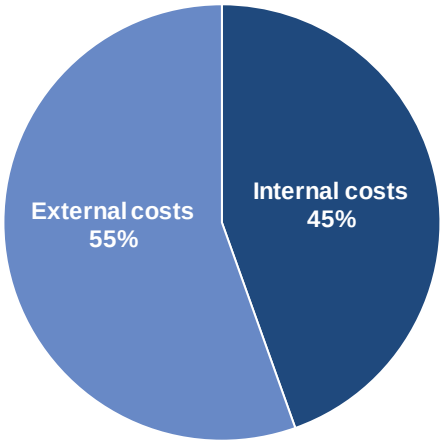
Source: Based on latest available Company filings.
1. Spotless' ANZ Facility Services margin based on Reported EBIT and revenue excluding Pass- Through Revenue, refer to Appendix A for a reconciliation back to statutory EBIT and revenue. EBIT for Spotless ANZ Facility Services and international peers is after deducting amortisation of intangibles but before deducting any goodwill impairments
2. FY11 ANZ Facility Services EBIT pro forma for $17m net medium-term EBIT benefits from Business and IT Platform investment

Plan and progress to date

Project spend breakdown – a business project not just an IT project

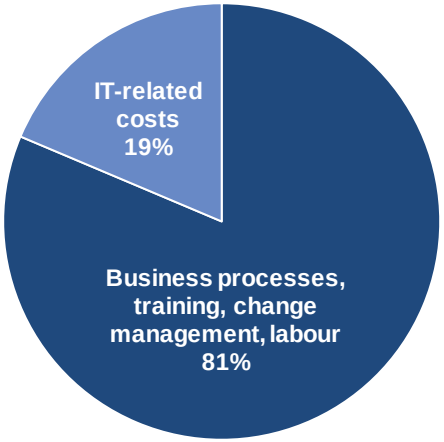
The total budget for the capital investment is ~$110m.
The majority of spend does not relate to IT but business processes and internal labour and training.
Spotless has had significant internal talent dedicated to the project for over 18 months

Estimated internal vs. external costs



Total spend of ~$110 million

Estimated business-related vs. IT-related costs



Total spend of ~$110 million

The project is not a centralisation program – new platform will simplify and standardise processes and make it easier for employees in the field to operate the business, service clients and grow contracts

Source: Spotless estimates

Plan and progress to date

Project update

Of the total budget for the capital investment, ~$48m has been spent to date and the project remains on budget

Schedule of costs

$m	Release 1	Release 2	Total
Budget	53	56	**109**
Spend to date	47	1	**48**
Current completion forecast	54	55	**109**
Variance to budget	(1)	1	**0**
Timing	Mar-2012	Mar-2013	

Project spend profile

- Total project cost of ~$110m – program phased to manage cost and risk
- Average of $40m p.a. expected to be spent in FY12 and FY13
- Project is currently on schedule and on budget
- Release 2 (Managed Services, Laundries and Food) scheduled to complete by March 2013

Release 1 update

- Release 1 covers Cleaning Services and Corporate
- Processes and IT system successfully designed and built
- Testing to date has confirmed project on track
- Change management program underway
- Detailed business benefits identified for implementation from March 2012

Cost of not completing

- If the Business and IT Platform project was cancelled today, Spotless would still have business continuity risks and its profit margin potential would be significantly limited
- If the project was terminated, the contractual costs of exiting the project as at December 2011 or following completion of Release 1 in March 2012 would be reasonable and commensurate in the context of the total project cost

Source: Spotless estimates and actual spend as at 30-Nov-2011

Section 5

BRAIFORM

Braiform

Summary

- Braiform is a business that has undergone a significant restructuring program that started in 2008
  - Changed from three separate businesses to a single integrated global business
  - Nearing completion of implementing integrated global IT and ERP platforms
  - Adjusted cost structure and manufacturing model – closed manufacturing facilities and moved extensively to third party logistics
- The business has faced a difficult operating environment
  - Macroeconomic conditions during the global financial crisis have had a significant impact on profitability
  - Retail sales conditions and garment on hanger unit volumes have continued to soften in FY12 YTD
- Spotless has responded by accelerating the final stages of the restructuring program commenced in 2008
  - Spotless expects a positive EBIT result for Braiform in FY12 with further positive impact of incremental restructuring benefits in FY13 and beyond
- Braiform's potential for EBIT growth is highly leveraged to a cyclical recovery and an increase in garment on hanger volumes
  - Further upside in opportunities for re-use conversion

Braiform

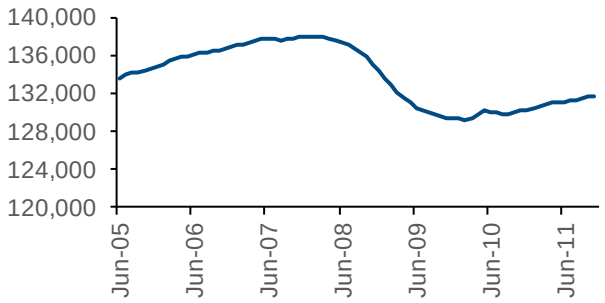
Recent trends in the retailer services sector – cyclical

The global economic crisis had a significant negative impact on volumes in the GOH sector. The operating environment has remained difficult through FY12 YTD

FY12 market conditions

- Significant downturn in demand across North America and Europe for Braiform's market segments
- Sustained high unemployment
- Low consumer confidence
- Cautious buying by retailers
- Shipments delayed
- Macroeconomic prognosis for North America and Eurozone remains challenging
- No expectation of cyclical recovery through balance of FY12

Total US employment (000's)

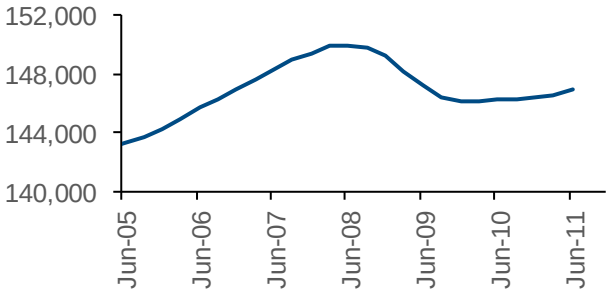


Source: US Census

US consumer confidence index

Source: US Census

Total European employment (000's)



Source: European Central Bank

European consumer confidence index

Source: European Commission

Braiform restructuring program

Ongoing response to the operating environment

Braiform commenced a restructuring program in 2008 to respond to the industry trend of a globalisation of the garment supply chain. This ongoing restructuring program has been accelerated to address the continued deterioration in the operating environment. Braiform expects to extract ongoing net incremental benefits of ~$9m p.a. in the medium-term from the restructuring program

Restructuring program commenced in 2008 in response to the industry trend of a globalisation of the garment supply chain	▸ Globalisation of the garment supply chain, leading to lower global input costs and price deflation, impacting gross profit contribution ▸ Braiform has been executing a business restructuring program to move to a lower cost platform which commenced in 2008 – A change from three separate businesses to a single integrated global business under one brand – Migrated to a contract manufacturing / licensee model to match global garment manufacturing trends – Implemented an integrated global B2B IT (eBiz) and ERP (APlus) platform ▸ Significantly reduced overheads and moved to a more flexible cost base
Business has been impacted by difficult macro-economic conditions which have continued in FY12	▸ Global financial crisis had significant impact on retail sales and garment on hanger volumes ▸ Significant deterioration in external environment continued during FY12 – Significant downturn in demand from North America and Europe leading to cautious buying by retailers – No expectation of recovery through balance of FY12 ▸ Braiform hanger volumes significantly reduced FY12 YTD – Expected volumes indicated that loss of volume could lead to an EBIT loss for FY12 in the absence of a response to current conditions
Spotless has responded by accelerating the Braiform restructuring program in FY12	▸ Recovery plan initiated in 1H FY12 and will continue in 2H FY12 – acceleration of ongoing restructuring program started in 2008. Key initiatives include – Margin enhancements (e.g. increased re-grind utilisation, optimisation of supply chain, increased re-use penetration, price management) – Cost control (e.g. reduce back office costs by fully leveraging new IT platform, improve obsolete stock management) – Maintaining focus on growth (e.g. conversion of European and North American pipeline, further penetration of VICS open market and expand product offering) – Exit of unprofitable segments ▸ Spotless expects Braiform to have a positive EBIT result in FY12 with further positive impact of restructuring in FY13 and beyond ▸ Total expected net incremental benefits of restructuring in the medium-term of $9m p.a.

Re-use value proposition

The 'win-win' nature of re-use is likely to result in further penetration of the overall GOH segment

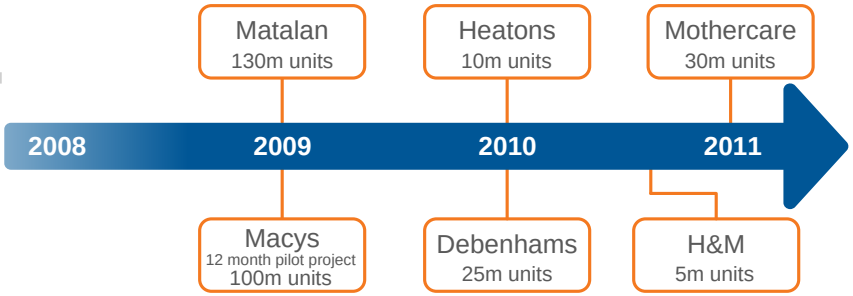
Attractions for retailer

- Lower effective unit cost of hangers (~10%)
  - Financial incentives through rebates
- Lower / zero import duties (where applicable)
- Natural hedge to resin / oil price movements
- Easy access to hanger stock globally
- Improved environmental performance
  - Increasingly important to retailers and their customers

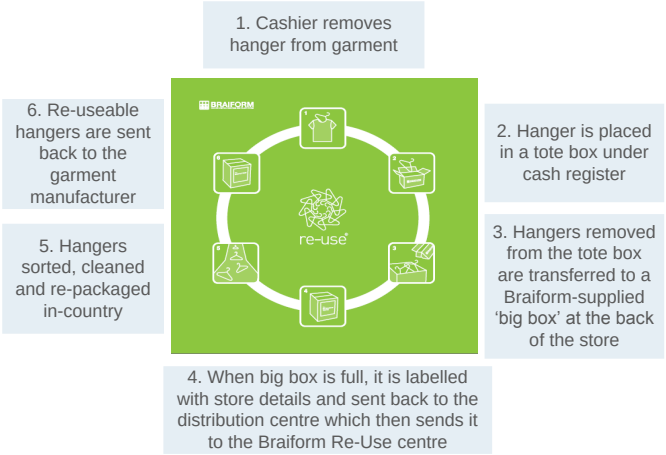
Attractions for Braiform

- Higher operating margins
- Re-use segment offers the highest levels of customer stickiness
  - Re-use partnership with Target extends back to 1995
- Natural hedge to resin / oil price movements
- Improved environmental performance and capacity to regrind hangers, which is a substitute for virgin resin
- Lower capital spend over life of the program
- Significant unused capacity in re-use centres (~50%)[1]

Braiform re-use conversion success



Overview of the re-use model



1. Assumes centres operate 24 hours per day, 365 days per year

Section 6

FINANCIAL INFORMATION

FY12 earnings outlook

Spotless reiterates the FY12 outlook previously provided at the 2011 AGM and expects full year Group Reported EBIT (prior to any engagement costs) to be in the range of $90-94m, which compares to FY11 Group Reported EBIT of $90.1m

ANZ Facility Services

- Continue to develop new contracts and strong pipeline
- Profitability of new revenue streams secured in the prior year continue to mature
- Facing mixed conditions
- Transitional costs relating to the new Business and IT platform
- Despite this, Facility Services EBIT year to date is above the prior year and Transformation Program is on track
- Expect less mobilisation costs in the first half relative to the prior year
- Expect ANZ Facility Services will deliver earnings growth again in FY12, weighted towards the second half

International Services

- Focused on delivering the London Olympics contract
- Continue to expect a positive EBIT contribution in FY12

Braiform

- Braiform year to date EBIT has declined relative to this time last year and may result in a small loss for the first half of FY12
- Management has responded with cost control and margin enhancement initiatives, which is an acceleration of the completion of the restructuring program commenced in 2008. Coupled with normal seasonality, this is expected to result in stronger second half earnings
- Full year FY12 earnings will be influenced by the market environment prevailing in the second half along with the impact of further internal restructuring initiatives, but is expected to be a positive result

Group

- Subject to no further major deterioration in trading conditions, management continues to expect Spotless Group to deliver an improvement in earnings in FY12 relative to FY11 (prior to any engagement costs)
  - **Spotless expects full year Group Reported EBIT (prior to any engagement costs) to be in the range of $90-$94m**

Key drivers of medium-term financial performance

ANZ Facility Services and International Services

The medium-term (i.e. in 3-4 years from now) financial performance of Facility Services will be driven by favourable dynamics in the Integrated Facility Services market and the full impact of the benefits arising from the Transformation Program

		Medium-term implications for Spotless[1]	Page reference
1	**Ongoing growth in the Facility Services market** • Ongoing trend to outsourcing in the Facility Services market • Accelerated growth of ANZ Integrated Facility Services market compared to single-service (~6% p.a. vs. ~3.5% p.a.) • Spotless has an integrated business model that puts it in a strong position to capitalise on these growth trends • Spotless ANZ Facility Services medium-term average annual revenue growth of ~5%	Medium-term incremental organic EBIT growth of $12m to $18m (excluding PPPs)	*18*
2	**ANZ PPP contracts** • As an extension of the trend to integrated service offering growth, Spotless has been successful in securing a number of high value, long-term PPP contracts • A number of these contracts that have been won are yet to mature (e.g. Royal Children's Hospital and New Royal Adelaide Hospital) • PPP contracts currently represent over $7bn of the Spotless contracted Managed Services forward order book of $11bn	Medium-term incremental EBIT benefit of ~$13m p.a. from existing PPP and identified new PPP contracts	*21*
3	**Investment in ANZ Business and IT platform** • Investment spend to be completed by the end of FY13 with net benefits commencing from FY14 and full impact in FY15 • Will lead to tangible financial benefits and enhanced margins from significantly reduced net cost structure • Will deliver the ability to leverage the transformed cost base as revenue continues to grow – Spotless has a long-term EBIT margin target of 5% for ANZ Facility Services	Medium-term incremental EBITDA of ~$26m p.a. and incremental EBIT of ~$17m p.a. by FY15	*27*

Source: Spotless estimates

1. Refer to Appendix A for details of the assumptions underlying the forward looking financial information and the basis of its preparation

Key drivers of medium-term financial performance

Braiform

The near term focus of Braiform is to accelerate the restructuring program (that commenced in 2008) to respond to the external environment and Spotless expects a positive EBIT result for Braiform in FY12 with further positive impact of restructuring in FY13 and beyond. Braiform will benefit significantly from an increase in garment on hanger volumes

	Medium-term implications for Spotless[1]	*Page reference*
4 Restructuring ▸ Restructuring currently underway to respond to the current difficult trading environment – acceleration of completion of restructuring commenced in 2008 ▸ Restructuring initiatives include customer contract initiatives and procurement initiatives to be progressively implemented over FY12	Net incremental benefits of ~$9m p.a. in the medium-term from restructuring program	*34*
5 Leverage to a cyclical recovery ▸ FY11 and FY12 YTD has seen significant reductions in unit demand from current program customers, reflecting lower mass merchandising retail sales in Europe and North America ▸ The business is highly leveraged to a cyclical recovery and an increase in garment on hanger volumes ▸ The medium-term EBIT performance of Braiform will be strongly correlated to the retail industry in Europe and North America ▸ The quantum and timing of a cyclical recovery is subject to inherent uncertainty, and consistent with ASIC guidance, this restricts the ability of the Spotless Board to publicly disclose its view on the expected medium-term EBIT performance of Braiform. However, Spotless has provided an illustrative sensitivity analysis to demonstrate the operating leverage of Braiform as set out on the next page	~$1m EBIT (~21% of FY11 EBIT) sensitivity for a change in annual hanger volumes by 50 million units (~3% of FY11 hanger volumes)	*40*

Source: Spotless estimates

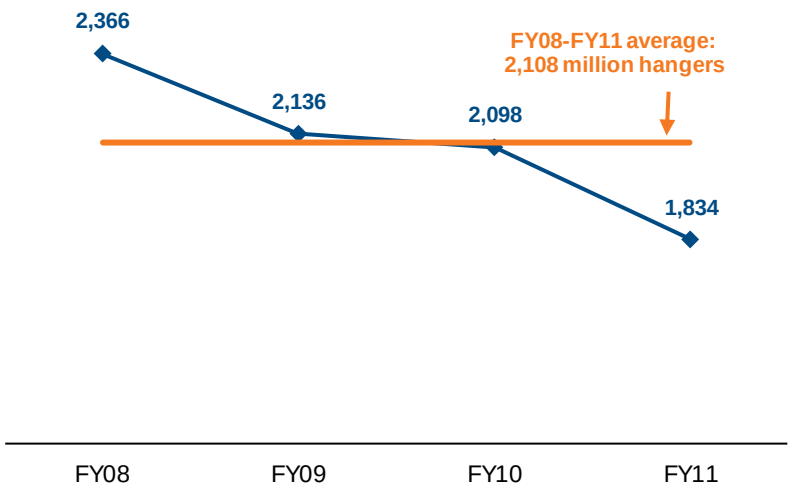
1. Refer to Appendix A for details of the assumptions underlying the forward looking financial information and the basis of its preparation

Illustrative impact of cyclical recovery on Braiform

Assumes restructured cost base

A key driver of Braiform's earnings is hanger sales volumes. Assuming the proposed business cost structure post the current restructuring activities, Spotless estimates that a change in annual hanger volumes by 50 million units (equivalent to ~3% of FY11 volumes) would result in an EBIT impact of ~$1m (~21% of FY11 EBIT)

Global financial crisis impact on Braiform annual hanger volumes (millions of units)



Illustrative Braiform EBIT sensitivity analysis[1]

Braiform annual hanger volume sensitivity (units)	Implied % change on Braiform FY11 hanger volume		Illustrative Braiform EBIT impact assuming post-restructuring cost structure	Implied % change on Braiform FY11 EBIT
+/- 50m	*+/- ~3%*	⇨	*+/- ~$1m*	*+/- ~21%*
+/- 150m	*+/- ~8%*	⇨	*+/- ~$3m*	*+/- ~63%*
+/- 250m	*+/- ~14%*	⇨	*+/- ~$5m*	*+/- ~104%*
+/- 350m	*+/- ~19%*	⇨	*+/- ~$7m*	*+/- ~146%*
+/- 450m	*+/- ~25%*	⇨	*+/- ~$9m*	*+/- ~188%*

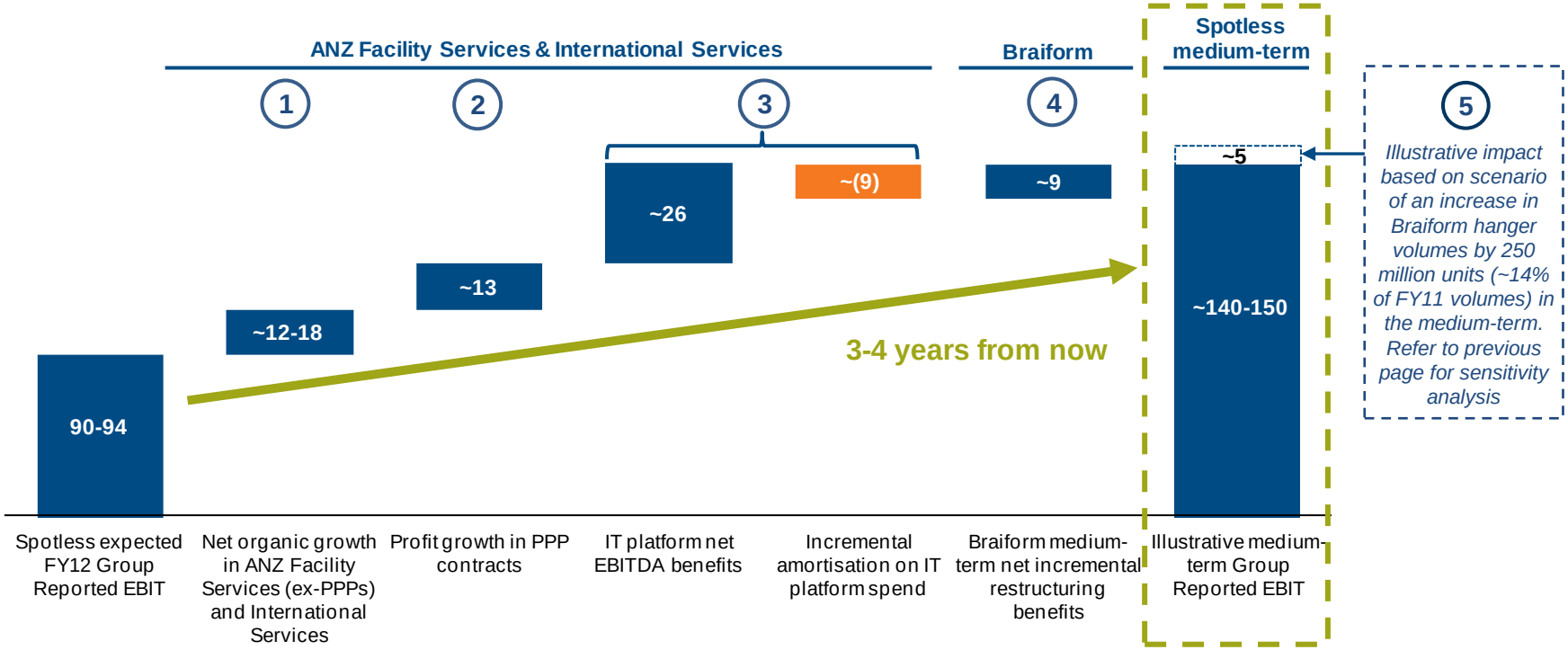
Source: Spotless estimates

1. Sensitivity analysis assumes current customer and product mix and current unit costs. Refer to Appendix A for details of the assumptions underlying the forward looking financial information and the basis of its preparation

Spotless Group medium-term EBIT[1]

Illustrative build-up ($m)

Spotless believes that it has the capability to generate medium-term (i.e. in 3-4 years from now) Group Reported EBIT of ~$140-150m[1] once the Transformation Program is complete but excluding any recovery in hanger demand for Braiform. Braiform is leveraged to a cyclical recovery and could increase its EBIT contribution in the medium-term if garment on hanger volumes recover



Source: Spotless estimates

1. Refer to Appendix A for details of the assumptions underlying the forward looking financial information and the basis of its preparation

Key drivers of medium-term financial performance

Post-Transformation Group cash flow items

Spotless expects key Group cash flow items to be enhanced once the Transformation Program has concluded and capital expenditure will moderate to 'normal' levels

Capital expenditure

- A significant capital spend is currently being undertaken on the Business and IT platform investment that will complete by the end of FY13
- After this capital spend is complete, Spotless expects capital expenditure levels to reduce towards prevailing depreciation and amortisation levels

Working capital

- Spotless' ability to manage and optimise working capital will be enhanced by the investment in the Business and IT platform
- Business and IT platform will deliver automated and integrated client billing and 'real-time' job costing and invoicing – this will result in increased speed of invoicing to customers
- Post Transformation, Spotless expects that normal working capital investment will be required as revenues grow over the medium-term

Source: Spotless estimates

Section 7

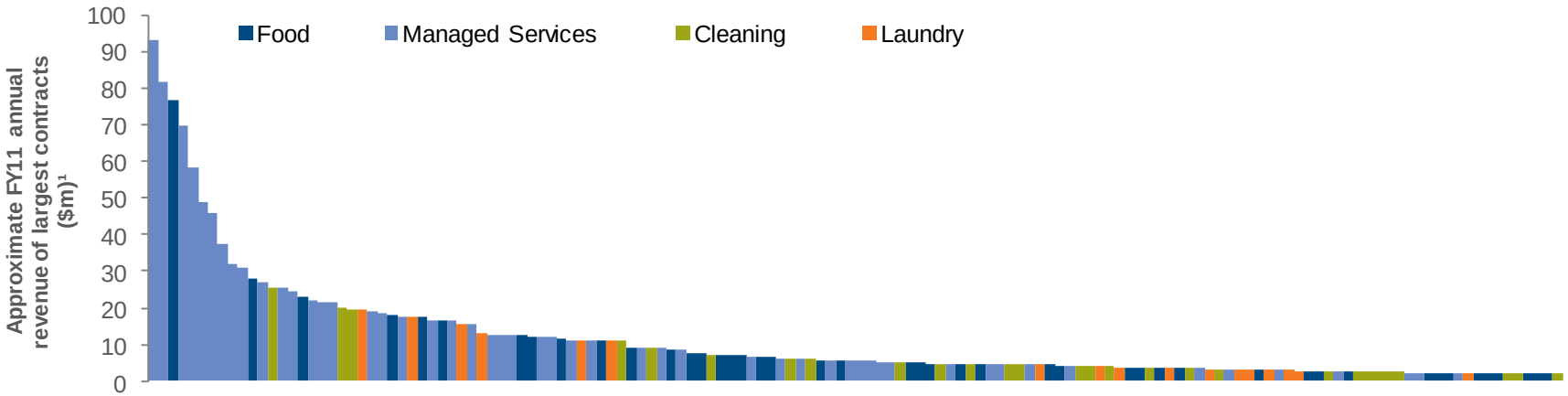
OTHER INFORMATION

ANZ Facility Services contracts distribution

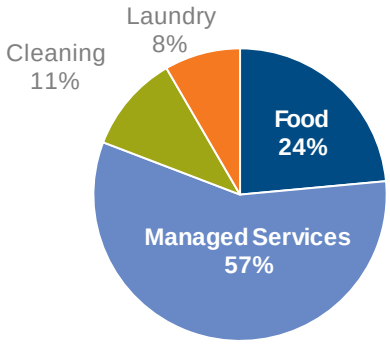
Profile of Spotless' largest contracts[1]

Spotless has a diverse contract portfolio and its largest contracts[1] make up ~71% of FY11 revenue (188 contracts). Of these contracts, the largest are Managed Services contracts

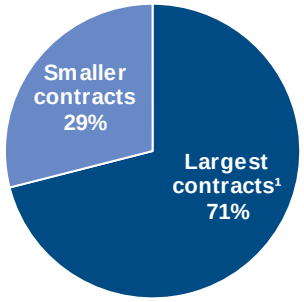
Largest contracts revenue distribution



Distribution of largest contracts by FY11 revenue[1]



FY11 revenue contribution



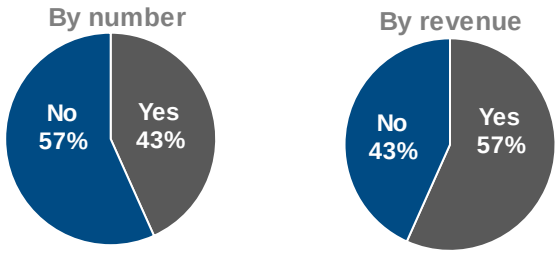
1. Largest contracts include ANZ Facility Services contracts over ~$1m revenue p.a. for Laundries and over ~$2m p.a. for Managed Services, Cleaning and Food – total of 188 contracts

ANZ Facility Services contracts profile

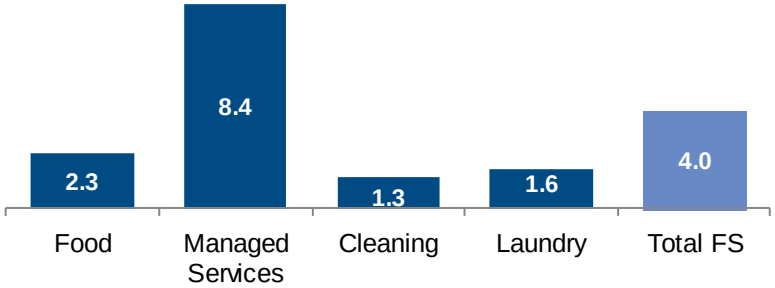
Profile of Spotless' largest contracts[1]

- Spotless has long-standing relationships with its clients and has an indicative average site tenure of over 8 years and an average period of ~4 years until contract expiry
- Of the largest contracts, ~43% by number contain change of control provisions, however it should be noted that a number of these include objective criteria to determine approval for change of control (e.g. provisions that are linked to the ability of Spotless to continue to perform its obligations if a change of control was to occur) or a requirement for approval not to be unreasonably withheld
  - This is not unusual for contracts of this nature
  - No change of control clause has a restriction of foreign ownership attached to it

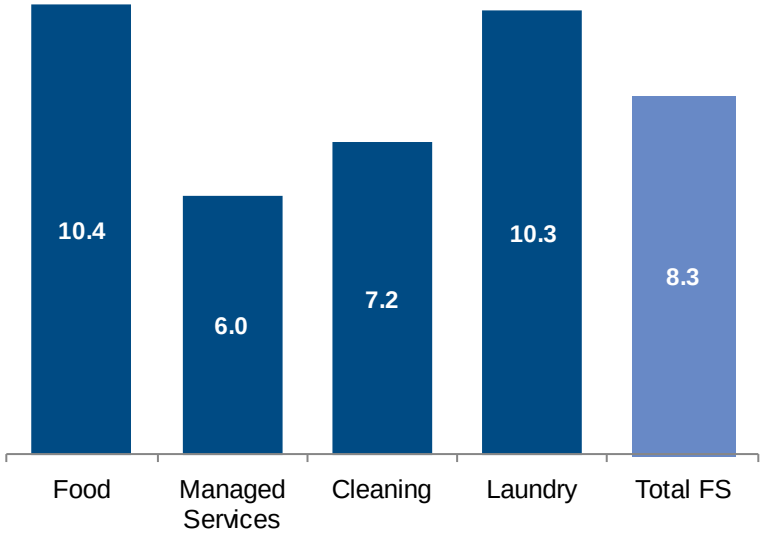
Largest contracts[1] change of control provisions



Largest contracts[1] average time to expiry (years)[2]



Indicative average tenure of largest contracts[1] at customer site (years)



1. Largest contracts include ANZ Facility Services contracts over ~$1m revenue p.a. for Laundries and over ~$2m p.a. for Managed Services, Cleaning and Food – total of 188 contracts
2. Average time to expiry excludes contract options that clients are entitled to exercise

Overview of debt facilities

	2003 USPP	2010 USPP	Syndicated bank debt
Facility Size	**US$130m**	**US$160m**	**$240m**
Tranches	▸ US$80m matures 15 July 2013 ▸ US$50m matures 15 July 2015	▸ US$50m matures 16 December 2022 ▸ US$50m matures 16 December 2025 ▸ US$60m matures 16 December 2030	▸ Unsecured, Negative Pledge, pari passu ▸ $90m 364-day Revolving matures December 2012 ▸ $90m 3 year Term matures December 2014 ▸ $60m 5 year Term matures December 2016
Change of Control	▸ Does not trigger a prepayment	▸ Triggers a prepayment[1] ▸ Does not result in a make-whole[2]	▸ Triggers a Review Event by banking syndicate[3]
Other	▸ Partly swapped in $ (US$90m) and NZ$ (US$20m) – Fair value negative $61m – Under ISDA Agreement may trigger early termination under "credit event upon merger" provision – Included on Spotless' balance sheet in "Other financial liabilities" and included in reported net debt	▸ Fully swapped into fixed interest $ – Fair value negative $22m – Under ISDA Agreement may trigger early termination under "credit event upon merger" provision – Included on Spotless' balance sheet in "Other financial liabilities" and included in reported net debt	▸ Covenants – Typical of those found in similar facilities – Significant headroom in relation to covenants

1. Potentially, this may mean that the facility would need to be repaid and refinanced
2. A make whole-payment to the noteholders applies in certain prepayment circumstances and is designed to provide the noteholders with the discounted value of foregone future payments
3. This means that the syndicate has a right to require the facility to be repaid and refinanced

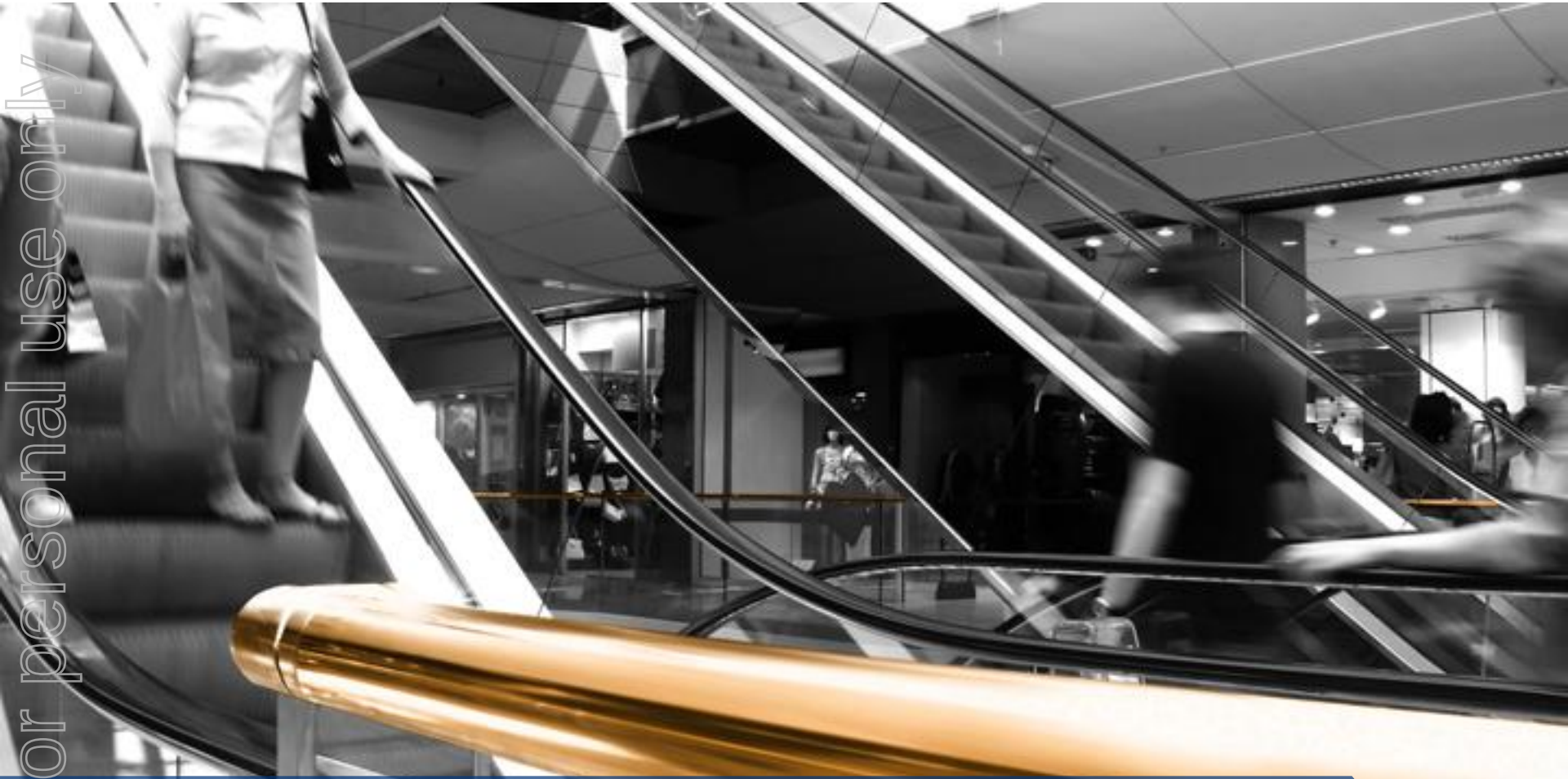
Section 8

CONCLUSIONS

Conclusions

- Spotless is nearing completion of a comprehensive Transformation Program that started in FY08
  - The Company has achieved significant milestones to date and delivered strong revenue and EBIT growth in the Facility Services business despite tough economic conditions
  - Progress to achieve strategic goals remains on track
  - Spotless reiterates the FY12 outlook previously provided at the 2011 AGM and expects full year Group Reported EBIT (prior to any engagement costs) to be in the range of $90-94m
- Facility Services forms the core of Spotless and is a valuable asset with strong growth potential
  - The strategic benefit of the migration of Facility Services from a largely single-service, geographically focused business to one that now also offers multi-service and fully integrated solutions is significant
  - The future of the Facility Services business is to go even further down this path by emphasising preferred sectors and using Spotless' current leading market positions and scale to drive greater value for the business and its clients
  - Spotless' integrated service offering means that it is well placed to capture the significant benefits of an expected acceleration in the Integrated Facility Services market, and continue to secure high value PPP contracts that will deliver medium and long-term value
- The final leg of the Transformation Program is the investment in the Business and IT platform
  - Capital spend expected to conclude by the end of FY13 and net financial benefits will flow in the medium-term and beyond
  - Project is currently running to schedule and on budget
- Braiform has undertaken its own restructuring program and endured multiple external shocks, but will benefit from a cyclical recovery and an increase in garment on hanger volumes
  - Current focus is on accelerating the final stages of the restructuring program that commenced in 2008

SPOTLESS



Appendix A

ASSUMPTIONS AND EXCLUSIONS

Detailed assumptions and exclusions

Forward looking financial information

Reconciliations of Non AIFRS information to AIFRS

- Some financial information included in this Management Presentation has been prepared other than in accordance with all relevant accounting standards (AIFRS) (Non AIFRS Information), because the accounting standards do not, in the case of Pass-Through Revenue, result in the most meaningful presentation of that information for investors. To enable investors to fully consider the relevant information, a reconciliation of the Non AIFRS Information back to AIFRS is set out below – consistent with Spotless' previous reporting of Pass-Through Revenue

Financial year ended 30 June	Reported Facility Services Revenue (AIFRS) ($m)	Less: Pass-Through Revenue ($m)	Adjusted Revenue (non-AIFRS) ($m)
2011	2,498.6	137.1	2,361.5
2010	2,260.5	126.8	2,133.7
2009	2,062.6	152.0	1,910.6
2008	2,101.1	245.9	1,855.2
2007	2,116.1	271.9	1,844.2

Source: Spotless statutory accounts and Spotless management accounts

Basis of preparation of historical information

- The historical financial information in this Management Presentation has been prepared in accordance with the recognition and measurement principles of AIFRS as at 30 June in the relevant financial year, although it is presented in an abbreviated form insofar as it does not include all of the disclosures, statements or comparative information as required by the AIFRS applicable to annual financial reports prepared in accordance with the Corporations Act. A summary of Spotless' detailed accounting policies is contained in the Spotless Annual Report for that relevant financial year

Basis of preparation of the forward looking financial information

- The Spotless Directors believe that the forward looking financial information has been prepared with due care and attention, and consider all best estimate assumptions when taken as a whole to be reasonable at the time of preparing this information
- The forward looking financial information has been prepared on the basis of certain assumptions, including the key best estimate assumptions set out below. The FY12 EBIT range for the Group comprises the actual results for the 5 months ended 30 November 2011 and forward looking information for the seven months ending 30 June 2012
- The medium-term EBIT range for Facility Services and International Services is a result that the Spotless Directors believe will reasonably be achieved within 3 to 4 years from now and is not intended to reflect an EBIT result that will be achieved each financial year end until the end of the medium-term. The Spotless Directors believe that the medium-term EBIT range is an appropriate measure to view Spotless' prospects as this timeframe captures the benefits of the Transformation Program including the Company's new Business and IT platform. Further to a medium-term EBIT range the Spotless Directors have provided explanation as to the key contributors drivers of that EBIT growth 3-4 years from now as these contributing elements reflect how the business is managed internally

Detailed assumptions and exclusions

Forward looking financial information

Basis of preparation of the forward looking financial information (continued)

- Investors should be aware that the timing of actual events and the magnitude of their impact might differ from that assumed in preparing the forward looking financial information, and that this may have a materially positive or negative effect on Spotless' actual financial performance or financial position
- Accordingly, neither Spotless, nor its Directors and officers can give any assurance that the results implied by the forward looking financial information will be achieved. Events and outcomes might differ in quantum and timing from the assumptions, with material consequential impact on the Spotless forward looking financial information. Investors are advised to review the key best estimate assumptions set out below, together with the other information set out elsewhere in this Management Presentation

Assumptions

- This information is intended to assist investors in assessing the reasonableness and likelihood of the assumptions occurring, and is not intended to be a representation that the assumptions will occur
- The EBIT ranges contained in the forward looking financial information are presented as a range to reflect the range of assumptions adopted by Directors when forming their views on the forward looking financial information

General assumptions

The following general assumptions are relevant to the forward looking financial information:

- No significant changes, in the jurisdictions in which Spotless operates, in legislative regimes, regulatory environment, or in policies and procedures of regulators that would have a material impact on Spotless' operating and financial performance
- No material change in the competitive operating and economic environment in the jurisdictions in which Spotless operates, and no force majeure event or Act of God occurs in the forward looking period
- No changes in applicable Australian Accounting Standards or other mandatory professional reporting requirements which would have a material effect on the reporting of Spotless' financial performance, cashflows or financial position or on accounting policies, financial reporting or disclosure
- Retention of key personnel
- No material new investments, other than as outlined in this Management Presentation
- No acquisitions or disposals of businesses
- The AUD:USD exchange rate is based on an average cross rate of 1.00 for the forward looking period
- The AUD:NZD exchange rate is based on an average cross rate of 1.29 for the forward looking period
- The AUD:GBP exchange rate is based on an average cross rate of 0.65 for the forward looking period
- No failure of Spotless' key computer systems resulting in a material interruption to Spotless' business
- No material industrial strikes or other labour disturbances, environmental costs, or legal claims

Detailed assumptions and exclusions

Forward looking financial information

General assumptions (continued)

- No material amendment to any material agreement or arrangement relating to Spotless' business
- No change to or impairment of the carrying value of Spotless' tangible and intangible assets
- The forward looking financial information excludes any direct transaction costs or costs of engagement associated with proposals for a control transaction in relation to Spotless, such as the PEP proposal
- No material non-recurring items in the forward looking period. Spotless is not aware of any such items (other than engagement costs) as at the date of this Management Presentation
- There is no material disruption to the ability of Spotless' senior management team to successfully implement the Business and IT platform project as a result, for example, of the impact on management time of detailed engagement with prospective acquirers
- The potential for a control transaction in relation to Spotless does not materially impact Spotless' ability to secure contract renewals and new PPP and non PPP contract wins
- Spotless meets its performance obligations under its contracts. All descriptions of the term of Spotless' contracts assume that this is the case as Spotless' material contracts generally include the ability for the counterparty to terminate the contract for non-performance and a number of contracts also contain termination for convenience provisions

Assumptions for FY12 and medium-term EBIT range for ANZ Facility Services and International Services

The following best estimate assumptions have been used in preparing the FY12 and the medium-term EBIT range (the "forward looking period") for Facility Services and International Services:

- Underlying inflation at 2.5% per annum for the forward looking period. This is within the Reserve Bank of Australia's target range, and has been applied to all jurisdictions in which Spotless operates
- Overall ANZ Facility Services revenue (ex-Pass-Through) to grow at ~5% per annum for the forward looking period. This includes revenue related to PPP and non-PPP contracts already secured and assumed new PPP and non-PPP contract wins on a probability weighted basis based on Spotless' historical experience (refer to page 21 of this Management Presentation), and an assumed level of existing contract retention that is consistent with Spotless' historical experience. The assumptions are supported by the historical growth rate of 6.4% per annum for 2007 to 2011 (refer to Spotless' Annual Reports for each relevant period) and Frost & Sullivan's independent estimates of market growth rates (refer to page 18 of this Management Presentation)
- International Services revenue to grow at ~3% per annum over the forward looking period. This includes revenue related to the London Olympics, a contract which has already been secured
- Aggregate Government expenditure patterns in ANZ across all Federal, State and Territory governments are assumed to remain consistent with current fiscal plans over the forward looking period, and in particular, that there are no major stimulus packages or major cutbacks in Government spending. Revenue achieved under ANZ Facility Services' government contracts will be affected by the level of Government expenditure in ANZ
- Profitability of customer contracts at varying stages of maturity (time to expiry) is consistent with Spotless' historical experience of profitability over the contract lifecycle

Detailed assumptions and exclusions

Forward looking financial information

Assumptions for FY12 and the medium-term EBIT range for ANZ Facility Services and International Services (continued)

- Contract profit margin (%), or EBIT of a contract before any overheads as a percentage of the total revenue under that contract, in ANZ Facility Services remains in line with recent (defined in these Assumptions as the last 3 historical financial years) historical margin trends (excluding the contract profit margin benefits of the Transformation Program, which are overlaid as set out below)
- Labour costs increase in accordance with applicable awards and enterprise bargaining agreements. Spotless has the ability to pass on such labour cost increases under the majority of its service contracts
- Spotless incurs mobilisation costs on new contracts in line with recent historical trends as a proportion of new revenue. Mobilisation costs are those costs which are required to implement a new contract to the point where it generates revenue, and include costs such as staff recruitment and training and acquisition of equipment. Spotless can recover mobilisation costs under some but not all of its contracts. These costs vary depending on the mix and quantum of new revenue, and tend to be higher under integrated or geographically remote contracts.
- Annual overhead costs (before the impact of the Transformation Program), are assumed to be in line with recent historical average as a proportion of Facility Services and International Services revenue.
- Interest rates in Australia are assumed to remain stable over the forward looking period. Although the Facility Services and International Services EBIT range will not be directly impacted by Australian interest rates, they will impact on certain calculations required under AIFRS such as the present value of employee benefit provisions
- Successful completion and implementation of the new Business and IT platform (to full operational functionality) by the end of FY13 with the benefits to be realised in the medium-term
- Investment in the new Business and IT Platform will continue to progress on schedule and in accordance with the current Transformation Program budget (refer to page 30 of this Management Presentation)
- Capitalised costs of the new Business and IT platform (i.e. all Transformation Program costs) are amortised over a period of approximately 12 years, commencing 31 March 2012
- Depreciation and amortisation costs (excluding the new Business and IT platform) are in line with recent historical trends as a proportion of revenue
- The capital expenditure required to implement the new Business and IT Platform (due to complete by the end of FY13) is set out on page 30 of this Management Presentation. Following the end of this investment, capital expenditure is assumed to return to a level which is consistent with prevailing depreciation and amortisation rates. That is, Spotless has assumed from the end of FY13, replacement capital expenditure plus only that capital expenditure required to support the above revenue growth assumptions
- New Royal Adelaide Hospital (PPP) construction is on schedule and the full operational benefit to Spotless is achieved towards the end of the forward looking period
- Working capital investment will be required to support revenue growth during the forward looking period, with working capital growth consistent with reported historical changes in working capital as a proportion of future revenue growth

Detailed assumptions and exclusions

Forward looking financial information

Assumptions for FY12 Braiform EBIT range

The following best estimate assumptions have been used in preparing the FY12 Braiform EBIT range:

- Successful and timely completion of the profit improvements plan initiated during 1H FY12 by end FY12, with associated benefits to be captured partially within FY12. Details of the initiatives associated with the profit improvements plan are set out on page 34 of this Management Presentation
- No further deterioration in trading conditions in the US, European and Asian markets in which Braiform operates

Basis of preparation of Braiform sensitivity analysis

- The medium-term EBIT performance of Braiform will be strongly leveraged to the performance of the garment on hanger industry in Europe and North America. The quantum and timing of a cyclical recovery is subject to inherent uncertainty, and consistent with ASIC guidance, this restricts the ability of the Spotless Directors to publicly disclose a view on the expected medium-term EBIT performance for Braiform
- Sensitivity analysis to demonstrate the impact of changes in hanger volumes on Braiform's EBIT are set out on page 40 of this Management Presentation. The changes in the hanger volumes as set out on page 40 are not intended to be indicative of the complete range of variations that may be experienced, nor are they intended to be a representation of events which will occur

The Braiform sensitivity analysis has been prepared on the following basis:

- The analysis assumes that the new cost structure post implementation of the restructuring program discussed on page 34 of the Management Presentation is in place. It is also assumed that, post implementation of the restructuring program, no further actions are taken by management which change the cost structure of the business
- Braiform operates primarily on an outsourced contract manufacturing basis, which means that only those warehouse, distribution, selling and administrative costs that are conducted "in house" are fixed, and are assumed to remain flat in accordance with historical levels. Similarly, royalty income is assumed to remain flat with accordance with historical levels. However, all other costs (including cost of sales, third party logistics, freight and manufacturing costs) are assumed to be variable with sales volume
- Stock in Circulation (SIC) reinvestment levels and capital expenditure levels (and depreciation thereon) is assumed to be variable in line with sales volume. Depreciation rates remain in line with accounting policies as stated in the 2011 Spotless Annual Report
- No changes in unit sales prices to current levels. Investors should be aware that unit sales prices will vary over time
- No change in unit input costs of raw materials from current levels. Investors should be aware that the cost of goods sold will vary over time, and is strongly correlated to a number of external inputs, including resin prices. Under most contracts, Braiform has the ability to pass these input costs on to customers, although there is often a lag before these increased input costs are recovered

Glossary

- **$m:** Australian dollars in millions
- **AIFRS:** Australian International Financial Reporting Standards
- **AGM:** Annual general meeting of Spotless
- **ANZ:** Australia and New Zealand
- **ASIC:** Australian Securities and Investment Commission
- **ASX:** Australian Securities Exchange
- **B2B:** Business-to-business
- **CAGR:** Compound annual growth rate
- **CY:** Calendar year
- **EBA:** Enterprise bargaining agreements
- **EBIT:** Earnings before interest and tax
- **EBITDA:** Earnings before interest, tax, depreciation and amortisation
- **ERP:** Enterprise Resource Planning
- **FY:** Financial year, 12 months ending 30 June
- **GOH:** Garment on hanger
- **GST:** Goods and services tax
- **HR:** Human resources
- **IFS:** Integrated Facility Services
- **Medium-term:** 3-4 years from now
- **NZX:** New Zealand Exchange
- **Order Book**: The total contracted revenue over the life of the contract for all the Spotless contracts held in the relevant business segment or market sector
- **PEP:** Pacific Equity Partners Pty Limited
- **PPP:** Public-Private Partnership
- **Pass-Through Revenue or Pass-Through:** Pass-Through Revenues are moneys which Spotless receives, under the terms of certain contracts, and then pays to its clients' subcontractors on the client's behalf with a zero margin. Accounting Standards require this Pass-Through Revenue to be recognised as Spotless revenue.
- **R&D:** Research and development
- **Revenue excluding Pass-Through:** Total revenue less Pass-Through Revenue. A reconciliation of this figure back to Statutory revenue is set out in Appendix A
- **Spotless, the Company or Group:** Spotless Group Limited
- **VICS:** Voluntary Interindustry Commerce Solutions
- **YTD:** Year-to-date