

ASX / NZX Announcement

20 January 2012



LETTER TO SHAREHOLDERS

Spotless Group Limited (ASX/NZX: SPT) will despatch the attached letter to shareholders from the Chairman of the Board, on behalf of Directors, later today.

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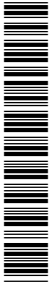
ABOUT SPOTLESS www.spotless.com

Spotless is a leading international services company comprised of two distinct business operations, Facility Services and Retailer Services. Established in 1946, Spotless is listed on the Australian and New Zealand Stock Exchanges. Spotless employs more than 40,000 people and skilled sub-contractors to deliver over 125 specialist services in thousands of locations. The Group's Facility Services operations supply catering, cleaning, maintenance, facility management and laundry services across a broad range of industry sectors. Facilities management and asset maintenance services are delivered by employees and sub-contractors drawn from over 70 trades. Retailer Services, operating under the brand Braiform, provides customised garment hanger and packaging solutions to retailers and garment manufacturers in 32 countries.



Spotless Group Limited
ABN 77 004 376 514

Level 6
549 St Kilda Road
Melbourne Vic 3004



20 January 2012

Dear Shareholder,

I am writing to update you on a number of recent events concerning your company. As you may already be aware, Spotless Group Limited (Spotless) received an indicative, non-binding and conditional proposal from Pacific Equity Partners Pty Limited (PEP) on November 16 last year to acquire 100 per cent of the company's shares via a scheme of arrangement at an indicative price of \$2.63 per share.

Your Board reviewed the proposal in detail and concluded that it did not reflect the fundamental value of the company in the context of a change of control.

Following further discussions, Spotless received a revised proposal from PEP on November 30 2011 at an indicative price of up to \$2.68 per share. PEP's revised proposal reflected the same terms as its initial proposal except that:

- An indicative price of up to \$2.68 per share was achieved by PEP not reducing the proposed offer price for any dividend paid by Spotless up to a maximum of 5 cents per share.
- In addition to the conditions attached to its initial proposal, PEP's revised proposal was also conditional on the Spotless Directors unanimously recommending that Spotless shareholders vote in favour of the scheme of arrangement with PEP in the absence of a superior proposal.

Your Board continued to engage with PEP and shareholders and offered a Management Presentation to ensure PEP, and all shareholders, had a full understanding of your Directors' view of the Spotless business. The Management Presentation occurred on December 21 2011 and was lodged with the Australian Securities Exchange (ASX) and New Zealand Stock Exchange (NZX) on the same day.

The Management Presentation contains important information on the prospects for your company, including an estimated earnings range for the current financial year, a medium-term earnings estimate following completion of the Transformation Program, further details of the previously disclosed investment in the business and IT platform and other matters specifically raised by PEP.

Spotless believes that it has the capability to generate medium-term (i.e. in 3-4 years from now) Earnings Before Interest and Tax (EBIT) of approximately \$140 million to \$150 million¹ 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 recover². Excluding any potential cyclical recovery in Braiform hanger demand, the medium-term EBIT estimate represents an approximate 49% to 67% increase on the expected Group Reported EBIT for the financial year ending June 30 2012³.

¹ Refer to the Spotless Management Presentation (including page 41 and Appendix A) in relation to this forward looking information, its basis of preparation and details of the assumptions and exclusions applicable to it. The forward looking financial information is subject to inherent risks and uncertainties outlined in the Spotless Management Presentation, which should be reviewed by shareholders in full. Actual events or results may differ materially from the expectations expressed or implied in such forward looking statements.

² Refer to the Spotless Management Presentation (including pages 39 to 41 and Appendix A).

³ The expected FY12 Group Reported EBIT of Spotless (prior to any engagement costs) is \$90 million to \$94 million. Refer to the Spotless Management Presentation (including page 37 and Appendix A).

I recommend you take the time to review a copy of the Management Presentation which can be found at www.spotless.com

Following the Management Presentation your Board continued to constructively engage with PEP, and on January 9 2012 Spotless communicated to PEP and the ASX and NZX the key terms on which it would provide access to non-exclusive due diligence. These terms included that PEP should submit a revised proposal providing total cash consideration per Spotless share of not less than \$2.80 (consisting of the cash price and next dividend paid by Spotless prior to completion), confirmation of PEP's investment committee approval to support the required equity finance, highly confident letters from PEP's debt financiers to support the required debt finance, agreement of the scope of processes for PEP's due diligence and execution of a confidentiality agreement.

The Board advised PEP that it would unanimously recommend that shareholders vote in favour of a scheme of arrangement proposal at a total cash consideration of not less than \$2.80 per share, subject to there being no superior proposal, an independent expert opining that the scheme is in the best interests of shareholders, and execution of a scheme implementation agreement acceptable to Spotless.

Spotless received correspondence from PEP on January 11 2012 reconfirming its previous indicative, non-binding and conditional proposal through a scheme of arrangement unanimously recommended by the Spotless Board at an indicative price of \$2.68 per share. PEP also stated that it continued to require access to due diligence to progress its proposal.

May I take this opportunity to assure you that the Spotless Board and management are working hard to deliver value to shareholders. Your company is part way through a major Transformation Program which is expected to deliver significant benefits over the medium to long term. Details of this can be found in the Management Presentation.

In any control transaction, the duty of the Board is to ensure that the medium and long-term prospects of the company are reflected in the value realised for the benefit of all shareholders. It is on this basis that on 9 January 2012, your Directors announced that, in the current circumstances, \$2.80 per share was the lowest price at which the Board would be willing to unanimously recommend a scheme of arrangement. The detail in the Management Presentation and the clear communication of the terms required for due diligence and unanimous Board recommendation have provided certainty to PEP and all shareholders of the Board's position.

Your Board will continue to engage with its shareholders about the future of the company. There is nothing that you need to do at this point. We will continue to update you on any developments as appropriate.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Peter Smedley', with a horizontal line underneath.

Peter Smedley
Chairman