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SPOTLESS GROUP LIMITED 2009 INTERIM RESULTS

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ASX RELEASE

SPOTLESS 2009 INTERIM RESULTS

- Strong Facility Services performance with Underlying EBIT growth of 23.7%
- EBIT pre-NRIs up 3.8% to \$46.1m (Reported EBIT up 45.8% to \$41.7m)
- EPS pre-NRIs down 10.1% to 10.0 cents per share (Reported EPS up 33.3% to 8.0 cents)
- Braiform (Retailer Services) EBIT of \$0.9m reflects tough global retail conditions
- Agreement to acquire Riley Shelley, a leading painting & property services business
- Bank debt facilities refinanced and syndicated to February 2012 (\$240m)
- Interim dividend of 5.0 cents per share franked to 100%, reflecting payout ratio of 50%
- Dividend policy going forward to reflect payout ratio of between 50% and 60% of EPS

1H09 RESULTS

Spotless Group Limited (ASX: SPT) today reported net profit after tax (NPAT) of \$17.4 million in the first half of 2009, an increase of 33.8% on the prior corresponding period. Reported earnings per share (EPS) rose 33.3% to 8.0 cents.

Revenue fell 1.5% to \$1.2 billion over the period reflecting a decline in Braiform sales and lower pass through revenues in Managed Services. Facility Services, representing Spotless' businesses in Australia and New Zealand, delivered EBIT growth of 23.7% to \$51.2 million, whilst Braiform earnings fell 88.5% to \$0.9m amid the toughest retail market conditions experienced in decades.

"Our first half performance reflects strong momentum in the ongoing transformation of Spotless. The result was achieved amid slowing economic conditions. We are striving for further cost efficiencies, building on the significant cost reductions generated last year. As times get tougher, Spotless is competitively positioned to support customers with strong value propositions and a unique breadth and depth of services. In addition, we believe that the Australian and New Zealand Governments' stimulus packages present participation opportunities for Spotless," said Managing Director and Chief Executive Officer Jo Farnik.

"The strong performance in **Facility Services** is the result of greater operational efficiencies, including labour management, as well as the enduring benefits of our Efficiency Improvement Program, which is lowering overheads. Growth was delivered after incurring substantial transformation investments, including costs relating to our phased implementation of Shared Services," said Mr Farnik.

"**Braiform's** earnings performance reflects the poor garment sales of international retailers, as well as a general de-stocking trend by retailers as they adjust to lower consumer demand. However in the face of the worst retailing conditions witnessed in decades, Braiform continues to generate cash. The management team is working hard to grow its customer base and generate additional efficiencies. Braiform signed several Re-use contracts during the half," said Mr Farnik.

"We are continuing to identify value accretive bolt-on acquisitions. We have agreed to acquire Riley Shelley, a leading privately owned Australian painting and property services business with national coverage. The transaction remains subject to a number of conditions. The acquisition of Riley Shelley is a great example of our outsourced services strategy in action. With the addition of Riley Shelley's painting and minor capital works capabilities, Spotless is able to directly perform more services for customers within existing and new contracts," Mr Farnik said.

Summary Profit & Loss Statement			
A\$ million unless otherwise specified	1H08	1H09	Change
Sales Revenue	1,199.0	1,180.6	(1.5%)
Group EBITDA¹	75.3	74.3	(1.3%)
Depreciation and amortisation	(30.9)	(28.2)	(8.7%)
Facility Services EBIT ¹	41.4	51.2	23.7%
Braiform EBIT ¹	7.8	0.9	(88.5%)
Corporate Administration	(4.8)	(6.0)	25.0%
Group EBIT¹	44.4	46.1	3.8%
Net interest expense	(9.1)	(13.0)	42.9%
Profit Before Tax¹	35.3	33.1	(6.2%)
Tax expense (prior to non-recurring items)	(10.9)	(10.8)	(0.9%)
Minorities	(0.3)	(0.5)	66.7%
NPAT¹	24.1	21.8	(9.5%)
Non-Recurring Items (pre-tax)	(15.8)	(4.4)	n.m.
Non-Recurring Items (post-tax)	(11.1)	(4.4)	n.m.
Reported NPAT	13.0	17.4	33.8%
Underlying EPS (cents)	11.1	10.0	(10.1%)
Reported EPS after minorities (cents)	6.0	8.0	33.1%

Notes:

1. Prior to non-recurring items

FACILITY SERVICES

Facility Services revenue (excluding pass-through revenue) was 2.9% higher than the prior corresponding period, at \$928.1million. Pass-through revenue (upon which Spotless does not earn a margin) was significantly lower than the prior corresponding period due to lower expenditure by the Defence department on building works. Facility Services EBIT rose 23.7% with all Divisions generating positive earnings growth. Spotless' businesses in New Zealand stabilised during the period due to an improved focus on both customers and profitability.

As at 31 December 2008 Managed Services had a forward order book of \$7.1b, with over 95% of contracted revenue in the sectors of Healthcare, Government and Industry, Defence and PPPs.

Spotless continues to ramp up business development activity, with a strong focus on contract retention, cross-selling and exploring new business opportunities.

Growth Opportunities

Spotless continues to identify organic and acquisitive growth opportunities and will pursue these where they provide a strong strategic fit and meet stringent financial hurdles. We are delighted to announce the acquisition of Riley Shelley, a leading Australian painting services and minor works business with national coverage and annual revenues exceeding \$40 million. The acquisition of Riley Shelley is expected to comprise total upfront consideration of approximately \$20 million, with the bulk of this purchase consideration relating to receivables and other assets. The acquisition is fully funded.

The recently announced Australian and New Zealand Governments' stimulus packages present participation opportunities for Spotless. Some of the funding is being directed towards sectors and service lines in which Spotless is already active, for example Housing and Education.

Spotless and its strong base of accredited SME subcontractors can be mobilised quickly to meet the tight timelines.

Additionally, Spotless recently entered into a Joint Venture (JV) in Abu Dhabi between Spotless and Emirates Link Group with no initial capital contribution from Spotless. The JV will provide facilities management and related property services and has already submitted its first proposal to the Government. Under the terms of the JV, Spotless is entitled to a two per cent royalty (plus reimbursement of bid costs) before profit sharing with our local partner.

BRAIFORM (RETAILER SERVICES)

Expressed in Australian dollars, EBIT declined 88.5% to A\$0.9m. Braiform experienced worsening demand over the period, with the key impacts being softening US and European retail markets combined with destocking of the international retail supply chain. The impact of lower volumes on fixed costs was only partially offset by a weaker oil price and lower A\$ late in the second half.

Braiform's restructuring program commenced over 18 months ago – well ahead of the global economic downturn. Braiform is now well positioned relative to its competitors with its sub-contracted manufacturing model, which can be quickly scaled and easily re-located, providing production and cost flexibility. The business continues to reduce headcount and streamline operations, incurring \$1.7m of restructuring costs during the half, including redundancies, warehouse restructuring and production rationalisation. Cashflow from Braiform continues to be positive, reflecting the resilience of the business in the currently challenging retail environment.

A number of key European retailers have agreed to participate in Braiform's Re-Use Program, attracted by the environmental and cost benefits.

BALANCE SHEET, GEARING AND DEBT REFINANCING

Bank debt facilities refinanced and restructured

Spotless has entered into a syndicated debt facility to restructure its three A\$240 million existing bilateral debt facilities into a single syndicated unsecured facility of A\$240 million expiring in February 2012. Including the Company's US\$130 million in US Private Placement notes, Spotless' debt maturity profile has been significantly extended to between three and six years. Spotless remains comfortably within its debt covenants, and the new facility contains minimal changes to covenants. Pricing has increased, reflecting prevailing credit market conditions.

Balance Sheet & Gearing

Net debt at 31 December was \$289.6 million. Gearing at 31 December rose slightly to 44.5%, up from 40.4% as at 30 June. The rise in net debt levels at 31 December reflects the non-cash impact of FX translation (\$17m), the payment of FY08 NRIs in the first half of 2009 (\$14m) and a seasonal build in working capital levels. Spotless continues to have strong interest cover in local currency earnings for its offshore debt obligations.

Spotless continues to generate strong underlying cashflows, has strong interest cover and credit metrics.

DIVIDEND

The Directors have concluded their previously announced review of dividend policy, having considered the challenging economic climate, the capital requirements of the business in the context of a stated growth strategy, and the desire to maximise the tax effectiveness of distributions. For these reasons, it is the intention of Directors to have reference to a target payout ratio of between 50% to 60% of EPS. The Directors declared an interim dividend of 5.0 cents per share, franked to 100%, compared to 10.5 cents per share in the prior corresponding period (franked to 40%).

OUTLOOK

The Directors do not intend to provide specific earnings guidance at this time due to the increasingly challenging general economic and financial market environment. However, at this stage, Spotless expects the second half EBIT result for Facility Services to exceed the first half. In respect of Braiform, Spotless does not expect a material improvement in global retail market conditions in the second half.

Spotless is competitively positioned amid uncertain economic times as it provides a range of essential outsourced service solutions to a broad mix of customers in both Government and Industry across thousands of contracts. The cost reductions achieved over the last 18 months – ahead of the economic downturn - position Spotless well for this period.

Spotless will continue to reinvest in its businesses through this period. A period of reinvestment in processes and systems is planned in order to achieve the next phase of the Spotless turnaround. Investments under consideration include the ongoing rollout of Shared Services, potential technology platform investments and a new composite laundry in Queensland. These investments will enable future growth and have strong strategic and financial benefits.

Facility Services

Solid trends remain across all four business lines in Australia and New Zealand, notwithstanding some patchy areas of demand. For example, Spotless has observed signs of a pause in decision making for some customers, particularly where expenditure and commitments are concerned. Customers continue to demand greater value from existing and new outsourcing partnerships.

Braiform (Retailer Services)

Despite reducing input costs, current patterns in the global retail market are such that we do not expect a material improvement in trading conditions during the second half. Management continues to focus on improving the supply chain operation, and cost effectiveness of support functions.

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