

21 November 2008

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2008 ANNUAL GENERAL MEETING MANAGING DIRECTOR'S ADDRESS

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Spotless Group Limited

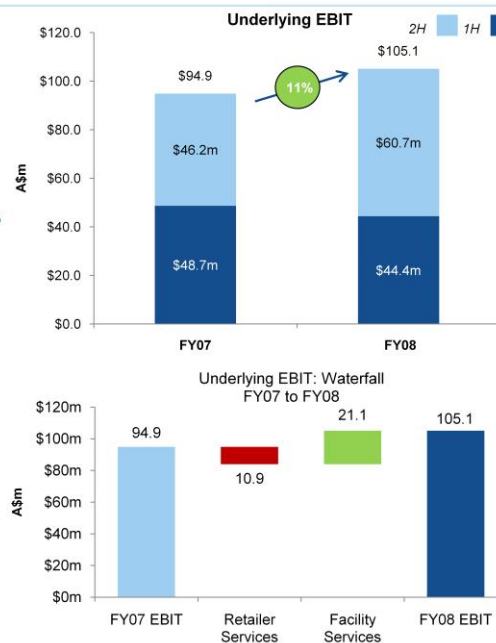
2008 Annual General Meeting

Managing Director's Address

Friday 21st November 2008

Introduction

- Transformational change in 2008, continuing in 2009 and beyond
- Reported FY08 results unsatisfactory with significant one-off costs
- Efficiency Improvement Programme is delivering enduring savings
- Short-term impact of economic environment still unfolding
- Overall outlook for Spotless remains positive



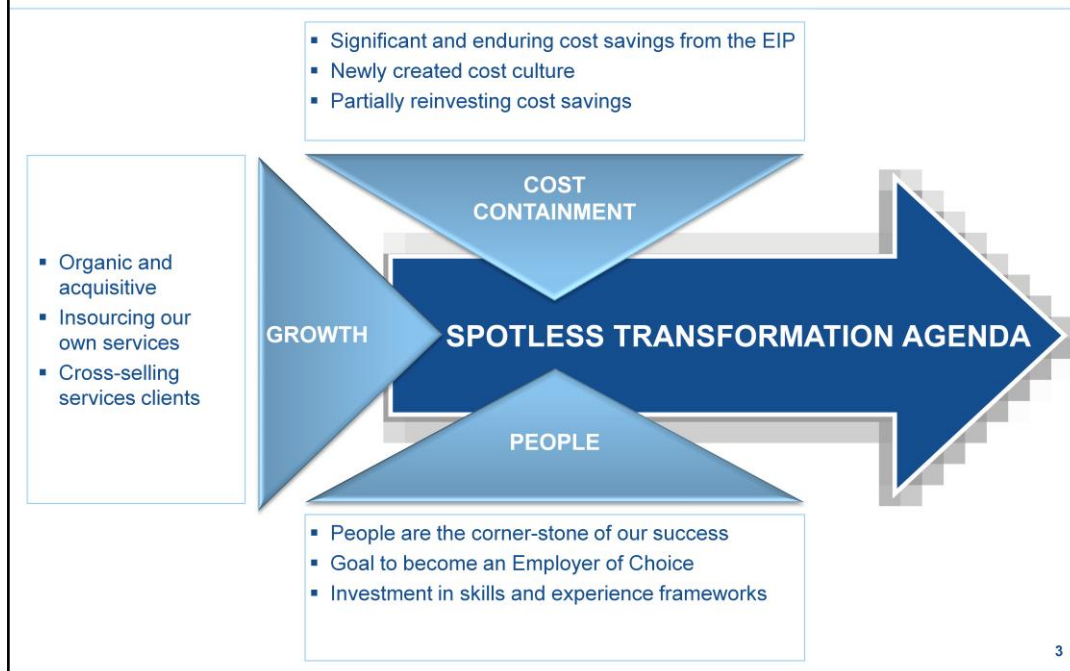
Thank you Peter, and good morning ladies and gentlemen. I'm pleased to address you for the first time as Managing Director and CEO of Spotless.

In 2008 Spotless embarked on a significant journey of transformational change. The initial restructuring and cost reduction program was a necessary first step. Achieving a successful turnaround is a staged and ongoing process and our journey of transformation continues in 2009 and beyond.

Management is acutely aware that the reported results in 2008 were unsatisfactory and that the costs incurred in achieving the underlying result were significant. The Efficiency Improvement Program, which the Chairman spoke of earlier, delivered enduring savings. It was the first step in establishing a scalable base around which to deliver future profitable growth.

The short term impact of the economic environment on our operations is uncertain and still unfolding. However, the overall outlook for your Company remains positive.

Transformation themes: growth, cost containment, people



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The Company's transformation is based around three key themes:

- Growth
- Cost containment; and
- People

We see growth across a number of fronts. Our strategic review identified organic and acquisitive growth opportunities across each of our businesses. These are further supplemented on two fronts:

Firstly, to in-source our own Spotless services wherever possible, and by that I mean we use Spotless' services within our own businesses.

Secondly, there is potential to further cross-sell services within our client base. This means to introduce other Spotless services using our existing strong client relationships.

As far as our focus on cost is concerned, Spotless saved an annualised \$25m in 2008 and we remain vigilant to ensure these savings are preserved. This newly created cost culture will ensure we continue to identify and pursue additional efficiencies.

Importantly we are also partially reinvesting cost savings on a range of fronts that are critical to the future of the company. These include: safety training and systems, environmental management, talent management and in technology platforms that will provide efficiencies and improved operating performance.

Spotless aims to be an Employer of Choice



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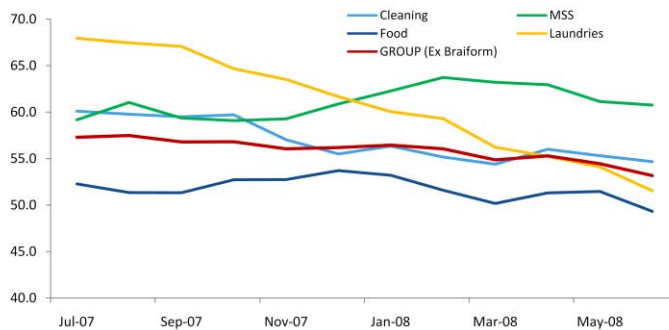
Finally, our people. As a services business our people are critical for the delivery and reliability of our products and services in thousands of locations around the world. Because of the fundamental 'people nature' of our business we are intent on becoming an Employer of Choice where we reward and recognise our people appropriately. We value our people at all levels, including gender, culture, age and education.

Over the course of 2008 we introduced paid maternity leave, and bolstered training and development. We are also investing in skills and experience frameworks, expanding the existing Traineeship program and strengthening the technology platforms to support flexible working arrangements.

Fundamental to our people agenda is our commitment to safety. The safety of our people is critical.

Safety

Spotless Group – Safety performance CIFR (Australia & New Zealand)



CIFR (Australia & New Zealand)	Jun-07	Jun-08	Movement
Cleaning	60.1	54.7	-9%
Food	52.3	49.3	-6%
Laundries	67.9	51.6	-24%
Managed Services	59.2	60.8	3%
Group (Ex Braiform)	57.3	53.2	-7%

Safety performance FY08

- Considerable safety progress
- 7% reduction in CIFR across Australia & New Zealand
- Benefits flowing from standardisation of approach to OH&S
- Ongoing education and training programs for our people

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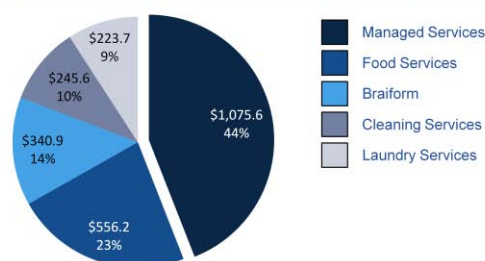
Our overarching safety belief is that all incidents are preventable. As you can see on the supporting slide we have made progress on our safety vision in 2008. Overall, there was a group wide improvement.

To facilitate improved safety performance across the Group, the company's Occupational Health & Safety responsibilities have been consolidated. The systematic implementation of a common management system, hazard identification processes, reporting and investigating procedures are in place. Importantly, education and training programs for all employees continue.

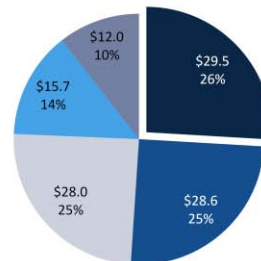
Managed Services

Market definition	Facilities management, asset maintenance and support services
Market size	\$8 billion p.a.
Spotless market share	10%
Staff numbers clients	4,800 people 250 contracts

Contribution to Spotless Revenue in FY08 (\$m / % share)



Contribution to Spotless EBIT in FY08 (\$m / % share)



Source: Management estimates

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Having set the scene with regards to the transformation agenda, I turn your attention to Divisional Performance.

Managed Services is the largest revenue contributor in the Spotless portfolio and the third largest operator in its markets. The business provides facilities management, asset maintenance and a range of bundled services, with almost 70 per cent of its revenue flowing from government contracts – specifically in Defence, Education, Health and Public Housing.

In 2008, total revenue within the division fell 4.3 per cent to just over a billion dollars. The loss of a major defence contract at the end of the 2007 financial year impacted 2008 revenue by some \$90 million. This loss masked an underlying sales growth of 4.2 per cent.

Underlying EBIT increased by 8.5 per cent to just under \$30 million. This result was driven by savings from the Efficiency Improvement Programme, improved labour management, procurement initiatives and rectification of some under performing contracts.

As a testament to the strength of our capabilities Spotless recently announced a new contract with the NSW Department of Housing. Our contract is valued at over \$500 million and we will maintain 49,000 dwellings over a five year contract term.

Food Services

Alliance Catering [Business, Education & Aged Care markets]	Hospitality Services	Airport Services
<ul style="list-style-type: none"> – Business & Industry – Universities & TAFEs – Private Schools – Aged Care 	<ul style="list-style-type: none"> – Stadia – Cultural & Function Venues – Convention & Exhibition Centres – Major Events 	<ul style="list-style-type: none"> – Food & beverage concessions – Retail food & beverage brands – Cafés, bars, kiosks
Contract terms		
<ul style="list-style-type: none"> – Management fee / cost plus, fixed cost, rent – 2 to 5 years tenure 	<ul style="list-style-type: none"> – Commercial rent-fixed + variable, minimum guarantee rent, – 5 to 10 years tenure 	<ul style="list-style-type: none"> – Commercial leases, minimum guarantee rent, – 5 to 10 years tenure
Highlights for FY08		
<ul style="list-style-type: none"> – Successful acquisition of the Alliance Catering business – Strong market acceptance of the rebranding initiative 	<ul style="list-style-type: none"> – Affirmation as events market leader – Clipsal 500 Adelaide – Formula 1 Australian Grand Prix – Melbourne Cup Carnival 	<ul style="list-style-type: none"> – Extensions within 5 major airport terminal redevelopments – Market support for Sumo Salad franchise and Velluto company-owned brand









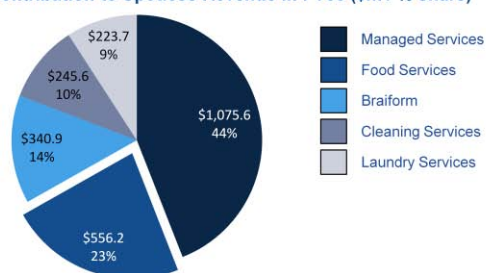
Food Services is comprised of three business units - Hospitality, Airports and Alliance Catering - formerly known as Business, Education, and Aged Care. Spotless is the leading player across each of these markets and employs just under 15,000 people in Australia and New Zealand.

Food Services is based on a contracting model, and has the benefit of many long term client relationships.

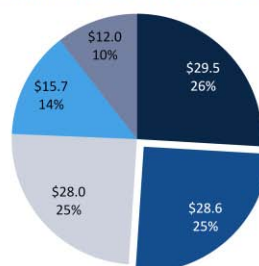
Food Services

Market definition	Catering services and management (Aust/NZ)
Market size	\$1.6 billion p.a. (outsourced market)
Spotless market share	35%
Staff numbers clients	14,700 people 1,000 contracts, 1,800 service sites

Contribution to Spotless Revenue in FY08 (\$m / % share)



Contribution to Spotless EBIT in FY08 (\$m / % share)



Source: Management estimates

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In 2008 revenue rose 4 per cent to \$556 million with strong performances in Hospitality and Airports. Hospitality growth was supported by additional event activity and solid patronage levels. Airports growth reflects continuing outlet expansion, and increasing passenger numbers. Alliance Catering saw flat sales relating to competitive market conditions.

Underlying EBIT rose strongly by 56% to \$29 million. Profit improved due to Efficiency Improvement Programme cost reductions, improved cost of goods margins and strong results in key Hospitality contracts. The sustained profitability of the Perth Convention and Exhibition Centre is a very pleasing turnaround.

The successful acquisition of Alliance Catering during the year formed the basis to re launch our Business, Education and Aged Care offering. We undertook a comprehensive update of all elements. We are now seeing strong customer acceptance and importantly we are winning additional contracts.

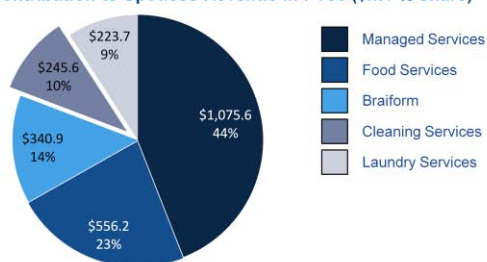
With major contract renewals and extensions we have further consolidated our strong position in the Hospitality market. Our Joint Venture at Eden Park Stadium in New Zealand adds to our dominance in sporting stadiums and positions Spotless well for the Rugby World Cup in 2011.

In our Airport retail operations we have secured important contract extensions at 5 major airport terminals and acquired 5 additional sites in Sydney taking our total Airport Retail sites to 80.

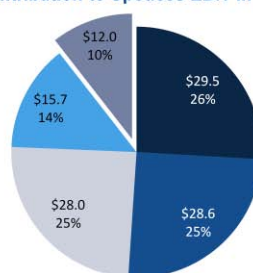
Cleaning Services

Market definition	Contract Commercial / Industrial cleaning services (Aust/NZ)
Market size	\$3 billion p.a.
Spotless market share	8%
Staff numbers clients	7,600 people 3,700 client sites

Contribution to Spotless Revenue in FY08 (\$m / % share)



Contribution to Spotless EBIT in FY08 (\$m / % share)



Source: Management estimates

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Cleaning Services was established as a standalone business division during 2008. Spotless is number one in New Zealand and number two in Australia in the commercial cleaning market. The division employs just under 8,000 people across 3,700 client sites, and Cleaning Services is expected to gain significantly from our focus on cross-selling and in-sourcing.

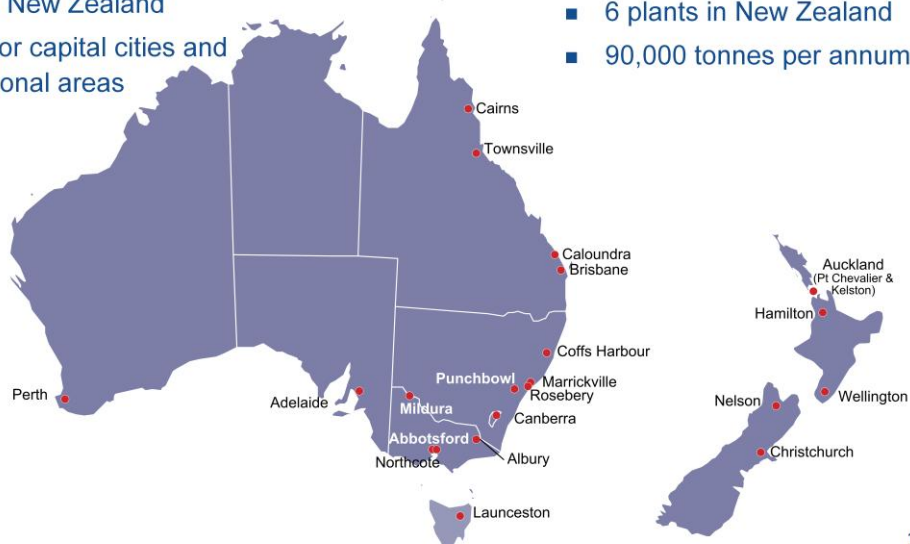
In 2008 sales revenue rose 4 per cent to \$246m, driven by contract wins in the airports and resources sectors. Underlying EBIT rose 60 per cent to \$12 million. This result was largely driven by the Efficiency Improvement Programme, improved control of labour costs, and resolution of contract mobilisation issues.

It is pleasing to report that Cleaning Services has recently signed a number of new contracts in the retail, power generation and government sectors.

Laundry Services

Operational footprint

- National coverage in Australia and New Zealand
- Major capital cities and regional areas



Operational statistics

- 13 plants in Australia
- 6 plants in New Zealand
- 90,000 tonnes per annum

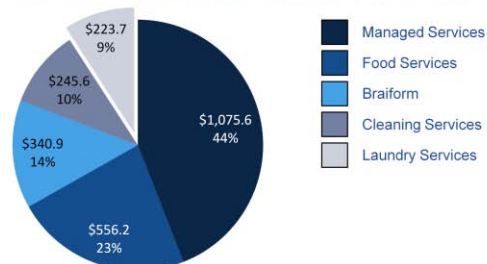
Laundry Services holds the number one industry position in both the Australian and New Zealand markets. We operate a total of 13 commercial laundry plants across Australia. A further six plants operate in New Zealand under the Taylors brand, and Spotless has a 66 per cent share in the Taylors Group.

Our linen business is the largest segment and derives the majority of its revenue from the health sector. We also hold solid positions in the accommodation and hospitality markets. Our laundries process approximately 90,000 tonnes per annum.

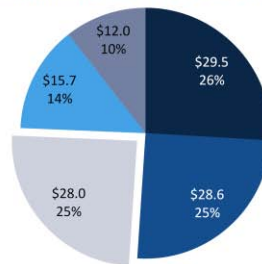
Laundry Services

Market definition	Linen and garment laundering (Aust/NZ)
Market size	\$842 million p.a.
Spotless market share	27%
Staff numbers clients	2,500 people 9,000 client locations

Contribution to Spotless Revenue in FY08 (\$m / % share)



Contribution to Spotless EBIT in FY08 (\$m / % share)



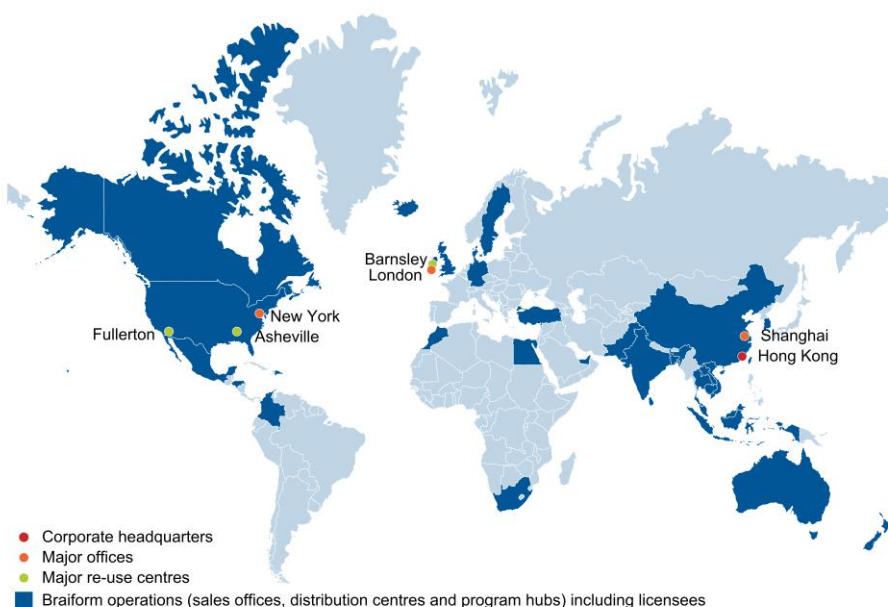
Source: Management estimates

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In 2008 revenue rose by a modest 2 per cent to \$224m, with growth driven by a strong Linen performance, partly offset by Garment revenue decline.

Strong Underlying EBIT growth of 16 per cent to \$28m was a result of savings from the Efficiency Improvement Programme and related overhead reductions and improved labour cost management and operational productivity savings from water and energy efficiencies. These benefits more than offset an earnings decline in New Zealand, which faced a challenging year due to ongoing labour market pressures and some issues with new equipment installation. All major contracts up for renewal were extended and several new contracts were secured.

Braiform



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I now turn to Braiform, and it is appropriate that I discuss this division and the industry in which it operates in, more detail.

Braiform, our Retailer Services division, provides Industry standard and customized garment hanger and packaging solutions to retailers and garment manufacturers globally. Braiform is number #2 in the market and is one of only two global suppliers.

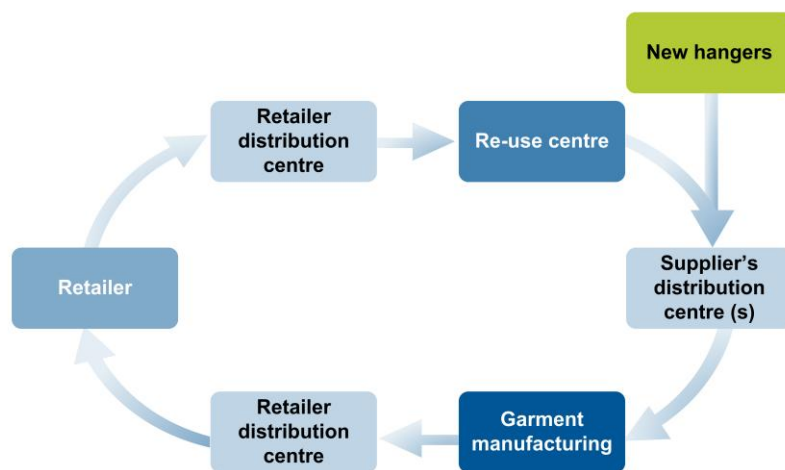
The business sells around three billion hangers each year and reuses approximately 750 million of these through its world leading re-use programs. This means a hanger is used several times, this reduces carbon emissions and provides a financially attractive solution for the customer and supplier.

The earnings decline in this division predates the soft demand flowing from the current recession in North America and Western Europe. This was largely as a result of maintaining three separate businesses: the original Plasti-form business in the United States, the acquired Braitrim business in Europe and the growing Asian operations.

Until last year each business had separate operational and functional management, separate systems including IT platforms, and importantly, had no integrated supply chain.

The continuing shift in sourcing hanger and labeling solutions away from North America and Western Europe to lower cost locations resulted in a lower sales value and margins. This, combined with rising resin costs and a strengthening Australian dollar, saw our margins decline significantly.

Spotless' world leading closed loop re-use programs



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Our strategic review conducted in 2008 identified three clear strategies for the division:

- Firstly, an overall restructure to establish a single global business, optimised locally where required, with a fully integrated supply chain.
- A drive to replicate the successful re-use model for new clients; and
- To refocus our selling efforts on garment manufacturers, in addition to Retailers

The subsequent restructuring effort was comprehensive. It included the closure of two factories, and a 31% reduction in headcount since June 2007. In addition, significant progress has been made in integrating the supply chain and rolling out a common technology platform across the business.

In terms of 2008 results, the underlying EBIT in the first half of \$A7.8m preceded a disappointing A\$7.9m for the second half despite the cost reductions achieved. The worsening retail demand in North America and Europe resulted in the garment industry reducing inventory holdings of garment hangers and ordering lower quantities, on shorter lead times. Therefore, the cost reductions we had achieved were offset by lower unit sales and with the fixed cost reality of this business, lower returns were generated.

We have not seen, nor expect, any improvement in retail demand for garments, and therefore garment hangers. In fact the trading environment in 2009 has shown a deterioration over 2008. The impact on the industry has been significant, and industry consolidation is possible. We will however, continue to focus on additional cost savings and efficiencies, while also maintaining a drive on new revenue. I am pleased to report that Braiform has recently signed two new re-use contracts and has commenced a trial with a major European Retailer. There are also other re-use prospects in the pipeline.

Environmental sustainability

- **Laundry Services case study**
 - Saving of 170 million of water over the year
 - 6% reduction in energy consumption
 - Route optimisation pilot delivered 20% reduction in fuel consumption with plans to roll this out across the business
- **Energy and Greenhouse Management Strategy initiated with review of current performance and regulatory compliance requirements underway**

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Moving on from divisional performance I would like to address the importance of environmentally sustainable operations, taking our Laundry Services business as one example.

This year water saving has been a high priority on the Laundry Services agenda. Across all plants, some 170 million litres of water was saved throughout the year. Our work on energy efficiency has resulted in around a 6 per cent reduction in energy consumption. Furthermore, a pilot delivery route optimization program delivered a 20 percent reduction in fuel consumption. There are plans to roll out this program across the business.

Spotless has initiated an Energy and Greenhouse Management Strategy and are currently reviewing our performance to determine reporting requirements in compliance with legislation. Striving to reduce the environmental impact of the company's operations is an organisational necessity and a source of competitive advantage.

I began this morning by talking about the solid foundations and cost efficiencies that have been established over last 12 months. Furthermore, we have identified value and growth opportunities in each of our businesses, and with the leaner, more flexible structure, management is committed to maximising business performance and ongoing transformation.

It is impossible to predict the extent to which global economic conditions will impact our businesses in the short term. However, we are confident that our strategic direction remains appropriate.

Outlook

- Facility Services
 - Based on current market conditions and trading patterns we expect earnings growth on the prior year
 - Potential softness in Food Services sales particularly in Corporate Hospitality and Airport Retail
 - Normal seasonal skew to the second half to continue in 2009
 - Contract-based revenue model and skew to less volatile sectors, provides some shelter from any potential economic slowdown
- Braiform
 - Dependent on the performance of the retail apparel industry with no sign of improvement thus far
 - Experiencing deteriorating sales volumes
 - Earnings in 2009 expected to be lower than the prior period with a strong skew to the second half
- Maintaining focus on cost containment and working capital management, whilst continuing to invest in people, processes and systems to support growth

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Let me now address the outlook for the Trans Tasman Facility Services businesses comprising Managed Services, Cleaning Services, Food Services and Laundry Services. Based on current market conditions and trading patterns, we expect the Facility Services businesses to generate earnings growth on the prior year notwithstanding some potential softness in Food Services sales particularly in Corporate Hospitality and Airport Retail. The normal seasonal skew to the second half will continue for Facility Services as per prior years.

The fact that these businesses are contract based and largely geared towards less volatile sectors such as government and health provides Spotless with some shelter from any significant economic slowdown.

In terms of Braiform, this business is dependant on the performance of the retail apparel industry, which currently shows no sign of improvement. As a result, the division is experiencing deteriorating sales volumes, and notwithstanding lower resin prices and a more favourable Foreign Exchange rate, we expect earnings in 2009 to be lower than the prior period, with a strong skew of 2009 earnings to the second half.

In these more challenging market conditions our focus on cost containment and working capital management will be critical. Meanwhile, we will continue to make investments in processes and systems, and in the development of our people, to support our growth aspirations.



2008 Annual General Meeting



Thank you for your interest in Spotless

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I would like to acknowledge the Spotless Board and our leadership group for their commitment to transforming our company. I also extend my appreciation to the 30,000 plus employees for their ongoing dedication and their significant contribution to our underlying results.

Finally, thank you, the Spotless shareholders, for your ongoing support.

I will now hand back to the Chairman.

Josef Farnik
Managing Director & CEO