

ASX RELEASE

29 November 2017

**Address by Chairman, Professor John Humphrey
Spotless Annual General Meeting 2017**

Please see attached address to be delivered by the Chairman to shareholders at Spotless' Annual General Meeting to be held at 2.00pm today.

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Spotless Annual General Meeting 2017 - Chairman's Address

Spotless is a great business with an exceptional team of people. We are now part of the Downer Group, forming an even stronger company. Alone, we number more than 36,000 people managing facilities, projects and events and providing over 100 services. Together, our 56,000 people create the leading diversified services company in Australia and New Zealand.

2017 Financial Year Performance and 2018 Financial Year Guidance

The 2017 financial year was a transformative year for Spotless:

- Downer became a major shareholder following a change of control process; and
- Spotless implemented a contract book rationalisation as part of its broader strategy reset.

Underlying NPAT of \$84.1 million reflected a solid performance, however the statutory 2017 financial year result was significantly impacted by impairments, asset write downs, transaction costs and other restructuring costs following the contract book rationalisation.

As stated in our release on 27 November 2017, Spotless' underlying earnings for the first four months of the 2018 financial year have been consistent and predictable and Spotless is targeting underlying net profit after tax and before amortisation of acquired intangible assets (NPATA) of \$93 million, or net profit after tax of \$85 million.

Spotless has also identified individually significant items totalling \$79.7 million, including:

- management redundancies, transaction costs, and residual Strategy Reset costs of \$10.1 million;
- work in progress, mobilisation costs and other balance sheet adjustments of \$29.6 million; and
- impairment of the goodwill allocated to the Spotless Laundries business of \$40 million.

One long term contract, for facility management services at the new Royal Adelaide Hospital, has been identified as an underperforming contract since commencing operations in September this year. The contract is in the first year of a 30-year term. Spotless has resourced the project with a team of senior commercial and operational management to address the issues that have affected the commencement of operations, progress contractual claims and to complete a forecasting exercise. This work is expected to take several months. All associated work in progress has been written off and it is expected that there will be no earnings from this project recognised in the 2018 financial year.

Downer Relationship

Spotless is pleased with the relationship that has developed with Downer since the change of control and in particular with the way that joint teams are working together and appropriately across a range of important areas including Zero Harm, Customers and Markets, Bid Management, Major Contract Reviews, Procurement, IT and Finance.

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Furthermore, the Joint Bidding Group is performing very well and we have been shortlisted for several projects.

Our capabilities

Here at Spotless we have a clear vision - and that is to be the first choice in the markets we serve.

We aim to drive customer value through long-dated, expandable, multi-service contracts which leverage our scale, geographic footprint and breadth of capabilities.

We are confident in the strength of our underlying business. Our business has attributes that will underpin predictable returns over the long term. In particular Spotless has:

- a blue-chip customer base;
- significant contracts with government that reduces credit risk;
- diversification across sectors and service lines; and
- an enviable cost structure enabling strong margins.

These elements provide a very stable base and Spotless is well positioned for the next phase of growth, as part of the Downer Group.

Our people

Spotless' people have been the outstanding performers in 2017. Throughout a year of corporate change, they have continued to work hard and maintained a clear sense of business as usual.

We continue to invest in workforce diversity, indigenous employment and training opportunities to ensure our team has the necessary range of skills, knowledge and experience to serve our diverse range of customers.

I wish to thank our team for their commitment to delivering customer service excellence and working safely. Every one of them should be proud of the great work they do.

Leadership

On behalf of the Board, I extend sincere thanks to our Chief Executive Officer Dana Nelson and her management team for their hard work throughout the last 12 months. They have worked diligently throughout what has been a challenging period for the Company and I am confident that we have the right team and resources in place to continue to build a stronger Spotless.

For further information please contact:

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