

## ASX Announcement

5 May 2008

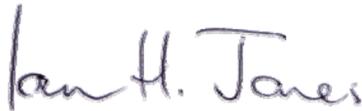
Company Announcements Office  
Australian Stock Exchange Limited  
Exchange Centre  
Level 4  
20 Bridge Street  
SYDNEY NSW 2000

Dear Sir,

### MAILING TO SHAREHOLDERS

In accordance with Listing Rule 3.17, please find attached the letter and the leaflet which will be mailed to shareholders of Programmed Maintenance Services Limited.

Yours sincerely,  
**PROGRAMMED MAINTENANCE SERVICES LIMITED**



Ian H. Jones  
Secretary

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2 May 2008

**Letter to shareholders - Correction**

You will have now received the Bidder's Statement from Spotless offering to acquire your shares in Programmed Maintenance Services Limited ("Programmed"). You will also have received our Letter to Shareholders of 22 April 2008.

The Letter to Shareholders contained a number of quotations from journalists and analysts.

In particular, the Letter to Shareholders included a quote from an article which appeared in *Asia Business Newswire* of 28 March 2008 referring to Mr Smedley, the Chairman of Spotless.

Mr Smedley and Spotless have alleged that the article is defamatory and that it contains a number of factual inaccuracies and have also alleged that the inclusion of the quote rendered the Letter to Shareholders misleading and deceptive and defamatory.

Certain statements made in the *Asia Business Newswire* article of 28 March 2008 have been corrected in an article dated 30 April 2008. Accordingly, the article of 28 March 2008 does not support the conclusions which Programmed sought to draw from it, in particular that Spotless' offer entails significant risks for Programmed shareholders.

In particular, we draw your attention to the statement in the last paragraphs of the Letter to Shareholders and to the concluding paragraphs of the correcting article. Those concluding paragraphs read as follows:

**"Now I'd like to set the record straight about some things I said about Peter Smedley on March 28. Quite frankly, I got some things wrong.**

**Mr Smedley was never a member of the Mayne Pharma board or management as a listed entity; Mayne Pharma was never "crippled" by a management style directed by Mr Smedley or anyone else; the demerger of Mayne Pharma from the Mayne Group in fact unlocked \$1.59 billion in value for shareholders. For the financial year ended 30 June 2006, Mayne Pharma reported pro forma EBIT of \$119 million; Mayne Pharma was subsequently acquired by Hospira in early 2007 for more than \$2.6 billion; and Mr Smedley was never an executive or director of the Commonwealth Bank following its acquisition of Colonial.**

**Further, the article could have been taken to imply Mr Smedley has only ever been involved in aggressive, hostile takeovers. To the contrary, Mayne Group had a long history of friendly, private treaty acquisitions....The Colonial and Commonwealth Bank transaction itself was a merger of equals..."**

Programmed acknowledges that Mr Smedley was never a member of the Mayne Pharma Board or management as a listed entity and that Mayne Pharma was never "crippled" by a management style directed by Mr Smedley or anyone else. Programmed also acknowledges that Mr Smedley has been involved in a number of friendly, agreed acquisitions and mergers.

We enclose a full copy of the correcting article.

Yours sincerely



Geoff Tomlinson



Chris Sutherland

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## Asia Business News | Thursday, May 01, 2008

### Spotless' Programmed Bid Grinds On

Sydney, Apr 30, 2008 (ABN Newswire) - Spotless Group half a billion dollar hostile bid for rival services provider, Programmed Maintenance Services continues to grind on, but with the bidder's statement sent to target shareholders over the long weekend, there's going to be some stepped up activity.

Programmed directors have until May 8 to send its shareholders their reasons for rejecting the offer: so far hostilities have been limited to complaints and nitpicking about various statements, but now Programmed management and board will have to advance some strong arguments against a bid that has some justifications behind it.

Spotless last night tried to block Programmed from sending out the Target Statement.

It has complained to the Takeovers Panel that a letter sent out by Programmed to shareholders on April 22 was inappropriate and misleading in relation to the offer. Spotless wants that sorted.

Spotless said in an earlier statement last Friday that it believes "the offer remains highly attractive for Programmed shareholders, particularly in light of Programmed's recent FY2008 earnings guidance, which is disappointing and below prevailing broker consensus forecasts. Spotless looks forward to receiving further details of Programmed's earnings for the year ended 31 March 2008, including details of likely earnings at the EBIT level.

"Spotless reaffirms that it believes the combination of Spotless and Programmed has strong strategic merit and that the Merged Group will be uniquely positioned to capitalise on its increased scale.

"The Merged Group will provide a greater breadth and depth of services to an expanded set of customers and have an improved long term growth profile as a result of the combination of the two businesses.

"Significant ongoing synergies are expected to be achieved for the benefit of both Programmed and Spotless shareholders.

"Some of Programmed's largest shareholders have already agreed to accept the Offer, pursuant to entering into pre-bid acceptance agreements in respect of 10.2% of Programmed's shares on issue.

"Spotless notes that Programmed has announced its intention to acquire SWG and divest Barry Bros and Total Harbour Solutions.

"Spotless believes that these proposed transactions are broadly consistent with Spotless' strategy and looks forward to further information in due course.

"Importantly, based on the information provided by Programmed to date, Spotless does not believe that these transactions would materially impact the level of synergies achievable through the combination of the Spotless and Programmed businesses."

That's all fairly standard stuff, the sort of comments you'd expect during a contested takeover but Spotless, under chairman Peter Smedley seems to be driving towards the creation of a multi-offering service provider for businesses of all kinds.

It's the sort of model that Transfield Services and United Group have created, but from an engineering background.

Transfield especially has been active in positioning itself to offer its clients as many services as possible.

United is following in its wake, and the acquisition of Programmed, for the right price, would position Spotless in the same space.

For many people outsourcing carries nasty connotations, but it has been a fact of life in mining, retailing of all types, wholesaling and transport: Big companies employ other companies, smaller contractors to do the things they are either not interested in doing, or not good at, or don't want to allocate capital (and risk it) to do it.

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Painting, transport and courier services, medical pathology, servicing mining camps and exploration sites, contract mining, pathology, assaying, testing, cleaning, repairs to building (maintenance), roads and larger structures, are all examples of out-sourcing and the sorts of business companies like Skilled Group, Transfield, United and Spotless are interested in, have looked at and passed, or can't see themselves competing in.

The service sector for the mining and resources businesses has become something of an Australian specialty thanks to our boom and the China growth engine. The likes of Leighton, United, Orica, Dyno Nobel, Boart Longyear, Campbell Brothers, Worleyparsons, Monadelphous, and Spotless are all expanding the efforts to service this sector.

The Australian Bureau of Statistics reckons private capital spending in the mining and resources area, as well as construction, could grow by well over 20% in 2008-09 to something approaching \$90 to \$100 billion (depending on cost inflation).

Much of that growth will need services and exploiting that is behind the thinking at Spotless and the reasons for the Programmed bid.

Programmed says it's the market leader in the long-term painting maintenance market in Australia and New Zealand and since 1993, it has expanded into a range of complementary maintenance businesses including grounds maintenance, engineering and industrial services.

In other words it's done what Peter Smedley has been pushing Spotless towards for the past year: a multi-offering service company.

Originally the share and cash offer valued Programmed at around \$6.11 when made back in late March. Since then there's been a fall in the price of both shares and based on yesterday's price of \$3.15 for Spotless, the offer value for PRG (it was at \$5 yesterday) ranged from around \$5.10 for the all share offer to around \$5.60 for the \$3 cash and 0.825% of a SPT share variant.

That makes it a close run thing: PRG's board and management have rejected the offer out of hand but it will be decided by institutional shareholders. Spotless already has a stake of just 13%.

Both companies need each other to complement existing businesses and to grow in the face of rising competition from the likes of Transfield and Skilled Group.

A reworked offer would probably win the day, but we have to wait to see what PRG says in its Target Statement next week.

Now I'd like to set the record straight about some things I said about Peter Smedley on March 28. Quite frankly, I got some things wrong.

Mr Smedley was never a member of the Mayne Pharma board or management as a listed entity; Mayne Pharma was never "crippled" by a management style directed by Mr Smedley or anyone else; the demerger of Mayne Pharma from the Mayne Group in fact unlocked \$1.59 billion in value for shareholders. For the financial year ended 30 June 2006, Mayne Pharma reported pro forma EBIT of \$119 million; Mayne Pharma was subsequently acquired by Hospira in early 2007 for more than \$2.6 billion; and Mr Smedley was never an executive or director of the Commonwealth Bank following its acquisition of Colonial.

Further, the article could have been taken to imply Mr Smedley has only ever been involved in aggressive, hostile takeovers. To the contrary, Mayne Group had a long history of friendly, private treaty acquisitions, including the acquisition of QML. The Colonial and Commonwealth Bank transaction itself was a merger of equals and has certainly benefitted the CBA with the enormous growth in managed funds since that deal was done.

AIR publishes a weekly magazine. Subscriptions are free at <http://www.aireview.com.au>

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