Programmed Maintenance Services Limited
Group Head Office Level 3, 100 Dorcas Street South Melbourne, Victoria 3205
Telephone: (03) 8676 5510 | Facsimile: (03) 8676 5597
Website: www.pmsgroup.com.au | ABN 61 054 742 264

ASX Announcement

9 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 which will be mailed to shareholders of Programmed Maintenance Services Limited.

Yours sincerely,
PROGRAMMED MAINTENANCE SERVICES LIMITED

Ian H. Jones

Ian H. Jones
Secretary

PROGRAMMED MAINTENANCE SERVICES

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8 May 2008

Dear Shareholder,

Letter to Shareholders – Unacceptable Circumstances

You will have now received:

(i) the Bidder's Statement from Spotless Investment Holdings Pty Ltd ("Spotless") offering to acquire your shares in Programmed Maintenance Services Limited ("Programmed");

(ii) our Letter to Shareholders of 22 April 2008;

(iii) our Letter to Shareholders dated 5 May 2008 correcting the reference to an article which appeared in Asia Business Newswire on 28 March 2008.

The Takeovers Panel has found unacceptable circumstances to exist in three circumstances.

Reference to Takeover Premia

As you may have seen, Programmed made an Investor Presentation on 16 April (which was lodged with ASX Limited on the same date) referring to Programmed's view that, based on Spotless' share price on 2 April (the date of lodgement of the Bidder's Statement) the Spotless Offer represented an inadequate premium to the 6 month volume weighted average price ("VWAP") and 12 month VWAP in respect of Programmed shares. The Takeovers Panel has found that our reference to takeover premia, and the Spotless closing price on the date of lodgement of its Bidders Statement, gave rise to unacceptable circumstances because we did not explain in the presentation why the presentation in that form (which was not "like for like") was chosen.

A comparison of Spotless' Offer value against Programmed's 6 and 12 month VWAPs was appropriate in our view because:

- We felt it balanced and complemented the use by Spotless in its Bidder's Statement of the 10 day and 1 month VWAP for premium comparisons;[1]
- For 9 out of the last 12 months prior to the announcement of the Offer, Programmed had traded between the 6 month VWAP ($4.96) and the 12 month VWAP ($5.30), and during some periods even higher; and
- Since the announcement of the Offer, and as addressed in the Investor Presentation, Programmed has announced the disposal of Total Harbour Services, the proposed acquisition of SWG and the proposed disposal of Barry Bros. (see Investor Presentation and accompanying ASX Announcement released on 16 April 2008). The proposed SWG and Barry Bros. transactions are together earnings accretive and help to de-leverage Programmed's balance sheet.

We used the Spotless share price as at 2 April 2008 (the date of lodgement of the Spotless Bidder's Statement) because for the purposes of comparison with other transactions it was necessary to adopt a readily observable reference point. The date of lodgement of the Bidder's Statement provided a readily observable reference point.

Reference to Quotations

The Letter to Shareholders of 22 April 2008 contained a number of quotations from journalists and analysts.

The Takeovers Panel has found that the use by us of two quotations by journalists gave rise to unacceptable circumstances and has required Programmed to substantiate and provide clarification of what it meant in including the two quotations.

The quotations concerned were:

1. The quotation from the article in the Business Spectator of 16 April 2008 by Stephen Bartholomeusz (the "Bartholomeusz Quote") to the effect that:

   "The directors are probably right when they say in today's vigorous rejection of the bid that the Spotless offer, which includes a range of mix and match options involving both cash and shares, undervalues Programmed."; and

2. The quotation from an article by Michael Smith (the "Smith Quote") in the Australian Financial Review dated 28 March 2008 to the effect that:

   "As the Spotless share price sank another 8 percent following the $556 million tilt yesterday, it could be argued Programmed is better positioned to play the role of suitor."

1 The premia analysis in the Programmed Investor Presentation is based on comparing Programmed's 6 month and 12 month VWAPs for the period ending 26 March 2008 with the value of the Spotless Offer calculated using the Spotless share price as at 2 April 2008, being the date on which Spotless lodged its Bidder's Statement. The premia analysis in the Bidder's Statement is based on comparing, in turn, Programmed's closing share price on 26 March 2008 and Programmed's 10 day and 1 month VWAPs for the period ending 26 March 2008 with the value of the Spotless Offer calculated using Spotless' 10 day VWAP up to 26 March 2008.

Bartholomeusz Quote

The Takeovers Panel considered that the extract represented a statement of valuation that Programmed had adopted by inclusion of it in the Letter to Shareholders. The Panel felt that the quotation required substantiation by the directors and disclosure as to why the directors considered that the Offer undervalued Programmed.

The "Bartholomeusz Quote" was referenced to support our view that the offer undervalued Programmed. On 16 April in our Investor Presentation, we provided 6 reasons why the Directors considered the Offer was inadequate ie it undervalues Programmed. We explained:

- that the offer represented an inadequate premium compared to Programmed's 6 month and 12 month VWAP. The choice of 6 and 12 month VWAP was made for the reasons explained above.
- that the Offer (based on the Spotless closing price ($3.10) on 15 April 2008) is below prices at which Programmed has traded in the 12 months up to 26 March 2008.
- in some detail our growth strategy and historical and projected performance, including:
  - a 15% compound annual growth rate in net profit after tax (pre-amortisation) for the 8 years from 31 March 2000 to 31 March 2008;
  - a 10 to 15% projected increase in earnings per share (pre-amortisation) for the current year ending 31 March 2009 of approximately 39 to 40c per share;
  - our recent strategic initiatives including the proposed acquisition of SWG and the proposed divestment of Barry Bros. which, combined, are projected to be earnings per share accretive in the current financial year ending 31 March 2009.
- that since the Offer is made up of all or part Spotless shares, one must look at Spotless' historical share price performance and business track record and the risks associated with accepting the Offer. These risks may affect negatively the value of the Offer. This is now explained in detail in our Target's Statement.

The Board is firmly of the view that the Offer is inadequate and has determined that it is not necessary to obtain a report from an Independent Expert in order to justify this view. Given the inadequacy of the Offer the Board has not formed a view as to the higher value at which the Offer would be regarded as fair and reasonable.

Smith Quote

The "Smith Quote" appeared in the Letter to Shareholders on a page headed "Programmed has a better track record than Spotless". The Panel felt that the quotation might be suggesting that Programmed should be bidding for Spotless, was potentially confusing and misleading, did not fit the context of the page and should only have been included with an explanation of what is meant by the statement.

The "Smith Quote" was referenced to support our view that Programmed is a better managed company with a good strategy and better track record than Spotless and that the Spotless' share price has underperformed. We did not intend to suggest that Programmed should be bidding for Spotless. What we meant was that the quotation implies that because it is better managed, has a sound strategy and has enjoyed solid and continuing growth, Programmed is better suited to offer its shares as consideration and to act as an acquirer of other companies. We make this point because our shareholders are being offered Spotless shares as all or part of the Offer. We provided in the Letter to Shareholders and our Investor Presentation of 16 April detailed support of this position by reference to:

1. Programmed's share price having increased by 144% between 1 March 2001 and 26 March 2008, as compared to Spotless' share price which has fallen by 48% over the same period;
2. Programmed's compound annual growth in earnings before interest and tax between the 2003 and 2007 financial years of 13% compared with Spotless' decline of 10%;
3. Programmed's compound annual growth in earnings per share between the 2003 and 2007 financial years of 10% compared with Spotless' decline of 14%;
4. Programmed's Total Shareholder Return ("TSR") of 226% between 1 October 1999 and 26 March 2008, compared with the Spotless' TSR over the same period of only 8%.

Again we have explained this matter in more detail in our Target's Statement.

The key reasons why the Directors believe Programmed shareholders should reject the Spotless Offer are set out in detail in the Target's Statement and we urge you to read the Target's Statement before making any decision in relation to the Spotless Offer.

Yours sincerely

C. Sutherland

Geoff Tomlinson
Chairman
On behalf of the
Programmed Board of Directors

Chris Sutherland
Managing Director
On behalf of the
Programmed Board of Directors