

14 May, 2008

Company Announcements Office  
Australian Stock Exchange Limited  
4<sup>th</sup> Floor  
20 Bridge Street  
SYDNEY NSW 2000

Dear Sir/Madam

**Spotless Group Limited (Spotless): Takeover bid for Programmed Maintenance Service Limited (Programmed)**

In accordance with subsection 647(3)(b) of the Corporations Act 2001 (Cth), we attach for immediate release a copy of Spotless' second supplementary bidder's statement as lodged with the Australian Securities & Investments Commission and served on Programmed today, together with a copy of the cover letter to Programmed shareholders.

Yours faithfully



**Michael Givoni**  
**Company Secretary**

Attachment



For personal use only

14 May 2008

Dear Programmed shareholder,

By now you should have received a Bidder's Statement from Spotless Investment Holdings Pty Ltd, a wholly owned subsidiary of Spotless Group Limited (**Spotless**) in relation to Spotless' takeover offer for Programmed Maintenance Services Limited (**Programmed** and collectively the **Offer**).

The Offer provides you with the choice of the following alternative forms of consideration for each of your Programmed shares:

- All Share Alternative: 1.620 Spotless shares per Programmed share
- Majority Share Alternative : \$1.50 in cash plus 1.223 Spotless shares per Programmed share
- Maximum Cash Alternative: \$3.00 in cash plus 0.825 Spotless shares per Programmed share

You should also have received a Target's Statement from Programmed, which includes a recommendation to reject the Offer. Spotless believes that Programmed has not provided adequate information in its Target's Statement to justify its recommendation. The Directors of Programmed have asserted that the "Offer is inadequate" without providing Programmed shareholders with sufficient substantive supporting evidence, such as a valuation of Programmed shares, that would typically be done by an independent expert.

Despite this, the ultimate decision on whether to accept Spotless' Offer is rightfully in your hands. Spotless believes that there are a number of compelling reasons to **ACCEPT** the Offer, which are summarised below and set out clearly in the attached document:

1. Spotless' Offer remains highly attractive, particularly in light of the disappointing earnings forecast for Programmed included in the Target's Statement
2. Programmed's share price is likely to fall in the absence of the Offer
3. The strategic rationale of the transaction is compelling and Programmed shareholders have the opportunity to share in the significant upside of the Merged Group

The combination of the Spotless and Programmed businesses will create a leading facility services business in Australia and New Zealand and will create significant value for both Programmed and Spotless shareholders.

I strongly encourage you to read the Bidder's Statement and the enclosed document carefully and then to **ACCEPT** this highly attractive Offer that is scheduled to close at 7pm (AEST) on 26 May 2008. To **ACCEPT** the Offer, you should follow the instructions on the Acceptance Form that was enclosed with the Bidder's Statement. If you require additional assistance, please contact the Spotless Offer Information Line on 1300 651 428 (toll free) within Australia or +61 3 9415 4879 (normal charges apply) outside Australia.

Yours faithfully,



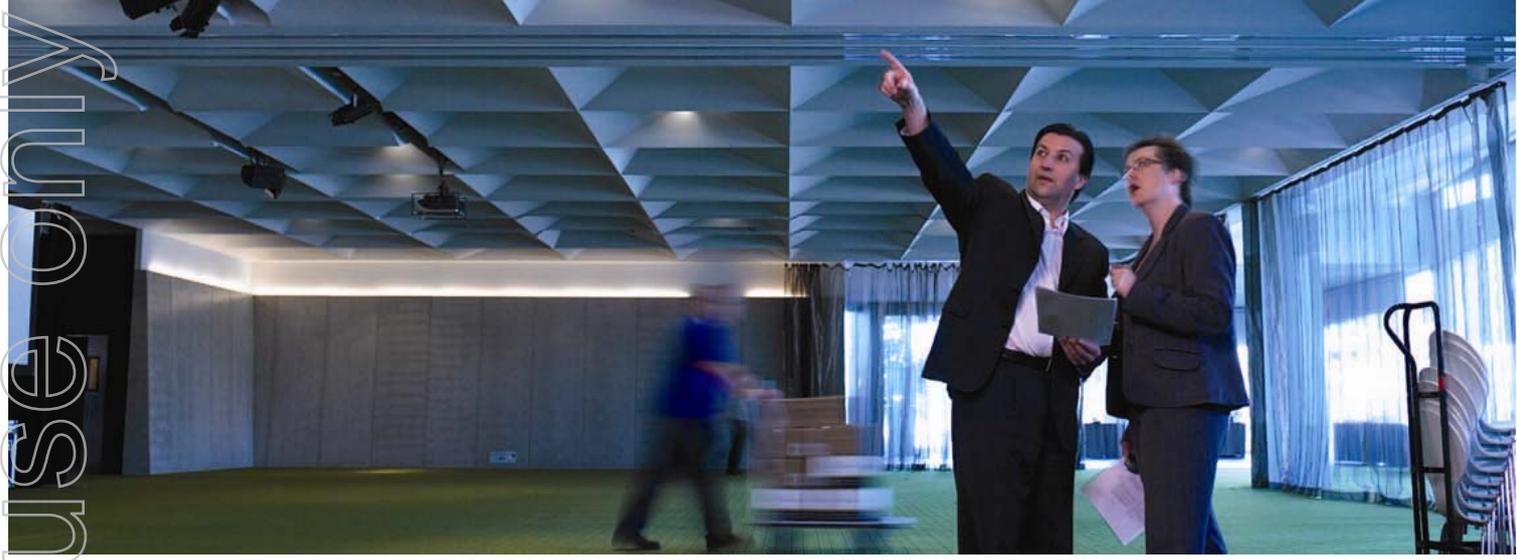
**Peter Smedley**  
Chairman  
Spotless Group Limited



For personal use only



# SPOTLESS



# ACCEPT

Spotless' offer to acquire all  
of your shares in  
Programmed Maintenance  
Services Limited

This document is the second supplementary bidder's statement (Second Supplementary Bidder's Statement) dated and lodged with ASIC on 14 May 2008 and is given by Spotless Investment Holdings Pty Ltd (Bidder), an indirect wholly owned subsidiary of Spotless Group Limited (Spotless) to Programmed Maintenance Services Limited (Programmed) under section 643 of the Corporations Act.

This Second Supplementary Bidder's Statement supplements, and should be read together with, the bidder's statement dated 2 April 2008 and the first supplementary bidder's statement dated 18 April 2008 (together, the Replacement Bidder's Statement). ASIC takes no responsibility for the contents of this document. Unless the context otherwise requires, terms defined in the Replacement Bidder's Statement have the same meaning as in this Second Supplementary Bidder's Statement.

# Spotless' response to Programmed's Target's Statement

## 1. Programmed's defence lacks credibility

- Programmed's earnings forecasts are disappointing
- Insufficient information provided to shareholders about the value of Programmed shares
- Rejection of Spotless' Offer is without substance

## 2. Spotless' Offer remains highly attractive

- Spotless shares are great value at the current share price<sup>1</sup> and Spotless has significant re-rating potential
- Spotless is offering an attractive premium and high earnings multiples to Programmed shareholders
- On its own, Programmed will remain a small, niche services player with a challenged business model
- ACCEPTING Spotless' Offer allows Programmed shareholders to swap into a bigger and better positioned company
- Spotless is offering a substantial cash amount<sup>2</sup> in a time of equity market volatility
- Programmed's share price is likely to fall in the absence of the Offer

## 3. Strategic rationale is compelling

- Spotless and Programmed have a strong strategic and business model fit
- The combination unlocks the complementary value in both businesses
- Significant annual synergies of approximately \$18 million in year 2
- Programmed shareholders can share in the potential significant upside of the Merged Group

## 4. Programmed shareholders should ACCEPT Spotless' Offer

*"Spotless is disappointed with Programmed's response to the Offer on two grounds – its lack of disclosure on value and its soft earnings forecasts. We believe that these two key issues underscore the attractiveness of Spotless' Offer. Spotless continues to believe that the Offer is highly attractive and will bring significant long term benefits for both Programmed and Spotless shareholders."*

Josef Farnik, Deputy Managing Director of Spotless

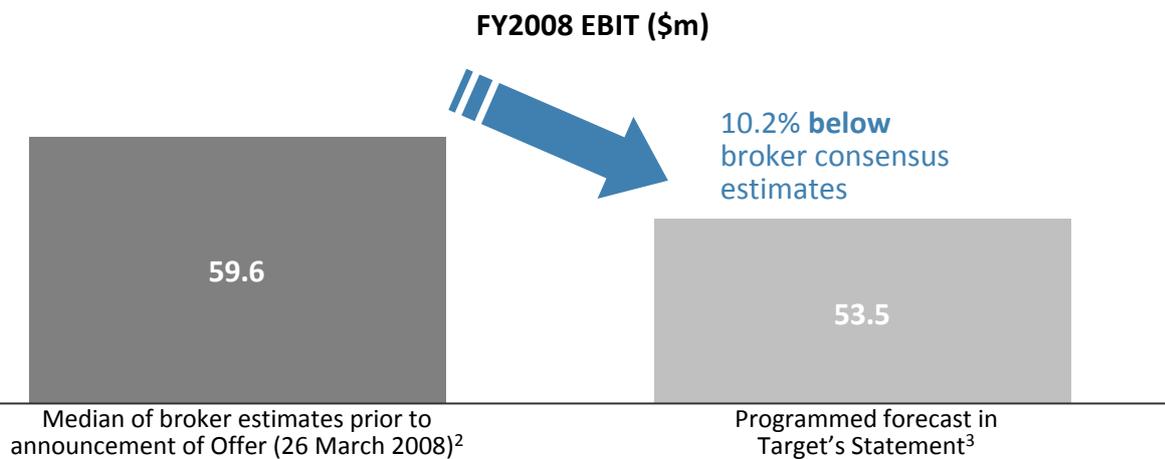
1. Spotless share price on 13 May 2008 of \$3.42.

2. Spotless is offering the following alternative forms of consideration for each of your Programmed shares:  
- 1.620 Spotless shares per Programmed share (All Share Alternative); or  
- \$1.50 in cash plus 1.223 Spotless shares per Programmed share (Majority Share Alternative); or  
- \$3.00 in cash plus 0.825 Spotless shares per Programmed share (Maximum Cash Alternative).

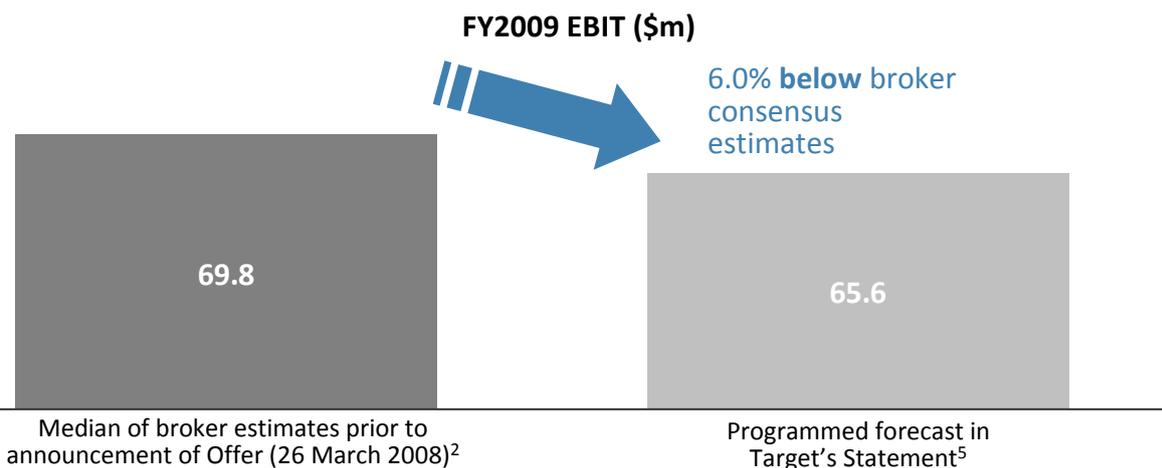
# 1. Programmed's defence lacks credibility

## Programmed's FY2008 and FY2009 earnings forecasts are disappointing

Programmed's earnings forecast for FY2008 is approximately 10% below broker forecasts prior to announcement of the Offer and is likely to be in breach of the "No Programmed Material Adverse Change" condition that is triggered if Programmed's FY2008 EBIT is less than \$56 million<sup>1</sup>...



...Programmed has also released a soft outlook for their 'Existing Business Comparison' in FY2009 compared to broker forecasts. Programmed's projections for FY2009 are masked by the proposed SWG acquisition that is uncertain and subject to both transaction and execution risk<sup>4</sup>



1. Condition 2 to Spotless' Offer requires that the consolidated EBIT (before non-recurring items) of Programmed for the year ended 31 March 2008 is not less than \$56 million. Further details in relation to this condition are set out in Section 16 of the Bidder's Statement.
2. Based on median of broker estimates for Programmed's earnings for the 12 months to 31 March 2008 as sourced from IBES (26 March 2008).
3. Refer to page 28 of Programmed Target's Statement (7 May 2008).
4. The proposed acquisition of SWG is based on a non-binding heads of agreement and is subject to Programmed shareholder approval and due diligence (see Section 9.1 of Programmed's Target's Statement).
5. 'Existing Business Comparison' as disclosed in Programmed's Target's Statement (7 May 2008). Excludes SWG acquisition and divestment of Barry Bros.

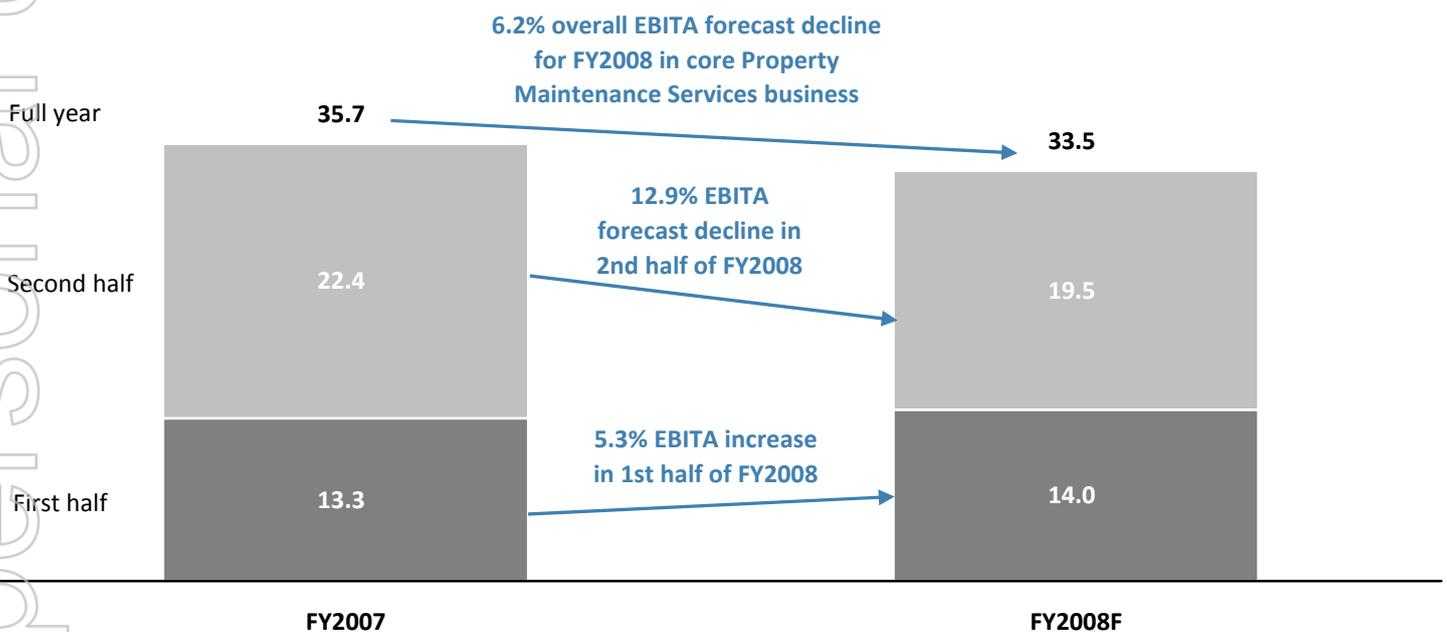
Programmed's disappointing earnings forecasts underscore the attractiveness of Spotless' Offer

# 1. Programmed's defence lacks credibility

## Programmed has released a particularly soft FY2008 earnings forecast in its core business

Programmed's core business, Property Maintenance Services, reported a soft earnings forecast for FY2008, particularly in the second half which is forecast to fall 12.9% in comparison to 2H2007. Overall, earnings before interest, tax and amortisation ("EBITA") in the Property Maintenance Services business is forecast to fall 6.2% in FY2008

### Property Maintenance Services EBITA (\$m)<sup>1</sup>



Source: Programmed Target's Statement, Programmed 2007 Annual Report and Programmed 2008 interim report

1. Includes Property Maintenance Services and Facilities Management and excludes Workforce, Marine, SWG, Barry Bros and unallocated / corporate. Figures for FY2008 are based on Programmed's forecast results set out on page 28 of Programmed's Target's Statement.

You should be concerned about this downward trend in Programmed's core Property Maintenance Services business

# 1. Programmed's defence lacks credibility

## Programmed has not provided sufficient information to its shareholders...

- Spotless believes that the Target's Statement prepared by Programmed contains insufficient information for Programmed shareholders to make an informed decision about whether or not to accept the Offer
- Programmed has not included a valuation of Programmed's shares or an Independent Expert's report to assist Programmed shareholders and are:
  - Denying Programmed shareholders sufficient substantive evidence to support the Board's recommendation
  - Not following market practice and failing to provide shareholders with objective reference points (e.g. premia, capitalisation multiples) against which to consider the Offer<sup>1</sup>
- Programmed has not provided audited results for the financial year ended 31 March 2008

## ...and the rejection of Spotless' Offer is largely without substance

- A key plank of Programmed's defence was built on selective and emotive use of unsubstantiated quotes
  - The Takeovers Panel found that Programmed's actions had caused unacceptable circumstances
- Programmed claim that approximately 16% of shareholders have agreed not to accept Spotless' current Offer, **on a non-binding basis, subject to no new information**<sup>2</sup>
  - Agreements are not binding and these (unnamed) shareholders are free to change their minds and accept the Offer at any time
  - Spotless already has a relevant interest of 13.2% in Programmed, including 10.3% in binding pre-bid acceptance agreements with three of Programmed's largest shareholders, indicating their support for the transaction<sup>3</sup>
- Programmed has not identified a credible value creation alternative to Spotless' Offer

1. See page 8 which sets out the implied Offer multiples against precedent property maintenance and labour hire transactions.

2. Source: Page 12 of Programmed's Target's Statement.

3. Further details in relation to the pre-bid acceptance agreements are set out in Section 14.2 of the Bidder's Statement.

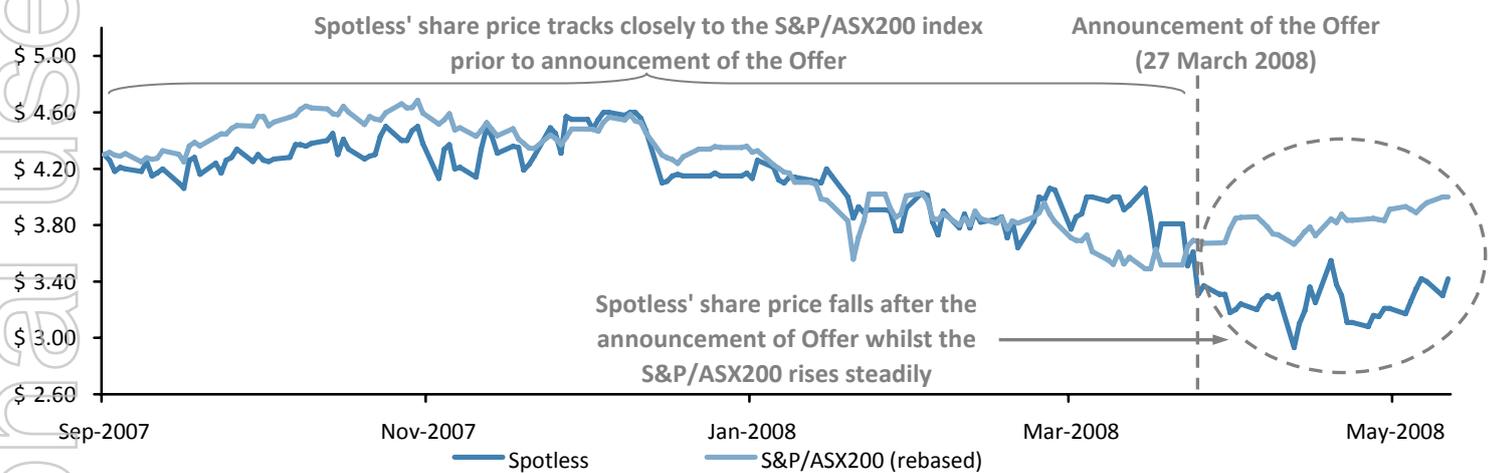
Programmed has not provided sufficient information to support its rejection of Spotless' Offer

# 2. Spotless' Offer remains highly attractive

Spotless is great value at the current share price and has significant re-rating potential

Spotless' share price closely tracked the S&P/ASX200 index prior to the announcement of the Offer but has declined since then whilst the index has risen steadily. This could possibly be as a result of short selling pressure from arbitrageurs in Spotless' shares

## Spotless share price performance



Source: IRESS

Spotless' current share price is significantly below broker valuations and trading levels prior to the announcement of the Offer (on 27 March 2008)



Source: Broker reports, IRESS

1. Average of valuations from ABN Amro (27 March 2008), Citigroup (27 March 2008), Credit Suisse (27 March 2008), GSJBW (7 March 2008), JP Morgan (27 March 2008), Macquarie (26 February 2008) and UBS (27 March 2008).

Spotless' current share price is not representative of its fundamental value

# 2. Spotless' Offer remains highly attractive

## The Offer represents a substantial premium

- Valuing the Offer based on Spotless' 10 day VWAP prior to announcement of the Offer (to 26 March 2008) is more appropriate as it is more representative of Spotless' fundamental value than the current share price
  - Based on the 10 day VWAP prior to the announcement (to 26 March 2008) the Offer is valued at \$6.11 per share and represents a 34.6% premium to Programmed's pre announcement share price of \$4.54 (on 26 March 2008)
- Using the average broker valuation for Spotless (\$4.07 as at 13 May 2008) implies an Offer value of up to \$6.60 per share under the All Share Alternative, implying a premium of up to 45.4%
  - Even at the current Spotless share price of \$3.42 (13 May 2008), which has been impacted by the Offer, Spotless' Offer still represents a premium of up to 28.2% under the Maximum Cash Alternative

|   | Spotless Share Price | All Share Alternative | Majority Share Alternative | Maximum Cash Alternative |
|---|----------------------|-----------------------|----------------------------|--------------------------|
| <b>Implied value of the Offer</b>   |                      |                       |                            |                          |
| Spotless 10 day VWAP pre announcement (to 26 March 2008)                        | \$3.77               | \$6.11                | \$6.11                     | \$6.11                   |
| Broker average valuation <sup>1</sup>   | \$4.07               | \$6.60                | \$6.48                     | \$6.36                   |
| Current price (13 May 2008)   | \$3.42               | \$5.54                | \$5.68                     | \$5.82                   |
| <b>Implied premia to Programmed share price before announcement<sup>2</sup></b> |                      |                       |                            |                          |
| Spotless 10 day VWAP pre announcement (to 26 March 2008)                        | \$3.77               | 34.6%                 | 34.6%                      | 34.6%                    |
| Broker average valuation <sup>1</sup>   | \$4.07               | 45.4%                 | 42.7%                      | 40.1%                    |
| Current price (13 May 2008)   | \$3.42               | 22.0%                 | 25.1%                      | 28.2%                    |

1. Average of valuations from ABN Amro (27 March 2008), Citigroup (27 March 2008), Credit Suisse (27 March 2008), GSJBW (7 March 2008), JP Morgan (27 March 2008), Macquarie (26 February 2008) and UBS (27 March 2008).

2. Premium to Programmed share price on day before announcement (26 March 2008) of \$4.54.

Spotless is offering you an attractive premium for your Programmed shares

# 2. Spotless' Offer remains highly attractive

The acquisition multiples implied by the Offer are highly attractive...

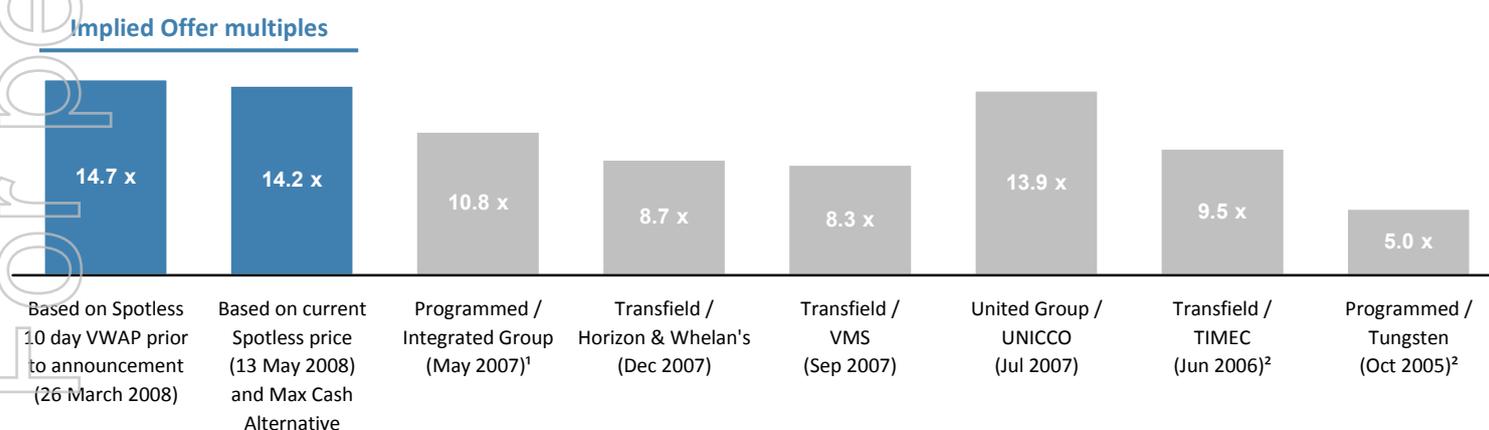
|  | Spotless share price | All Share Alternative | Majority Share Alternative | Maximum Cash Alternative |
|--|----------------------|-----------------------|----------------------------|--------------------------|
| <b>Implied 2008E EV / EBIT multiple<sup>1</sup></b>      |                      |                       |                            |                          |
| Spotless 10 day VWAP pre announcement (to 26 March 2008) | \$3.77               | 14.7x                 | 14.7x                      | 14.7x                    |
| Broker average valuation <sup>2</sup>                    | \$4.07               | 15.5x                 | 15.3x                      | 15.1x                    |
| Current price (13 May 2008)                              | \$3.42               | 13.7x                 | 14.0x                      | 14.2x                    |
| <b>Implied 2008E P / E multiple<sup>1</sup></b>          |                      |                       |                            |                          |
| Spotless 10 day VWAP pre announcement (to 26 March 2008) | \$3.77               | 20.5x                 | 20.5x                      | 20.5x                    |
| Broker average valuation <sup>2</sup>                    | \$4.07               | 22.2x                 | 21.8x                      | 21.4x                    |
| Current price (13 May 2008)                              | \$3.42               | 18.6x                 | 19.1x                      | 19.5x                    |

1. Assumes 90.0 million ordinary Programmed shares on issue, plus 1.0 million performance options and performance rights and net debt of \$231 million (as per Target's Statement). Based on current Programmed forecasts provided in Target's Statement of 2008 EBIT of \$53.5 million and 2008 NPAT of \$27.1 million.

2. Average of valuations from ABN Amro (27 March 2008), Citigroup (27 March 2008), Credit Suisse (27 March 2008), GSIJBW (7 March 2008), JP Morgan (27 March 2008), Macquarie (26 February 2008) and UBS (27 March 2008).

...and are at the upper end of multiples paid in precedent transactions

## Precedent property maintenance and labour hire transactions (EV / EBIT)



Note: Transactions above represent precedent property maintenance and labour hire transactions announced since 2005 that have Australian targets or acquirers.

1. Based on forecast Integrated Group EBIT ending 31 March 2007 contained in Programmed / Integrated Group scheme document.

2. Based on EBIT multiple reported in Independent Expert's Report contained in Programmed / Integrated Group scheme document.

Spotless is offering you substantial value for your Programmed shares

## 2. Spotless' Offer remains highly attractive

### Programmed is largely a single-service provider and has limited ability to provide integrated services

- Australian customers are increasingly demanding multi-service offerings (i.e. not just the provision of a single service such as painting), which is set to be a key area of growth in the services sector
  - This is consistent with how the services sector has developed offshore, particularly in North America and the United Kingdom
  - Programmed is not capable of delivering the large, sophisticated contracting model associated with multi-service contracts on a standalone basis
- Programmed is a niche player that lacks the service offerings, infrastructure and scale required to access the fast growing multi-service sector
  - On its own, Programmed is likely to experience growth constraints in its single-service area and continued margin pressure as is currently being experienced in Programmed's Property Maintenance Services business
- Spotless is a market leader in providing multi-service solutions through its Managed Services division
  - Spotless had multi-service and facilities management revenue of over \$1.1 billion for FY2007, which is well over 10 times the size of Programmed's equivalent annual revenue
  - Spotless has an order book of over \$6 billion
- The Merged Group will be a larger, more diversified facility services company able to pursue opportunities not available to Programmed alone

On its own, Programmed will remain a small, niche services player with a challenged business model

## 2. Spotless' Offer remains highly attractive

### Spotless' Offer is the only offer available...

- Spotless' Offer is the only offer currently available to Programmed shareholders
- Spotless is offering a substantial cash amount<sup>1</sup> in a time of equity market volatility
- Spotless has a relevant interest of 13.2% in Programmed
  - Includes 10.3% in pre-bid acceptance agreements with three of Programmed's largest shareholders, indicating their support for the transaction<sup>2</sup>
- If Programmed shareholders do not accept the Offer, they will not participate in the \$18 million in synergies<sup>3</sup> or take part in the potential significant upside of the Merged Group that will be a leading provider of facility services in Australia and New Zealand
- Programmed has not identified a credible value creation alternative to Spotless Offer

1. Spotless is offering the following alternative forms of consideration for each of your Programmed shares:

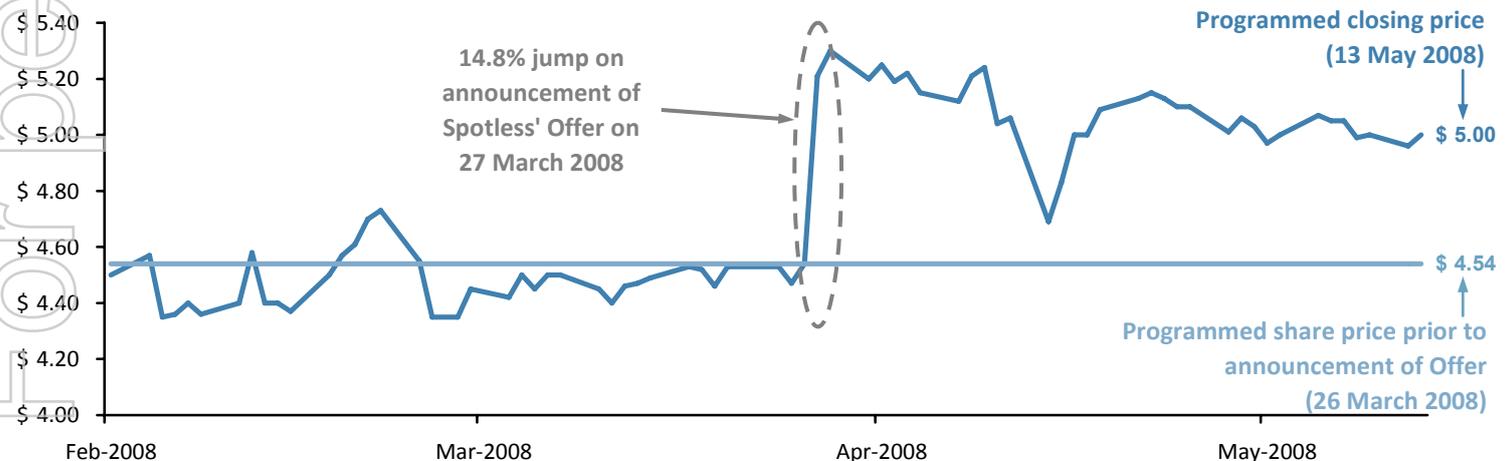
- 1.620 Spotless shares per Programmed share (All Share Alternative); or
- \$1.50 in cash plus 1.223 Spotless shares per Programmed share (Majority Share Alternative); or
- \$3.00 in cash plus 0.825 Spotless shares per Programmed share (Maximum Cash Alternative).

2. Further details in relation to the pre-bid acceptance agreements are set out in Section 14.2 of the Bidder's Statement.

3. Spotless expects to achieve annual pre-tax synergies of approximately \$18 million per annum in the second full year of ownership. Refer to Section 9 of the Bidder's Statement for further details in relation to estimated synergies.

...and Programmed's share price is likely to fall in the absence of the Offer, particularly in light of its soft earnings forecasts

#### Recent Programmed share price performance



Source: IRESS

ACCEPTING Spotless' Offer is the most compelling option for Programmed shareholders

# 3. Strategic rationale is compelling

## The acquisition of Programmed has strong strategic rationale

### **Programmed is a strong strategic fit for Spotless**

- The acquisition of Programmed will result in:
  - Increased breadth and depth in coverage of client segments for the Merged Group
  - Increased breadth and depth of services with ability to provide clients seamless integrated multi-service offerings and focused single service offerings
  - Significantly increased scale in Australia and New Zealand creating a facility services leader with improved ability to create value from UK beachhead

### **Programmed is a strong business model fit for Spotless**

- The acquisition of Programmed will result in:
  - Increased ability for the Merged Group to deliver a combination of multi-service and single service solutions
  - More effective labour management by the Merged Group
  - Lower cost and improved quality of client service delivery by the Merged Group

### **The acquisition unlocks the complementary value in both businesses**

- Programmed's businesses are a logical extension to Spotless' facility services portfolio
- The Merged Group will have more effective account management through Managed Services – with a deeper pool of services to draw from
- Opportunity to enhance workforce management capabilities across the Merged Group

### **Significant annual synergies of approximately \$18 million in year 2<sup>1</sup>**

1. Refer to Section 9 of the Bidder's Statement for further details in relation to estimated synergies.

By ACCEPTING Spotless' Offer, Programmed shareholders will share in the potential upside of the Merged Group

This Second Supplementary Bidder's Statement is signed on behalf of Spotless Investment Holdings Pty Ltd by Josef Farnik being a director of Spotless Investment Holdings Pty Ltd who is authorised to sign by a resolution unanimously passed at a meeting of the directors of Spotless Investment Holdings Pty Ltd.



Director



**SPOTLESS**