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Merger of equals proposal

Programmed seeks talks

Programmed (ASX:PRG) notes the announcement from Skilled Group (ASX:SKE) today regarding the Merger of Equals Proposal ("**Merger Proposal**").

In response to the announcement, Programmed Chairman Bruce Brook said: "We are pleased that Skilled has confirmed net synergies of around \$20 million, however we are disappointed with other aspects of Skilled's response. At a premium to Skilled's recent undisturbed share price, plus the opportunity to share the value created from the merger, the Merger Proposal we believe represents compelling value to Skilled shareholders.

"A number of independent analysts have assessed the merger terms as reflecting the approximate earnings contributions of both companies.¹ The proposal is not about the past, it is about the future." Mr Brook added.

Programmed remains convinced that the industrial logic for the merger to create a market leading staffing, maintenance and facility management business in the competitive markets faced by both companies is compelling. Programmed is pleased that Skilled noted in its presentation today that:

"Programmed's Property & Infrastructure business would provide diversification to SKILLED, as it has a different structure and risk profile to SKILLED's existing businesses, as would Programmed's greater exposure to the government and infrastructure sectors"

Mr Brook said: "Greater diversification in the earnings streams of the merged business, coupled with the lower gearing afforded by Programmed's minimal debt level, further adds to the attractiveness and enhanced risk profile of the merged company.

We have not had a discussion with Skilled since making our proposal (despite making several offers) and we remain open to discussions and any suggestions that Skilled might wish to make to effect a merger that would benefit both companies' shareholders. We strongly believe this proposal to be in the best interests of both companies and their shareholders".

Factual corrections

Programmed wishes to correct certain inaccurate statements in the Skilled release today:

- Contrary to Skilled's assertion, Programmed's Marine business is not primarily exposed to the offshore construction segment and indeed is diversified across the full oil and gas project life cycle.
- Programmed's current estimate of synergies and those previously agreed with Skilled management does not primarily arise from duplicated corporate functions, albeit that is a significant synergy opportunity. Net synergies of at least \$20 million include a significant worker's compensation opportunity. Other synergy opportunities are estimated by Programmed to be less than 5% of Programmed's estimate of the merged Group's combined sales and general administration costs (including duplicated head office and public company costs).²

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¹ For example, "Programmed-Skilled merger too compelling to pass up". Deutsche Bank (15 January 2015)
² Programmed estimates the merged group's combined SGA costs at approximately \$300m

