

29 October 2009

Announcements Office
Australian Stock Exchange Limited
Sydney NSW 2000

TAKEOVER OFFER FROM PROGRAMMED MAINTENANCE SERVICES LIMITED

KLM Group Ltd (**KLM**) today announced that it has signed a Takeover Bid Implementation Agreement with Programmed Maintenance Services Limited (**Programmed**) under which an off-market takeover offer will be made to acquire all of the issued shares in KLM at a price of 47 cents cash per ordinary share.

The offer will be subject to various conditions, including a minimum acceptance condition of 90%. These conditions are set out in full at Annexure A.

Directors' Recommendations

The directors of KLM each intend to unanimously recommend that KLM shareholders accept the offer in the absence of a superior proposal. Each of the directors of KLM intend to accept the offer in respect of all KLM shares that they own or control, in the absence of a superior proposal. The Board's formal response to the offer will be contained in its Target's Statement.

Acceptance by Major Shareholder

Moller Volantor Pty Ltd, the private investment company of joint Managing Directors Peter and Greg Jinks and the largest shareholder in KLM, has advised KLM today that it has entered into a Pre-Bid Agreement under which it has agreed to accept the proposed takeover offer by Programmed in the absence of a superior proposal in relation to 19.9% of its shareholding.

Premium for Shareholders

The offer from Programmed represents a 57.7% premium to the volume weighted average price of KLM shares for the 3 months to close of trade on 28 October 2009 and a premium of 4.4% to the closing price of 45 cents of KLM on 28 October 2009.

The Board, in reaching its position, has taken into consideration the earnings volatility of KLM over the last 2 years and the uncertainty in the commercial construction sector.

In the event the takeover offer is successful, the Directors believe it will provide shareholders with an opportunity to realise an attractive price for their shares.

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A new era for KLM

The last two years have been a challenging and difficult period for KLM as it has managed through the implementation of a new ERP system, loss incurring contracts that impacted profitability and the downturn in the commercial construction sector.

Peter Jinks commented: "As we have explored the opportunities for KLM over the last few months we are convinced that the bringing together of Programmed and KLM is a good outcome for all our key stakeholders."

"In our discussions with Programmed it is clear that KLM is an important acquisition. KLM provides Programmed access to a skilled workforce of over 700 staff nationally and a range of 'value added' services and product offerings (including Electrical & Lighting; Audio Visual, Environmental & Energy Audit; Data & Communications; Defence Contracting; Energy Maintenance, and Security & Surveillance) that can be leveraged nationally across the Programmed customer base and its operating divisions."

Greg and Peter Jinks have committed to Programmed to remain with the KLM business should the takeover be successful.

Programmed has confirmed that it intends that:

- It will retain KLM staff and management;
- The KLM head office will remain in Melbourne;
- It will continue to operate KLM as a stand alone subsidiary within the Programmed group with KLM management continuing to be responsible for their core operations;
- It will provide opportunities for KLM staff to benefit from the opportunities and growth arising from being part of a larger diversified services company;
- It will seek to identify opportunities for KLM to leverage its 'value added' services across Programmed customers and business divisions.

The directors of KLM encourage you to consider in due course, the KLM Target's Statement together with the Bidder's Statement and obtain advice from your legal, financial or other professional advisers if you are in any doubt as to what action you should take.

The Board's formal response to the offer will be contained in KLM's Target's Statement.

For all media and other investor relation enquires, please contact:

Mr Rod Chadwick
Chairman
KLM Group Limited
03- 9320 3444
Mr Antony Lynch
Director
M&A Partners
03 – 9078 5860

Shareholders seeking further information regarding their shareholding in KLM should contact Security Transfer Registrars Pty Limited on (08) 9315 2333.

Annexure A

Offer Conditions

1. Minimum acceptance

That during, or at the end of, the Offer Period, Programmed has acquired a relevant interest in at least 90% (by number) of the KLM Shares.

2. Market fall

Between the Announcement Date and the end of the Offer Period the S&P ASX 200 Index does not close below 4216.6 on any trading day.

3. No change in KLM directors' recommendation

The directors of KLM do not make any announcement on or after the Announcement Date and before the end of the Offer Period to the effect that:

- (a) they no longer recommend that KLM Shareholders accept the Offer; or
- (b) they recommend that KLM Shareholders accept or support any other transaction involving the acquisition by any third party of a relevant interest in more than 20% of the KLM Shares.

4. No material adverse effect

That no Specified Event or series of Specified Events occurs or becomes apparent that will, or is reasonably likely to, have a material adverse effect on the assets and liabilities, financial position and performance, profits and losses or prospects of KLM and its Subsidiaries, including as a result of making the Offer or the acquisition of KLM Shares pursuant to the Offer. For these purposes, a "Specified Event" is:

- (a) an event or occurrence that occurs on or after the Announcement Date and before the end of the Offer Period;
- (b) an event or occurrence that occurs before the Announcement Date but only becomes apparent or is announced or publicly disclosed between the Announcement Date and the end of the Offer Period; or
- (c) an event or occurrence that will or is reasonably likely to occur following the Offer Period and which has not been publicly announced prior to the Announcement Date.

5. No material acquisitions, disposals or new commitments

Except for any proposed transaction publicly announced by KLM before the Announcement Date, none of the following events occurs during the period from the Announcement Date to the end of the Offer Period:

- (a) KLM or a Subsidiary acquires, offers to acquire or agrees to acquire one or more companies, businesses or assets (or any interest in one or more companies, businesses or assets) for an amount in aggregate greater than \$1 million or makes an announcement in relation to such an acquisition, offer or agreement;
- (b) KLM or a Subsidiary disposes of, offers to dispose of or agrees to dispose of one or more companies, businesses or assets (or any interest in one or more companies, businesses or assets) for an amount, or in respect of which the book value (as recorded in KLM's balance sheet as at 30 June 2009) is, in aggregate, greater than \$1 million or makes an announcement in relation to such a disposition, offer or agreement;

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- (c) KLM or a Subsidiary enters into, or offers to enter into or agrees to enter into, any agreement, joint venture, partnership, management agreement or commitment which would require expenditure, or the foregoing of revenue, by KLM and/or its Subsidiaries of an amount which is, in aggregate, more than \$1 million or makes an announcement in relation to such an entry, offer or agreement; or
- (d) KLM or any Subsidiary enters into, or offers to enter into or agrees to enter into, a transaction that has the same economic effect as any of the things in clauses (a) to (c) or resolves to do any of the things in clauses (a) to (c) or this clause (d).

6. Distributions and capital reductions

That between the Announcement Date and the end of the Offer Period neither KLM nor any Subsidiary makes or declares or announces an intention to make or declare any distribution (whether by way of dividend, special dividend, capital reduction or otherwise and whether in cash or in specie) other than:

- (a) any distribution which has been publicly announced by KLM before the Announcement Date; or
- (b) the declaration and/or payment by any Subsidiary of a dividend where the only recipient of that dividend is KLM or a wholly-owned Subsidiary.

7. Prescribed occurrences

That, during the Bid Period, none of the following events happen:

- (a) KLM converts all or any of its shares into a larger or smaller number of shares;
- (b) KLM or a Subsidiary resolves to reduce its share capital in any way;
- (c) KLM or a Subsidiary:
- (i) enters into a buy-back agreement; or
 - (ii) resolves to approve the terms of a buy-back agreement under section 257C(1) or section 257D(1) of the Corporations Act;
- (d) other than on an exercise of a KLM Option (on issue at the Announcement Date), KLM or a Subsidiary issues shares, or grants an option over its shares, or agrees to make such an issue or grant such an option;
- (e) KLM or a Subsidiary issues, or agrees to issue, convertible notes;
- (f) KLM or a Subsidiary disposes, or agrees to dispose, of the whole, or a substantial part, of its business or property;
- (g) KLM or a Subsidiary charges, or agrees to charge, the whole, or a substantial part, of its business or property;
- (h) KLM or a Subsidiary resolves to be wound up;
- (i) a liquidator or provisional liquidator of KLM or of a Subsidiary is appointed;
- (j) a court makes an order for the winding up of KLM or of a Subsidiary;
- (k) an administrator of KLM or of a Subsidiary is appointed under sections 436A, 436B or 436C of the Corporations Act;

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- (l) KLM or a Subsidiary executes a deed of company arrangement; or
- (m) a receiver or a receiver and manager is appointed in relation to the whole, or a substantial part, of the property of KLM or of a Subsidiary.

8. Prescribed occurrences after Announcement Date

That none of the prescribed occurrences listed above happens during the period beginning on the Announcement Date and ending at the end of the day before the start of the Bid Period.

9. Entitlement Offer

Macquarie Capital Advisers Limited does not prior to the Settlement Date give notice to Programmed terminating its obligations under the Underwriting and Offer Management Agreement to subscribe for or procure subscriptions for the Shortfall Shares because of or purportedly because of any of the following:

- (a) Regulatory action
 - (i) ASIC issues, or threatens to issue, proceedings or commences any inquiry or investigation in relation to the Entitlement Offer;
 - (ii) the ASX makes any official statement to any person, or indicates to Programmed, or Macquarie Capital Advisers Limited (whether or not by way of an official statement) that existing shares in Programmed will be suspended from quotation, Programmed will be removed from the official list or that quotation of all of the Shortfall Shares will not be granted by the ASX or such approval has not been given, in the case of the Shortfall Shares, before the Settlement Date, or such suspension from quotation occurs; or
 - (iii) any regulatory body commences any public action against an officer of Programmed in his or her capacity as an officer of Programmed or announces that it intends to take any such action or an officer of Programmed is charged with an indictable offence or is disqualified from managing a corporation under the Corporations Act;
- (b) Hostilities, index falls, changes in law, moratoriums
 - (i) hostilities not presently existing commence (whether war has been declared or not) or a major escalation in existing hostilities occurs (whether war has been declared or not) involving any one or more of Australia, New Zealand, the United States of America, any member of the European Union, Russia, Japan or the Peoples Republic of China, or a terrorist act is perpetrated on any of those countries or any diplomatic, military, commercial or political establishment of any of these countries elsewhere in the world;
 - (ii) the S&P/ASX 200 Index on any day in the period from and including the Announcement Date and until the Settlement Date is equal to or less than:
 - (A) the level of that index as at the close of trading on the day before the date of the Underwriting and Offer Management Agreement (**Initial Level**), minus
 - (B) the Market Fall Percentage of the Initial Level;
 - (iii) a general moratorium on commercial banking activities in Australia, the United States or the United Kingdom is declared by the relevant central banking authority in any of those countries, or there is a material disruption in commercial banking or security settlement or clearance services in any of those countries;

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- (iv) there is introduced or there is a public announcement of a proposal to introduce, into the Parliament of Australia or any State of Australia a new law, or the Reserve Bank of Australia, or any Commonwealth or State authority including Takeovers Panel and ASIC, adopts or announces a proposal to adopt a new policy (other than a law or policy which has been announced before the Announcement Date), any of which does or is likely to prohibit, regulate or otherwise adversely affect the Entitlement Offer, capital issues or stock markets (including the manner in which Macquarie Capital Advisers Limited manages its underwriting risk);
- (v) any of the following occurs:
 - (A) trading in all securities quoted or listed on ASX, the London Stock Exchange or the New York Stock Exchange is suspended or limited in a material respect for more than one day on which that exchange is open for trading; or
 - (B) there is any adverse change or disruption to the political conditions or financial markets of Australia, the United States of America, the United Kingdom or Japan or the international financial markets or any change involving a prospective adverse change in national or international political, economic or financial conditions;
- (c) Entitlement Offer Documents

A statement contained in any document issued in respect of the Entitlement Offer is or becomes misleading or deceptive, omits any material required by the Corporations Act or otherwise fails to comply with the Corporations Act or any other applicable law or the Listing Rules;
- (d) Material adverse change

There is a material adverse change, or an event occurs which is likely to give rise to a material adverse change, in the financial position, results, operations, assets, liabilities, profits, losses or prospects of Programmed;
- (e) Material Contracts

Any material contract is:

 - (i) terminated, rescinded, repudiated or released; or
 - (ii) amended in any material respect without the prior consent of Macquarie Capital Advisers Limited.

Definitions

Terms used in this Annexure A have the following meanings:

Announcement Date means 29 October 2009 being the date of announcement of the Offer.

ASIC means the Australian Securities & Investments Commission.

ASX means Australian Securities Exchange Limited.

Bid Period means the period between the date the Bidder's Statement is given to KLM and the end of the Offer Period.

Bidder's Statement means the statement of Programmed under Part 6.5 Division 2 of the Corporations Act relating to the Offer.

Corporations Act means the Corporations Act 2001 (Cwlth).

Entitlement Offer means the non-renounceable offer of Programmed shares announced on the Announcement Date.

Institutional Shareholder means a shareholder in Programmed who is an “exempt investor” as defined in ASIC Class Order 08/35 or to whom an offer can be made under the Entitlements Offer without the need for a prospectus or other disclosure document.

KLM means KLM Group Ltd ACN 089 479 676.

KLM Option means an option over a KLM Share.

KLM Shares means fully paid ordinary shares in the capital of KLM.

KLM Shareholder means a holder of KLM Shares.

Listing Rules means the Listing Rules of ASX.

Market Fall Percentage means 10%.

Offer means the offer by Programmed to acquire KLM Shares referred to in the Bidder’s Statement.

Offer Period means the period for which the Offer remains open, being the period of 1 month, or such later date to which the Offer has been extended.

Programmed means Programmed Maintenance Services Limited ACN 054 742 264.

relevant interest has the meaning given in the Corporations Act.

Settlement Date means the date on which ordinary shares in Programmed offered to Institutional Shareholders under the Entitlement Offer are issued and when payment of net proceeds of at least \$28.1 million is received by Programmed for those shares.

Shortfall Shares means the ordinary shares in Programmed that Macquarie Capital Advisers Limited is required to subscribe for or procure subscriptions for under the Underwriting and Offer Management Agreement.

Subsidiary means a subsidiary as that term is defined in the Corporations Act.

Underwriting and Offer Management Agreement means the agreement of that name between Macquarie Capital Advisers Limited and Programmed dated on or about 29 October 2009.

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