

This document is a supplementary target's statement dated 1 July 2003 in relation to the off-market takeover bid by Iplex Pipelines Australia Pty Limited ("Iplex") for all your Milnes Shares ("Supplementary Target's Statement"). This Supplementary Target's Statement supplements, and is to be read together with, Milnes' Target's Statement dated 26 June 2003.

Dear Shareholders and Optionholders,

Update on Takeover Bids by Iplex and Etex Holding BV ("Etex")

The purpose of this letter is to:

- update you on recent developments concerning the takeover bids for all your Milnes Shares made by Iplex and announced by Etex;
- confirm the details of the various documents relating to each bid which have been, or in the near future will be, sent to shareholders; and
- provide you with a copy of the joint announcement to the ASX made by Etex and Milnes dated 20 June 2003 in relation to the Etex bid.

On Friday 27 June 2003 **Iplex increased its offer** to acquire your Milnes Shares **from \$1.15 to \$1.50 per share**. In addition, Iplex announced its intention to

- waive all the conditions of its offer upon receiving confirmation from the Australian Competition and Consumer Commission that it does not intend to take any action in relation to its offer based on the information before it; and
- vary the payment terms so that Milnes shareholders who accept Iplex's increased offer will be sent the cash consideration 5 business days after the offer becomes unconditional and thereafter 5 business days after acceptance by Milnes shareholders.

Iplex has stated that a supplementary bidder's statement setting out the details of its increased offer will be sent to you shortly.

Iplex's increased offer was in response to the conditional takeover offer of \$1.30 per share announced by Etex on 20 June 2003. A copy of the joint announcement to the ASX made by Milnes and Etex on 20 June 2003 is attached as **Annexure A** to this Supplementary Target's Statement. Etex's formal bidder's statement is expected to be sent to shareholders later this week.

1. Iplex's original offer and increased offer

Your Independent Directors unanimously rejected Iplex's original offer of \$1.15 per share for the reasons outlined in the Target's Statement sent to shareholders on 27 June 2003.

As detailed in the Target's Statement, your Independent Directors valued each Milnes Share in the range \$1.40 to \$1.71.

Iplex's increased offer of \$1.50 per share falls within your Independent Directors' valuation range. Accordingly, even though your Independent Directors consider that the increased offer price of \$1.50 per share does not adequately recognise the strategic value of Milnes to Iplex (see page 3) they now recommend that you accept Iplex's increased offer in the absence of a superior offer.

They also recommend that you do not accept Iplex's increased offer unless and until it becomes either fully unconditional or free of all of the conditions other than the "no prescribed occurrence" condition in clause 5.1(d) of the Bidder's Statement.

In the absence of a superior offer, each of your Independent Directors intends to accept Iplex's increased offer in respect of his own shareholding (or shareholdings in which he has a relevant interest) but not until after it becomes either fully unconditional or free of all of the conditions other than the "no prescribed occurrence" condition in clause 5.1(d) of the Bidder's Statement.

2. Etex Offer

Your Independent Directors were pleased to receive notice of the Etex offer of \$1.30 per share.

As stated in the Target's Statement, a majority of your Independent Directors recommended that you accept the Etex Offer in the absence of a higher offer. Iplex's increased offer of \$1.50 per share is a higher offer. Accordingly, they now recommend that the Etex Offer be rejected.

As also stated in the Target's Statement, two of your five Independent Directors, namely Messrs John Mason and Terry Dewar, did not intend to recommend acceptance of the Etex Offer. Their reasons for rejecting the Etex Offer are summarised in their letter dated 1 July 2003 which accompanies this Supplementary Target's Statement. Their stance in relation to the Etex Offer has effectively been vindicated by the increased \$1.50 per share offer now made by Iplex.

Etex will outline its intentions regarding Milnes' business and the future employment of its employees in its Bidder's Statement which, as mentioned above, is expected to be sent to shareholders later this week.

3. Documentation

A list of correspondence or documentation in relation to the Iplex Offer and Etex Offer which has been, or in the near future will be, sent to shareholders who were registered as at 27 May 2003 and 30 June 2003 respectively is set out below:

In relation to the original Iplex Offer of \$1.15 per share (which your Independent Directors unanimously rejected):

- Iplex's Bidder's Statement dated 27 May 2003 (which you should have);

- Milnes' Board's letter to shareholders dated 11 June 2003 (which you should have); and
- Milnes Target's Statement in response to the Iplex Offer (which was sent to you on Friday 27 June 2003).

In relation to Iplex's increased offer of \$1.50 per share:

- Iplex's Supplementary Bidder's Statement (which will be issued shortly).

In relation to the Etex Offer of \$1.30 per share (which a majority of your Independent Directors supported):

- Joint announcement to the ASX by Etex and Milnes dated 20 June 2003 (see Annexure A);
- Etex Bidder's Statement (which is expected to be issued later this week); and
- Milnes Target's Statement in response to the Etex Bidder's Statement (which will be sent within two weeks of the Etex Bidder's Statement being issued).

4. General

I encourage you to carefully consider all of the above documentation as well as this Supplementary Target's Statement and the accompanying letter from Messrs Mason and Dewar.

Your Independent Directors consider that the strategic value of Milnes to the global ambitions of both Wavin (Iplex's European 25% shareholder) and Etex should not be underestimated. Both companies are significant international players and will benefit by gaining the significant market position established by Milnes in Australasia. Shareholders should be cautious and take the time legislation makes available to them to consider all information which has been or will be put before them. You will then be in the best position to arrive at your own decision.

The Iplex Offer is presently open for acceptance until 14 July 2003, unless it is extended or withdrawn. The circumstances in which it may be extended or withdrawn are detailed in clauses 4.6 and 4.7 of the Target's Statement.

The Etex Offer will remain open for acceptance for at least one month from the date on which it is made. The precise closing date of the Etex Offer will be specified in the Etex Bidder's Statement.

I remind shareholders that if you accept the Iplex Offer you may not be able to accept any future more attractive offer for your Milnes Shares (including from Etex) should one arise. Your rights to withdraw your acceptance of the Iplex Offer are limited to the circumstances set out in clause 4.9 of the Target's Statement.

If any shareholder needs advice or assistance with any of the matters related to either offer for their Milnes Shares, they should consult their financial or legal adviser immediately.

Your Independent Directors will keep you informed of any material developments in relation to either the Iplex Offer or the Etex Offer.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Geoff. Rae.', written in a cursive style.

Geoff Rae
Chairman

1 July 2003

A copy of this Supplementary Target's Statement has been lodged with ASIC. Neither ASIC nor any of its officers take any responsibility for the contents of this Supplementary Target's Statement.

Unless the context otherwise requires, terms defined in the Target's Statement have the same meaning in this Supplementary Target's Statement.

This Supplementary Target's Statement is signed on behalf of Milnes by the abovenamed Director who is authorised to do so by a resolution of the Directors of Milnes.

ANNEXURE A - Joint ASX Announcement and Media Release - 20 June 2003

Etex Holding BV Makes Takeover Offer for Milnes

Etex Holding BV (“Etex”) is pleased to announce its intention to make a takeover offer to acquire all the shares in Milnes Holdings Limited (“Milnes”) for a price of \$1.30 cash per share.

A majority of Directors of Milnes recommend the Etex offer of \$1.30 cash per share to shareholders, in the absence of a higher offer, and intend to accept the Etex offer in respect of their shares.

The Etex offer of \$1.30 cash per share is 13% higher than the current offer of \$1.15 per share by Iplex Pipelines Australia Pty Limited (“Iplex”). The Iplex offer is intended to be unanimously rejected by the Directors of Milnes.

Etex is a wholly owned subsidiary of Aliaxis SA, the holding company of a plastic plumbing products group based in Belgium. Aliaxis is a major producer in the European and North American markets for plastic plumbing products in both pressure and gravity (non-pressure) pipe systems. It is a leading participant in the plastic plumbing products markets in New Zealand and is seeking to expand its activities in Australia.

Etex is already Milnes’ largest shareholder and currently has a relevant interest in 24.8% of the issued capital in Milnes. Etex has one representative on the Milnes board, Mr John Richardson, who did not participate in the Milnes Board’s consideration of Etex’s offer.

Mr Colin Leach, Manager, Australasian Operations, said: “Etex has been committed to expanding its interest in Milnes. The Etex offer is attractive for Milnes shareholders. It is higher than the Iplex offer and provides Milnes shareholders with an opportunity to realise a significant premium for their shares. The offer is being made to create a plastic pipe and fittings manufacturer of scale in Australia and New Zealand. This will allow the combined business to compete more effectively in the Australasian market.”

Mr Geoff Rae, the Chairman of Milnes, said: “As announced to shareholders previously, Milnes has been discussing alternatives to the Iplex bid with Etex and other parties. We are pleased that Etex has made this offer which improves the return to shareholders and is expected to provide for increased levels of service and support to our customers, suppliers and employees.”

Etex’s offer is conditional on Etex acquiring at least 50.1% of Milnes’ issued capital on a fully diluted basis and on certain other conditions. A summary of the conditions is attached to this document.

Full details of the Etex offer will be set out in Etex’s Bidder’s Statement, which is expected to be lodged and dispatched to shareholders shortly.

Etex is being advised by Grant Samuel Corporate Finance and Milnes is being advised by CJT Capital.

Etex Holding BV

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1075
Amsterdam
The Netherlands

34
AD

Colin Leach
Manager – Australasian Operations

Milnes Holdings Limited

110 Airds Road
Minto NSW 2566
Australia

Geoff Rae
Chairman

Summary of Offer Conditions

The Offer is subject to a number of conditions. In summary, these conditions are:

- a 50.1% minimum acceptance condition;
- Foreign Investment Review Board approval being obtained;
- no material adverse change in circumstances;
- the S&P/ASX 200 Index does not close for 3 consecutive trading days below 90% of the level the day before this announcement;
- no further dividends declared or distributed; and
- no “prescribed occurrences”.

Mr Terry Dewar
Finance Director
Milnes Holdings Limited
(02) 9603 0330

For media enquiries only please contact:

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