

29 August 2012

ALESCO UPDATES SHAREHOLDERS ON DULUXGROUP'S OFFER

Alesco Corporation Limited (**Alesco**) (ASX:ALS) notes the announcement yesterday by DuluxGroup Limited (**DuluxGroup**) (ASX:DLX). This announcement confirms the position of the Alesco Board on the payment of possible additional dividends and seeks to clarify the statements made yesterday by DuluxGroup.

Key points:

- Alesco confirms it **REJECTS** DuluxGroup's inadequate \$2.05 per share offer incorporating up to \$0.42 per share of fully franked dividends (DuluxGroup Revised Offer)
- Alesco will recommend an offer incorporating its discretion to pay in aggregate up to \$0.75¹ per share of fully franked dividends (Enhanced Dividend Proposal)
- Any Alesco Board recommendation and any additional dividends beyond the \$0.15 per share already determined by the Alesco Board would be subject to DuluxGroup reaching a relevant interest of 90% in Alesco, and certain other conditions being met
- Alesco again calls upon DuluxGroup to support the Enhanced Dividend Proposal, which given the circumstances is the only pathway that the Alesco Board is prepared to recommend
- The value of franking credits is not the same for all shareholders and shareholders should take their own tax advice

Commenting on the DuluxGroup Offer and announcement yesterday Alesco Chairman Mark Luby said:

"The Alesco Board reiterates its advice to shareholders to **REJECT** DuluxGroup's Revised Offer of \$2.05 per share incorporating up to \$0.42 per share of fully franked dividends. The DuluxGroup Revised Offer is inadequate, materially undervalues Alesco and represents a value well short of the bottom end of the Independent Expert's range of \$2.23 to \$2.52 per share.

"It is disappointing that DuluxGroup has again sought to preclude a recommended outcome with its premature announcement. Alesco's support for an enhanced proposal including the ability to pay fully franked dividends of up to \$0.75 per share is clear². Alesco's rejection of DuluxGroup's Revised Offer of \$2.05 per share incorporating up to \$0.42 per share of fully franked dividends is equally clear and unequivocal.

"Alesco has today announced that it will recommend an offer incorporating its discretion to pay an additional fully franked dividend of up to \$0.60 per share to bring the aggregate fully franked dividends under the Offer to up to \$0.75 per share,

¹ This includes the \$0.15 per share fully franked dividends already determined and payable on 7 September 2012 to those shareholders who were on the register on 17 August 2012.

² Refer to the announcement made by Alesco on 15 August 2012.

subject to certain conditions. The details of these conditions are set out below and reflect the negotiations Alesco has had with DuluxGroup in recent weeks.

“We again call upon DuluxGroup to support this proposal, which given the circumstances is the only pathway that the Alesco Board is prepared to recommend to its shareholders.

“DuluxGroup cannot deliver any additional dividends beyond the \$0.15 per share already determined without the Alesco Board's support. The additional dividends of up to \$0.27 per share included in DuluxGroup's announcements are therefore illusory. Our support for the Offer plus any additional dividends is conditional on DuluxGroup first reaching 90% acceptances, so that the additional dividends can be funded in a manner consistent with the prudent management of our balance sheet.”

Background

On 23 July 2012 DuluxGroup announced an increase to its cash Offer to \$2.05 per share and indicated that it would allow Alesco shareholders to receive up to \$0.18 per share in franking credits attached to dividends declared by Alesco, based on aggregate declared dividends of up to \$0.42 per share.

On 24 July 2012 Alesco determined in aggregate fully franked final and special dividends of \$0.15³ per share and rejected the DuluxGroup Revised Offer. In doing so, the Alesco Board advised that any increased dividend proposed by DuluxGroup would be financially imprudent, inconsistent with Alesco's strategy and not feasible within Alesco's existing finance facilities.

On 15 August 2012, following the resolution of Takeovers Panel proceedings concerning these circumstances, the Alesco Board advised that discussions with DuluxGroup had led it to support a proposal comprising an offer of \$2.05 per share, incorporating in aggregate up to \$0.75 per share of fully franked dividends (franking credits of an aggregate of \$0.32 per share) (**Enhanced Dividend Proposal**). The Alesco Board has consistently said that it would **NOT** recommend an offer that comprised up to \$0.18 per share of franking credits based on aggregate declared dividends of \$0.42 per share.

Any additional dividend determined by the Alesco Board beyond the previously announced \$0.15 per share of fully franked dividends would require DuluxGroup to acquire a 90% relevant interest in Alesco shares (including shares the subject of the institutional acceptance facility (**IAF**)). This is because Alesco currently considers that it would not be feasible to pay any further substantial dividends unless it were certain that Alesco would become a wholly-owned subsidiary of DuluxGroup.

Alesco has been in discussions with DuluxGroup in an effort to achieve an outcome where up to \$0.75 per share aggregate dividends could be paid. The DuluxGroup Revised Offer permits DuluxGroup to reduce the Offer Price by an amount equal to any Rights received on shares. However, the impact of franking credits paid on dividends is unclear and Alesco would require DuluxGroup to confirm that it would not seek to reduce the Offer price for franking credits. Further, ASIC has raised concerns that an increase in aggregate dividends from \$0.42 to up to \$0.75 per share raised issues in respect of its 'Truth in Takeovers' policy given previous “best and final” statements made by DuluxGroup.

DuluxGroup has now stymied these discussions by introducing an impossible condition on its support for the Enhanced Dividend Proposal, namely that the Alesco Board should commit to support the DuluxGroup Revised Offer if the Enhanced Dividend Proposal fails. This condition cannot be met as the Alesco Board has never supported it and continues to advise shareholders to **REJECT** the DuluxGroup Revised Offer.

³ The record date for the aggregate fully franked final and special dividend of \$0.15 per share was Friday 17 August 2012 at 7pm. These dividends will be paid by Alesco on 7 September 2012. Shareholders who come on to the register after the record date will not receive these dividends and will receive \$1.90 per share from DuluxGroup unless Alesco's proposal is implemented.

Alesco's Position

Having regard to DuluxGroup's announcement yesterday, the Alesco Board now advises that it will recommend an offer incorporating its discretion to pay an additional fully franked special dividend of up to \$0.60 per share (**Additional Special Dividend**) subject to the following conditions being satisfied on or before 30 November 2012:

- Overwhelming support for the dividend by Alesco shareholders, and in this context DuluxGroup agreeing not to waive its 90% minimum acceptance condition without Alesco's consent;
- The Australian Tax Office (**ATO**) issuing a tax ruling confirming that Alesco shareholders are not precluded from an entitlement to the franking credits and associated tax offset attached to any dividends paid by Alesco in relation to the Offer, and that the ATO will not take any other action to deny any franking benefits to Alesco shareholders;
- Availability of financing for the Additional Special Dividend on terms acceptable to Alesco;
- No superior offer emerging; and
- DuluxGroup confirming that:
 - it will not deduct the value of franking credits attached to the Additional Special Dividend from its Offer price; and
 - its Offer will remain open and conditional until no earlier than three business days after the record date for the Additional Special Dividend.

Having regard to these conditions there can be no certainty that an Additional Special Dividend will be paid.

The benefits that might accrue to shareholders from these franking credits would differ depending on each shareholder's individual circumstances and shareholders should take their own tax advice.

The DuluxGroup Revised Offer

The Alesco Board does **NOT** recommend the DuluxGroup Revised Offer.

Alesco also has a number of concerns with the announcement made yesterday by DuluxGroup, including statements on the way in which any additional dividends could be delivered.

Alesco has today made an application to the Takeovers Panel. In accordance with its usual practice, the Takeovers Panel will issue a media release with details of the application.

Alesco cautions Shareholders who have tendered shares into the DuluxGroup IAF

DuluxGroup has stated that it will not declare its Offer unconditional before 4 September 2012. In addition, DuluxGroup has previously stated that it has consent from its financiers to waive its 90% minimum acceptance condition once it holds an interest in more than 50% of Alesco shares (including through the IAF). Accordingly, Alesco reiterates that any shareholders who have accepted into the IAF need to be mindful of the potential consequences of remaining in the IAF at this point in time, unless DuluxGroup agrees to Alesco's conditions for the payment of the Additional Special Dividend.

In particular, if DuluxGroup were to go unconditional in the near term, the opportunity to achieve the Additional Special Dividend may be lost. The Alesco Board again encourages those shareholders to withdraw their shares from the IAF and work with the Alesco Board to achieve the Additional Special Dividend.

Directors' recommendation

Alesco confirms it **REJECTS** DuluxGroup's inadequate \$2.05 per share offer incorporating up to \$0.42 per share of fully franked dividends.

To **REJECT** DuluxGroup's Offer, **DO NOTHING** and **IGNORE** all documents sent to you by DuluxGroup.

FOR FURTHER INFORMATION:

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All company announcements and information on the DuluxGroup Offer and Alesco's response are available on the Alesco website at www.alesco.com.au. Shareholders can also receive further information on the offer by calling the Alesco Shareholder Information Line:

Within Australia: 1800 828 558
Outside Australia: +61 2 8280 7215