BRICKWORKS
LIMITED

ASX/MEDIA RELEASE **21 July 2014**

ATO TAX RULINGS ON PERPETUAL/CARNEGIE PROPOSAL

- **ATO has denied demerger roll-over relief for TPG share demerger proposal**
- **Significant tax would be payable by WHSP and Brickworks if the TPG share demerger proceeded**
- **Key assumption of Perpetual/Carnegie proposal rejected – this questions need for continuing with special general shareholder meeting**

Brickworks advises that the Australian Tax Office ("ATO") has issued final private tax rulings relating to a key element of the Perpetual/Carnegie proposal.

The ATO has denied the demerger roll-over relief required to effect the distribution of TPG shares by Washington H. Soul Pattinson ("WHSP") to its shareholders ("TPG Demerger") via a tax effective demerger dividend.

Obtaining the roll-over relief was an effective pre-condition to the TPG Demerger and the Perpetual/Carnegie proposal proceeding. In the absence of this relief, it appears to Brickworks that the TPG Demerger and the share cancellation transaction are unable to proceed. Brickworks therefore encourages Perpetual/Carnegie to cancel the shareholder meeting.

Background to ATO rulings

Since the Perpetual/Carnegie proposal was received by it on 23 October 2013, Brickworks has adopted a considered approach to reviewing the proposal. Brickworks formed an Independent Board Committee (IBC) to assess the proposal, engaged expert commercial, legal and tax advisors and devoted considerable time and financial resources to its analysis.

At the time the proposal was launched, Brickworks alerted the market to its concern that Perpetual/Carnegie may have incorrectly assumed demerger roll-over relief would be available to effect the TPG Demerger in a tax effective way (a fundamental premise of the Perpetual/Carnegie's proposal).

Accordingly, WHSP and Brickworks sought tax rulings from the ATO to clarify the actual position for the benefit of all shareholders.

Implications of the ATO's decision

Brickworks shareholders should be aware that if the TPG Demerger had proceeded as proposed by Perpetual/Carnegie:

- Brickworks estimates that WHSP, of which Brickworks is a 42.7% shareholder, may have had to pay approximately $313m[1] of capital gains tax on disposal of its TPG shares; and

- Brickworks would have had to pay significant income tax on the unfranked dividend component of the TPG Demerger.

If the Perpetual/Carnegie proposal had been implemented with these costs, Brickworks' view is that its shareholders would have been significantly worse off.

Shareholder meeting

The shareholder meeting originally scheduled for 25 November 2013 has been postponed a number of times and is currently scheduled to be held on 5 September 2014. Brickworks sought the postponements given its view that clarity on the tax treatment of the TPG Demerger (amongst other issues) was fundamental to shareholders' assessment of the Perpetual/Carnegie proposal.

In the wake of the tax ruling, Brickworks questions the need and expense of the special shareholder general meeting scheduled for 5 September 2014 and encourages Perpetual/Carnegie to cancel the meeting.

For further information:

Lindsay Partridge, Managing Director   Tel: (02) 9830 7800

Media inquiries:

Greg Baxter, Newgate Communications   Tel: 0419 461 368

[1] Based on TPG share price of $5.50 as at 4.15pm on 18 July 2014.